

Prime Minister

For information.

Mus 20/11



20 November 1981

Prime Minister

LOCAL GOVERNMENT FINANCE BILL

Before any 'alternative' solutions are put to the party - we must know whether they would work

Following last Thursday's debate in the House of Commons, Tom King and I have been talking to many of our colleagues and particularly to the Executive of the 1922 Committee about the way forward.

I have tried to identify the various options which are open if we decide we cannot make progress with the referendum part of the proposals. These fall into 3 groups: and if it is how we can't deal them out with a pack of cards.

- a. to abandon the Bill;
- b. to move to a centralist solution;
- c. to abandon the concept of polls and to find another method of relying on local opinion.

In advance of the meeting of E Committee on Wednesday, 25 November when I will bring colleagues up-to-date, I set out in this minute my judgements as to where we now stand. Events are likely to move very fast early next week, and we may need to take early decisions if we are to resolve the present impasse with all its debilitating effects.

Following the Executive of the 1922 Committee meeting and taking into account the very wide range of opinions inside and outside the Parliamentary party I believe the overwhelming majority of opinion takes the view that we cannot abandon the Bill.

In the light of Sir Michael Havers' advice I cannot recommend a solution that would involve me being challenged in the Courts and thus the centralist route is blocked off.

We have tried the referendum route and whilst opinion has softened there are no grounds for believing that it will soften sufficiently quickly enough to be able to make progress in this way. I conclude, therefore, that we have to find a variant of the localist option which does not include a local poll. I will keep in play the referendum option but I believe in the end we will conclude it is unrealistic, in Parliamentary terms.

No The other localist solutions include elections of the whole council; phased elections of each council on a third out basis; a new statutory duty under which authorities caught by our proposals would be committed to outside report on how they can make economies and to take this report into account in fixing the level of the supplementary rate; a new judicial body to whom local authorities would have to appeal before fixing a supplementary rate to secure its approval; or some recourse to the District Auditor or outside consultant.

There are many permutations.

May we see it? mb

No - not a substitute

I have agreed to appear before a joint meeting of the Finance Committee and the Environment Committee on Tuesday evening and, during Monday in my absence in Crosby, Tom King will be pursuing our consultations. I am strongly advised by Edward du Cann that the more I can steer opinion the more likely I am to reach a satisfactory consultation behind which the Party can unite. I am therefore writing this minute to indicate the background and to say that it is my belief that I have to try to steer the Party towards one of the localist solutions mentioned above.

Obviously no commitment will be made before colleagues have a chance to consider the outcome of Tuesday's meeting. But colleagues will appreciate the very difficult situation I am in in trying to unite the Party, to do so quickly and to do so in a way in which Cabinet colleagues will endorse.

I am copying this to all Members of Cabinet, the Chief Whip, the Attorney General, and to Sir Robert Armstrong.

DH

for MH

(minute dictated by the
Secy of State and signed
in his absence)