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CABINET

PARTY CONFERENCE: MOTION ON LOCAL GOVERNMENT FINANCIAL ARRANGEMENTS

Memorandum by the Secretary of State for the Environment

The Party Conference agenda contains the following motion -

"This Conference welcomes the rate capping legislation but urges Her Majesty's Government to make positive steps towards the abolition of the domestic rating system, replacing it eventually with a system of local taxation which bears more fairly on a wider spread of the population."

2. Our aim must be not only to prevent this motion being carried against us, but in view of the outspoken criticism by some of our own supporters of aspects of our local government finance policies, to secure support for what we are trying to do. The best means of achieving this would be an amendment which takes a positive line, welcoming existing policies and looking forward to further steps to improve the position of the ratepayer and secure greater responsibility in local government spending.

3. Possible approaches to such an amendment were discussed on 27 September in a group under the Prime Minister's chairmanship. In the light of that discussion I would propose the following amendment -

After "legislation" insert -

..... as a necessary measure to protect ratepayers in high spending areas, and urges the Government to make improvements in the local government financial system which will strengthen local accountability and encourage responsible local spending policies.

4. We shall need to consider the arrangements for discharging the commitment to further work which this entails. The work will need to range beyond our previous examination of alternatives to domestic rates, since that exercise clearly showed that we cannot simply "unplug" rates and "plug in" alternative local taxes without looking more widely at the scope for changes in the local government grant arrangements and service responsibilities. It will take a little time to specify in detail the ground which we wish the new study to cover, and there

will be some sensitive areas to explore. We must therefore keep the operation under tight Ministerial control and should not accord it the status of a formal review. The Secretary of the Cabinet is circulating a separate note on handling within Government.

5. In responding to the debate at the Party Conference I would refer in general terms to the Government's intention to look closely at the most serious deficiencies of the system, in particular the imbalance between those who pay for local services and those who enjoy them while avoiding any impression that the work would have the status of a formal review.

6. I seek colleagues' agreement -

a. to the terms of the draft amendment set out in paragraph 4;

b. to the outline response to the debate described above.

P J

Department of the Environment

1 October 1984