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Prime Minister (2)

To note

9 June 1982

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PRIME MINISTER

LOCAL GOVERNMENT: FUTURE POLICY

We are to begin, next week, our consideration of a number of major issues affecting local government. These issues will necessarily be presented to us independently of each other, but there are vital connections between them. I thought therefore that I should stress to colleagues at this stage the fundamental nature of the consideration of local government which we are about to undertake and the need for us to ensure that we do not take individual decisions without having their broader implications fully in mind.

Between now and the summer recess we shall have before us the following: my report on the public and political consultations on the Green Paper on Alternatives to Domestic Rates, on the fiscal and distributional effects of the proposed alternatives, and on possible early changes to remove anomalies and make improvements in the domestic rating system and perhaps in the non-domestic rating system; a paper from Keith Joseph about the study led by the Department of Education and Science on the case for changes in local government's present financial responsibilities for education services; a paper by David Howell on the study led by the Department of Transport on the longer term arrangements for London Transport and the PTEs, and for the management co-ordination and control of transport in London and the metropolitan areas; the results of the second stage of the study led by my Department on the re-organisation of the Metropolitan authorities; and a paper on central/local government relationships by CPRS. We shall also be giving preliminary thought to the Rate Support Grant settlement for 1983-4.

I suggest that we should ^b ~~be~~ keep in mind 4 general points when approaching these matters.

First, timing. Most of the possible reforms require legislation, and it is unlikely that more than a start can be made before the 1983-4 session of Parliament, especially if our conclusions are radical. Implementation, and the consequences and benefits of reform, are therefore matters for the next Parliament. I believe that the Party will accept such a timescale as manifestation of our resolve in these areas without expecting us to have legislated in the 1982-3 Session. But that does not rule out the possibility of our introducing some minor reforms this autumn.

Secondly, colleagues will want to consider the economic strategy to which we are committed in respect of local authority expenditure with its implications for rate levels in what could be an election year. Our decisions on the holdback of Rate Support Grant for 1982-3, as well as those on the settlement for 1983-4, will be of major political significance.

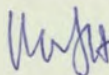
Thirdly, in dealing with problems which are in themselves practical and specific, we must neither forget our fundamental beliefs about the constitutional role of local government in our society, nor ignore the precedents which powers we take could establish for their use by alternative Governments with very different priorities. There are no absolute lines to be drawn in the relationship between central and

local government and in the last resort Parliament must determine where the frontiers should be. But I would hope that in reaching decisions on specific issues we would seek to increase the role of the centre relatively to that of local government only if it could be shown beyond doubt that the job concerned would be better done as a result.

Fourthly, we must not overlook the progress we have already made. There is no doubt that since we came to office we have subjected local government to a period of very considerable change. This has been the more painful because it represents the first serious check on the expectations and aspirations of local government for some 30 years. I attach a graph which shows how local authority current expenditure rose under all Governments from 1955 to 1973. The reorganisation came at the very end of this period and coincided with, though it did not cause, the brief check in this growth which is rather to be attributed to the changed economic circumstances following the oil crisis of 1973. Colleagues will see that we have checked the rise in current expenditure, and have brought manpower back to pre-1975 levels. The tragedy is that it is the capital programmes that have borne the heaviest cuts. But under the pressures that we have exerted new attitudes are increasingly to be found in a majority of authorities. We have brought about a standstill or perhaps a small decline in real terms in current expenditure since we came to office. We have forced direct labour organisations to compete with the private sector. The new rules for publication of information are having a significant effect on manpower decisions, land release and the speed of dealing with planning applications. We have seen the beginnings of increased use of the private sector in refuse collection. And we are setting up an Audit Commission which will greatly increase the scrutiny of the use which local authorities make of their resources.

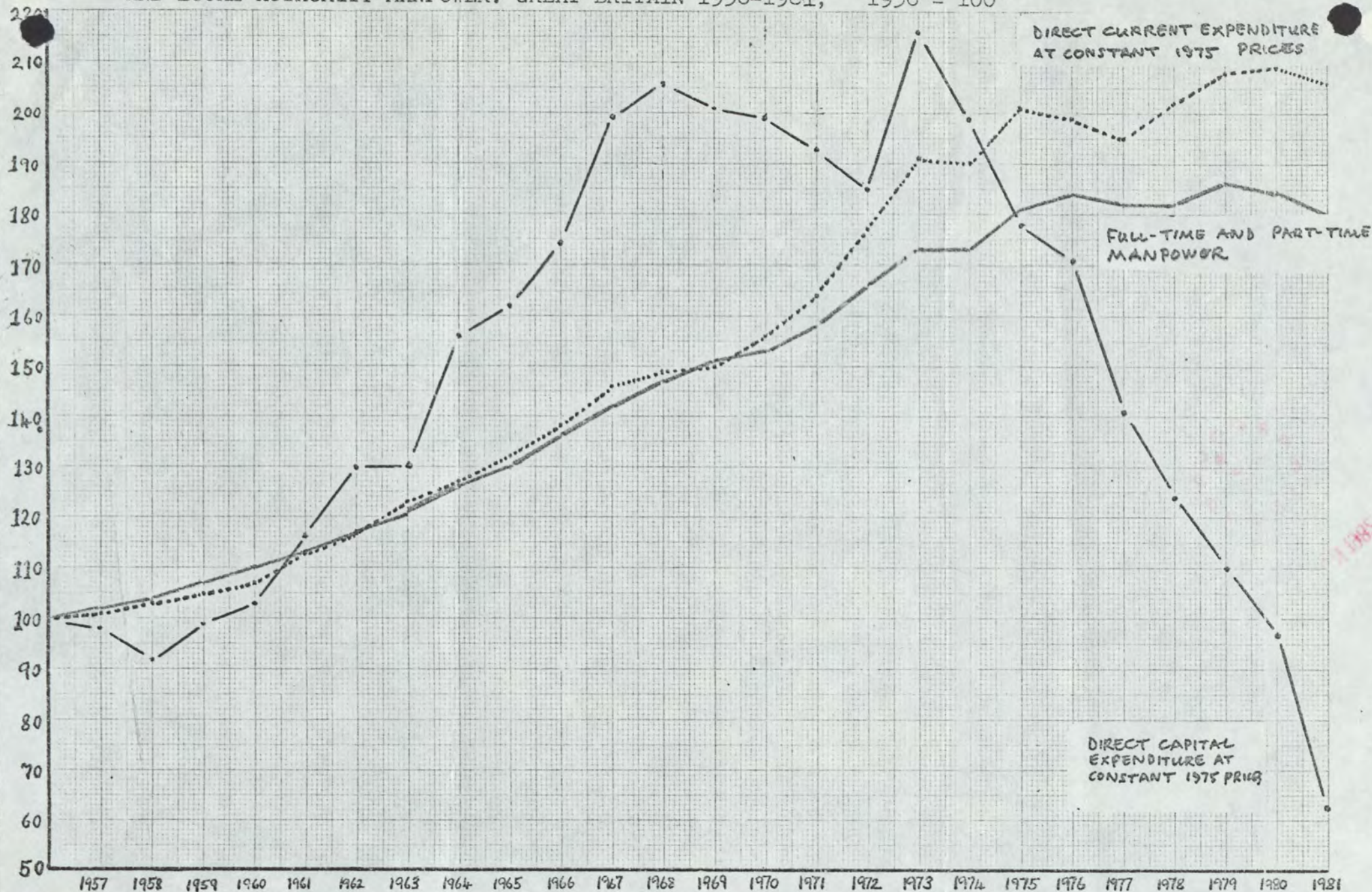
The battle to secure accountable and responsive local government is by no means won. There is much still to do; in particular, a factor which must concern the Party is how to find, at a time of increasing pressure, councillors of the quality needed to exert a proper democratic control over the official machine.

I am copying this minute to all members of the Cabinet, the Attorney-General, Sir Robert Armstrong and John Sparrow.



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INDICES OF LOCAL AUTHORITY DIRECT CURRENT AND CAPITAL EXPENDITURE AT CONSTANT 1975 PRICES AND LOCAL AUTHORITY MANPOWER: GREAT BRITAIN 1956-1981; 1956 = 100



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