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Prime Minister

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This is a round-up minute.

Do you agree to the general approach and to the timetable in the penultimate paragraph?

PRIME MINISTER

Yes Mr

MINISTERIAL GROUP ON LOCAL GOVERNMENT ORGANISATION AND FINANCE:
FUTURE WORK

MCS 20/7

The Ministerial Group on Local Government Organisation and Finance (MISC 79) was set up to consider, and report to Cabinet, on the following matters which have been under study within Government.

- (i) Alternatives to domestic rates;
- (ii) Financing of education;
- (iii) Financing and organisation of transport in the conurbations;
- (iv) The future of the Greater London Council (GLC) and the Metropolitan Counties;
- (v) Relationships between central and local government.

The last of these was not a matter for independent decision but a framework for decisions on the first four items.

This minute recalls the decisions that have been taken on the matters mentioned above, indicates the preliminary conclusions of MISC 79 on others, and outlines a programme of future work. It does not seek further decisions at this stage.

Alternatives to Domestic Rates

Local Govt. May 79 Future of the Rating System

My minute of 18 June reported to you and other members of the Cabinet our conclusion that future work should concentrate on reform of domestic rates, and that the alternatives which have previously been considered (assigned revenues, local income tax, local sales tax, poll tax) should be discarded. This conclusion has been accepted.

We shall accordingly be concentrating our future work on the possibilities for improving the domestic rating system; we shall also consider possible changes in non-domestic rates. At this stage, it seems unlikely that it will be appropriate to legislate in the 1982-83

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Session. But we have not excluded the possibility that we may be able to identify one or more attractive reforms, which could be the subject of relatively short and simple legislation.

Control of Local Authority Current Expenditure

In this context, I should recall that we also intend to study the possibility of exercising more effective control of local authority current expenditure by limiting the total current expenditure of individual authorities.

Financing of Education

We have given careful consideration to the proposal put forward by the Secretary of State for Education and Science that there should be a separate Exchequer grant to help finance local authority education. This would replace the present system, whereby Exchequer financial assistance for local authority education is part of the block grant. The Secretary of State for Education and Science argued that this would give him a degree of influence over education expenditure by local authorities more in keeping with his statutory responsibilities; it could also be a way of reducing domestic rates if it were used to increase the aggregate Exchequer grant, to local authorities.

Nevertheless, MISC 79 did not favour the proposal. The Group judged that it would tend to increase total expenditure by local authorities; that it would lead to pressure for similar arrangements in other services, which would involve greater intervention in local affairs by central government; and that it would be strongly opposed by local authorities. It is even doubtful whether we would carry the necessary legislation through Parliament.

However, MISC 79 did accept that the Secretary of State for Education and Science should explore the idea of new specific education grants, within the agreed total of aggregate Exchequer grant, to encourage activity in areas of particular importance, such as training more teachers for mathematics, physics, or other shortage subjects. He will be arranging for this idea to be considered further, and may bring forward proposals in the appropriate forum in due course.

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Financing and Organisation of Transport in the conurbations

My minute of 8 July to you reported the conclusions of MISC 79 on legislation to regulate subsidies by local authorities to public transport. These conclusions have been accepted; the Secretary of State for Transport is discussing with the colleagues most closely concerned the outstanding details of the legislation.

We have also invited the Secretary of State for Transport to report on possible longer-term changes in the organisation of transport in London. There are clear attractions in fundamental reform, including removing control of London Transport from the GLC; but it will not be practicable to legislate on these matters in 1982-83. We also need to make sure that any new arrangements will be a genuine and significant improvement. Substantial changes would have implications for the very future of the GLC; again, as noted below, any changes in local government organisation would have to be introduced on a longer time-scale.

Future of the GLC and the Metropolitan Counties

There are strong political arguments in favour of abolishing the GLC and the Metropolitan Counties. However, before a decision in that sense can be taken it will be necessary to consider in detail how the various services currently administered at the level of London or the Metropolitan County would subsequently be run. I myself have some reservations from the Home Office standpoint because of the implications for police authorities. The Secretary of State for the Environment is bringing forward a comprehensive study for MISC 79 to consider. It is quite clear that legislation could not possibly be introduced before the 1983-84 Session.

Local Elections

MISC 79 has also commissioned a study by officials of possible changes in local authority electoral arrangements (for example, to require all local authorities to have annual elections for a third of their members or to hold elections for all members every second year) with the aim of making local authorities more accountable to their electorate. We have, however, reached no view at this stage on the merits of possible changes.

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Timetable

The decisions outlined in this minute have dealt satisfactorily with the two topics on which it was essential to make progress before the summer recess: transport subsidies and alternatives to domestic rates. For the rest it is clear that we have a heavy programme of further study before us. Most of the issues interlock, so that decisions on one will affect decision on others. Although we shall press ahead with our studies, it is not realistic, in my view, to think of further discussion in Cabinet before the recess. Instead, MISC 79 hopes to bring forward a full report for consideration by colleagues in the autumn. It would then be possible, if we so decided, to announce our proposals in the field of local government organisation and finance by about the turn of the year.

I am sending copies of this minute to the other members of Cabinet, the Attorney General, Mr. Sparrow and Sir Robert Armstrong.

Wills

20. July 1982

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10 DOWNING STREET

From the Private Secretary

23 July 1982

Dear John,

Ministerial Group on Local Government Organisation and
Finance : Future Work

The Prime Minister was grateful for the Home Secretary's minute of 20 July which sets out the conclusions of the Ministerial Group on Local Government Organisation and Finance (MISC 79) and outlines a programme for the Group's future work.

The Prime Minister is content with the general approach outlined in the minute; and, in particular, with the timetable set out in its penultimate paragraph.

I am sending a copy of this letter to the Private Secretaries to the other members of Cabinet, the Attorney General, John Sparrow and Sir Robert Armstrong.

Yours sincerely,

Michael Scholar

J.F. Halliday, Esq.,
Home Office.

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