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PRIME MINISTER

25 September 1984

LOCAL GOVERNMENT

The DoE papers are short and to the point.

Contingency planning for obstruction of rate limitation:

Agenda Item A

DoE are right: follow a policy of brinkmanship, and do not march in with powers too early.

Ministers should say over and over again:

1. we do believe in local autonomy;
2. we assume that councillors will behave responsibly;
3. the Government will not intervene in their budget-making and rate-making processes until it is clear that they have failed in their duties and services are breaking down.

Changes in local government finance: Agenda Item B

The Memorandum makes out the case well for setting up a small Working Party.

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The main question to be resolved is whether such a working group has any chance of finding a good answer. It would be disastrous either to have a working group which came to the conclusion that the present system was the best we could do - we've already had false starts on rates abolition - or recommended something so radical as to be unworkable whilst upsetting many of our Conservative authorities.

Of all the options on offer, some kind of poll tax which is paid by every elector is the most likely to meet the requirements of accountability and visibility. Local income tax must be ruled out, because it cuts across our aim to lower income taxes in general. And local sales tax has the disadvantage of being such a modest impost on overall sales (typically 3 per cent on Vatable items) that it would not help control of expenditure.

One way of keeping the poll tax down to a level where it did not have to be rebated would be to transfer functions, eg education, to central government. This would, however, unleash a further row about growing centralisation, and would undermine the county level of government. Whilst it would be neat to have single-tier government in the shires as well as in the metropolitan areas, now is not the time to let that genie out of the bottle. A better solution is to uprate social benefits by a standard amount for an average poll tax.

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We are in favour of a politically directed enquiry with a strong political steer over what it might produce to ensure that it does not undermine the other policies.

Elimination of targets: Agenda Item C

Agenda Item C1: Elimination of targets

Target elimination could right some of the wrongs heaped on low-spending Conservative councils. DoE should be encouraged to work up a system for abolishing targets without encouraging a massive surge in total spending. Rate limitation and Met abolition should give the right opportunity, and as the paper points out, there are the means of encouraging reasonable levels of spending without targets.

Agenda Item C2: Audit Commission on Block Grant

DoE are right to be sceptical about the Audit Commission's work. The conclusions of the Report were often wrong headed and badly based. In addition to the flaws outlined by the DoE, there is the naiveté of the Audit Commission believing that you might be able to set grants 3 years in advance; difficulty in the recommendation on stopping close ending; some ignorance about the discretion already inherent in block grant, and no help on the important question of

special funds used as a way of syphoning money off for political purposes.

Abuses in local government: Agenda Item E

The suggestion of just another review will be greeted with some disappointment by many in the Party. The abuses are already well understood and well documented, and many in the Alliance and on the Right wing of the Labour Party would share Conservative apprehension about their deployment. Many in the Labour Party have even more reason to fear them, as they themselves have lost position, influence or policy lines because of the techniques used by the Left.

Couldn't the proposal for an Inquiry be strengthened by taking immediate action against the most flagrant abuses, enacting a clause permitting auditors to disallow certain kinds of blatantly political spending?

Agenda Item F(i)

(The arguments against action on publicity alone are (i) it looks like muzzling dissent (ii) nothing can be put in place for a year anyway. Better it is argued to establish publicity as part of a wider picture of abuse)

Abolition strategy to succeed needs to deliver cash savings. By the time of transfer, DoE must have cut through the cross-departmental red tape to cut out unnecessary policies, unnecessary staff and unnecessary property.

The DoE needs full backing to lead the other local government departments in identifying the minimum number of

staff that should be transferred, and in identifying the surplus properties that have to be sold. They now have the powers for procuring the necessary information under the Paving Act. They should be asked to draw up a budget for savings and staff within the next 3 months and to report back.

Agenda Item F(ii): Implementation of abolition

The one thing missing from this clear note is the plan for setting out to the wider public how their new system of local government is going to work in every district. We should be planning now a major propaganda campaign through speeches, and a leaflet for general distribution in each district, clarifying how people will receive their services under the new régime. There is no mention of the Voice for London question and how this lobby can be resisted.

Agenda Item G(i): Local government efficiency

Two things need to be done to give more bite to what is a sensible series of proposals.

Firstly, detailed targets should be set for the disposal of unused land, housing and public property, coupled with a major campaign setting out the evils of leaving houses tinned up when people are homeless, land unused in the

centre of cities that desperately need jobs, and public buildings under-utilised.

Secondly, the DoE should follow up the Audit Commission's work. How much money can the Audit Commission's VFM studies claim to have saved so far, and can we set more exacting targets for it?

Agenda Item G(ii): Contracting-out

This is best handled by the relevant E(A) discussion.

Local government policy 3 years from now: Comment

Paragraph 9. Abolition must be judged and seen to be a success by 1987. This can be done by ensuring the minimum transfer of staff and resources necessary, and drawing up a target and then hitting the target for savings. Similarly, in Paragraph 11, we should not be aiming merely to be "getting by": we should be aiming to win, which means delivering.

In Paragraph 12, we are told "the transitional costs of abolition are likely to be more evident than the savings": this is exactly what the DoE and other departments should be striving to avoid. They seem to be unaware of the enormous sums of money that could be raised from asset sales alone,

as the great administrative superstructure of the Met counties is unravelled.

The rosy picture in Paragraph 15 of the 1970s as a period of consensus and open consultation between local government and central government, is distorted history of a high order. At least from 1974 onwards there was always unhealthy tension between the local authorities wanting to spend ever more and more, and the central government trying to put the brakes on. Outturns were a little nearer to plans because the government didn't drive such a hard bargain on the plans.

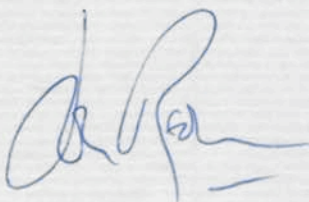
The paragraphs on targets and the block grant - Paragraphs 17-23 - just illustrate how dense and complex the system has become. The paper concludes in effect against the abolition of targets, in contra-distinction to the agenda papers. But there is a way out: targets could go, and the Government could still retain control of expenditure both because it could have control over rate increases, and over the block grant it pays local authorities. These two should be able to complete a pincer movement on total local spending.

The whole tone of the paper is somewhat defeatist, and the suggestions in Paragraph 26 as to how the Government may succeed do not extend across the whole gamut of possibilities. Of course there need to be more achievements

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in value for money, and audit has a role to play, as does contracting-out. But the need for "realism" in the Government's plans may be code for more spending: nothing is said about the need to reduce the burdens on local authorities.

The concluding peroration on the crisis of the big cities is over-dramatised and leads the DoE back to its original love in the Liverpool debate - the introduction of Commissioners. The idea that we might be in the position "where we should be prepared to trim and modify the policies as and when the problems materialise" is deeply unattractive. The whole point of a meeting like the Seminar is to think ahead concerning these problems, and to set out a clear and consistent course which can be articulated to the public and to the councillors concerned. Much discretion remains for local government to spend its £30 billion a year; all the Government is seeking to do is to limit the rate of growth in that total expenditure. This should not be an impossible task, and the abolition of the Mets should do a great deal to defuse the inner city problem.



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ANNEX

METROPOLITAN COUNTY COUNCILS' CAMPAIGN STRATEGY, 1984

We have had sight of a paper prepared in June by the Chief Executives Group of the MCCs which outlined a campaign for the rest of this year, along the following lines:

1. Assumptions

The MCCs should pursue a separate campaign separate from the GLC using two 'trump cards': a consultants' report on the costs of 'fragmentation' and the wide range of functions MCCs were responsible for.

An obstructive approach by MCCs could be a liability: better to focus on Parliament and gain support of Tory waverers eg Tory Reform Group and ABCC.

2. Campaign Strategy

The MCCs plan a three-stage campaign:

i. July:

- Establish Parliamentary links with sympathisers in both Houses, with emphasis on Tory waverers (Tory Reform Group, Peers).

- Lobby business through the CBI and the ABCC, activate the Arts and Voluntary Organisation lobbies.

ii. September/October:

- In the run-up to the Tory Conference, organise fringe activities at the Conference.
- Publish in popular form a report on the unworkability of joint boards and joint committees.
- Organise a conference on constitutional threats with the object of making Shire County members nervous that they are threatened too.

iii. Post-Conference:

- publish business attitudes survey including views on a Coopers & Lybrand report about the costs of 'fragmentation'
- encourage a respectable independent body eg Tavistock Institute to pronounce the proposed arrangements as unworkable and costly.

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- commission more studies, on fire, police and transport.

- publicise inadequacy of arrangements for consumer protection and waste disposal

- make a formal approach to the CBI and ABCC about the possibility of an enquiry into the structure and financing of local government in the Metropolitan areas.

Two features of this campaign's outline are noteworthy: its emphasis on legitimate action and its quest for Tory/business sympathy.


NICHOLAS OWEN

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