

*Cabinet filing*

FROM: CHIEF SECRETARY  
DATE: 3 October 1984

PRIME MINISTER

**PARTY CONFERENCE:  
MOTION ON LOCAL GOVERNMENT FINANCIAL ARRANGEMENTS**

I have seen the Secretary of State for the Environment's paper C(84)28.

2 I am rather concerned that his proposed amendment and what he proposes to say in responding to the debate will raise expectations of major change in the system of financing local government. I think this would be a mistake for very much the reasons which persuaded us against announcing a formal review. It is not clear that we will be able to devise and deliver a solution to the intractable problems of the rating system and it is important not to create a sense of uncertainty about our aims at the time that we are introducing rate capping and abolishing the metropolitan counties.

3 I hope, therefore, that the Secretary of State will agree to modify the amendment, in particular to avoid the words "urges the Government to make improvements", and will be careful not to raise expectations of further reforms of the rating system when he responds to the debate.

4 I am sending copies of this minute to other members of the Cabinet and to Sir Robert Armstrong.

PETER REES