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CONFIDENTIAL

PRIME MINISTER

LOCAL GOVERNMENT FINANCE STUDIES

1. Since I shall miss the E(LF) meeting on 21 November - I am due at an OECD meeting in Paris - perhaps I might comment on Patrick Jenkin's proposals. I have just had a useful talk with Kenneth Baker and William Waldegrave.
2. I am glad that they intend first to identify the objectives and the fundamental questions that we need to address. We shall thereafter better be able to come at questions of particular types of grant regime or methods of funding.
3. At this early stage, I have asked them to keep in mind that for a national service like education the financial regime needs to serve not only our financial objectives but also our policy objectives for raising educational standards. Within any new arrangements, we need machinery that offers the maximum possible leverage on local education authorities to bring their education priorities into line with our objectives and which, at the same time, pushes them to get better value for money from the total provision made for education.
4. I recognise that, in principle, we might achieve what we want by centralising the education service and taking it out of the hands of local government altogether. In my view that would lead us down the wrong path. It would destroy local accountability for education standards, discourage local innovation, require a huge central bureaucracy and expose government to endless local dilemmas and criticism.
5. I am copying this minute to other members of E(LF) and to Sir Robert Armstrong.

14  
KJ

19 November 1984

Department of Education and Science

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Local Govt Relations PT 23



419 MAY 1984

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CCND

Treasury Chambers, Parliament Street, SW1P 3AG

John Ballard Esq  
Private Secretary to the  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

November 1984

Dear John

E(LF)

The Chief Secretary has seen Sir Keith Joseph's minute of 19 November and subsequently the minutes of the E(LF) meeting on 21 November (E(LF)(84) 1st Meeting).

*attached* As he said in E(LF) he thinks it is important that the scope of the studies should be as unconstrained as possible. While acknowledging the force of Sir Keith's points on education, he believes that the studies must not exclude the financing of the education service, since it accounts for such a large proportion of local authority expenditure. He understands the conclusions of E(LF) not to rule this out.

I am copying this to Andrew Turnbull at No. 10, to the Private Secretaries to other members of E(LF) and to Richard Hatfield (Cabinet Office).

*Yours sincerely*  
*Richard Broadbent*

R J BROADBENT  
Private Secretary

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Local Govt #23  
Relating

DEC 4 1994



PRIME MINISTER

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LOCAL GOVERNMENT FINANCE STUDIES

I believe the case for an announcement is stronger than is implied in paragraph 11 of the Cabinet Office brief. The pressure for an announcement has come from Lord Rothschild who rightly argues that he and the other advisers cannot go round gathering information and discussing ideas with people in the local authority world without their status having been made clear. Secondly, it is right to make public the fact that the studies will have a private and a public phase. Without this, the Department of the Environment will have no way of preventing local authority bodies from making representations. Under the proposed arrangement, they can legitimately ask the people to wait. Finally, I do not believe that the expectation of a major statement could be held as an objection - surely this is expected anyway by now. Aborting the exercise is no longer an option.

AT

20 November 1984





*Fly*

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

*17013*

30 October 1984

*Dear Councillor Lovell*

LOCAL GOVERNMENT FINANCE STUDIES

As you will be aware, I said at the Conservative Party Conference that I had asked Kenneth Baker and William Waldegrave to take a fresh look at the whole field of local government finance. I thought it only right to give you some idea of what it is we are doing, particularly as some of the press reports of my remarks were a bit off-beam.

I think the first point I should make is that we are not conducting a formal review or inquiry; rather, we are pursuing a number of internal studies within the Department under Kenneth and William's direction. I have not set any specific terms of reference for this exercise, but they will be looking at the main features of the present arrangements, including rate support grant distribution, the balance between exchequer and local financing of local authorities, measures for improving local authority accountability and how local revenues might best be raised.

Consequently, I do not envisage - certainly at this stage - any hearings or formal requests for evidence from bodies outside the Department. As we all know, there is a mass of evidence and analysis available from past enquiries and investigations, much of it produced by the local authority associations. Kenneth and William will obviously need to sound out your current views in due course; that is, once the studies have got properly underway, probably after Christmas.

I am writing in similar terms to the Leaders of the AMA, ADC, LBA, and GLC.

*Yours sincerely*

*[Signature]*  
for PATRICK JENKIN

*Approved by the Secretary of State  
& signed in his absence.*

Councillor J R Lovell

*ACC*