

CEB



Pmie Minister

Broadly content with these conclusions?

Yes

DWS 6/11

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PRIME MINISTER

This minute is by way of a report on the meeting of E(LF) Committee, which I chaired on your behalf this morning.

2. As you know, the main item on the agenda was local authority capital expenditure control. The choice essentially lay between a system based on control of local authorities' borrowing and one based on control of their expenditure. While no-one disputed the greater intellectual cohesion of a control based on borrowing there was unease over its administrative implications, given the number of local authorities and the variety of their financial circumstances. The Committee were therefore clear that, of the options identified by the Secretary of State for the Environment, the practical one to go for was control over gross capital expenditure. Given the hostile reception which any effective control is likely to meet in the local authority world, the Committee agreed that the Green Paper's presentation of this would be crucially important and that it would be best if the option of imposing an external borrowing limit were also discussed, and dismissed, in the Green Paper itself.

3. The Committee had a useful discussion of the amount of flexibility that could reasonably be allowed on virement, revenue contributions to capital expenditure, and the transitional treatment of accumulated receipts. I asked the Secretary of State for the Environment to discuss these points further with colleagues, particularly the Chief Whip, and to let the Committee have early notice of what he would propose to say about them in the Green Paper. It may be that we shall need to discuss them again before we see the Green Paper as a whole.

4. As for the timing of the new control of local authority capital spending, legislation cannot now be enacted before the 1986/87 Session. Nevertheless, I made it clear, as I know you would have wished, that we must keep open the option of bringing the new controls to bear in 1987.

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5. The other matters were fairly straightforward. The Committee agreed in principle that power to cap the new local charges should be included in the reforming legislation right from the start. The suggestion of annual council elections was seen as provoking disproportionate trouble, not least with our own supporters, and the Committee decided that it should not figure in the Green Paper. The proposals for encouraging the fair and transparent presentation of local authority finances, by laying new duties on Treasurers, was approved for further development. And the Committee agreed that local authority fees and charges should be overhauled with a view to encouraging this source of local revenue; the Secretary of State for the Environment proposed a review of the topic under a junior minister, and the Committee were content with that.

6. In short, the meeting was extremely useful in clearing the way for some of the second order issues in the Green Paper and in reaching a clear view on the kind of capital control mechanism to which we should move. I doubt, however, whether we disposed finally of all the issues on capital control, and we shall certainly have to look at the drafting on this very carefully when we consider the Green Paper.

7. I am sending a copy of this minute to Sir Robert Armstrong.

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Privy Council Office
4 November 1985

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