

of NO

PRIME MINISTER

MS

LOCAL TAXATION

1. I have seen E(LF)(83)7, 8, 9 and 10 which I understand the Sub-Committee is to discuss on Wednesday.

2. On the interim scheme, I agree with the Environment Secretary that for constitutional reasons (his paragraph 3) and practical reasons (paragraph 4), including the impact on civil service manpower, we should reject a general system of control of rates underpinned by extra Exchequer grant. For much the same reasons, I have doubts even about the scheme which he puts forward in paragraph 15. We considered this very thoroughly in MISC 79 before Christmas, and most of us were convinced that, for a small and uncertain saving in public expenditure, it would seriously upset the balance of power between central and local government and call into question the statutory position of the Secretary of State for Education and some other Ministers.

3. In his paper the Chief Secretary invites us to commit ourselves at once to an interim scheme under which we would set a limit on the rate increase which any authority could make, but which would also allow individual authorities to seek derogations. In this way he would hope to catch only the small number of outrageous over-spenders. I sympathise with this intention, but I am not at all sure that we should be able to frame the legislation in such a way as to avoid a large number of applications for derogations, conflict between the responsibilities of the Environment Secretary and those of other Ministers and, in particular, a field day for the lawyers in a succession of difficult court cases. I think we need to be clearer about these issues before coming to a firm conclusion. It would be rash to promise more than we could deliver.

C O N F I D E N T I A L

4. On the final scheme, the EC problems over a local sales tax and the likely objections of many of our supporters in rural areas to a local tax on motoring are formidable obstacles, and I share the Chief Secretary's reservations about these new taxes.

5. This year the average increase in rates is much lower than in the recent past, despite the reduction in the level of grant. This is due both to our success in reducing inflation and to the block grant system which, in all but a handful of areas, has brought expenditure close to our plans. (The GLC and the ILEA alone account for more than half the prospective overspend in England this year, and we are considering the abolition of the former and the reform of the latter.)

6. I believe that the right way forward immediately is to undertake to improve the rating system, domestic and non-domestic, early in the next Parliament broadly on the lines indicated in paragraphs 27 and 28 of E(LF)(83)7 and to continue to exert the strongest possible pressure through block grant. At the same time we should ask officials to try to devise a selective scheme that avoids the difficulties to which I have referred in paragraph 3 above.

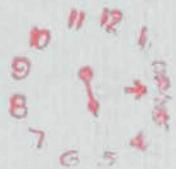
7. I am sending copies of this minute to the other members of E(LF) and to Sir Robert Armstrong.

KJ

26 April 1983

C O N F I D E N T I A L

26 APR 1963



PRIME MINISTER

E(LF) (83) 11 and 12

As I made clear in my minute of 26 April, I share the Environment Secretary's view that a selective scheme for controlling rate increases is preferable to a general scheme, and I would prefer further work to concentrate on that. There is one point I would add in relation to the Chief Secretary's memorandum (E(LF) (83) 12).

The Chief Secretary proposes general criteria, to be set out in legislation, which would prevent many local authorities seeking derogations from an imposed general limit on rate increases. The difficulty I see is that such criteria would have to be demonstrably compatible with the statutory educational duties of local education authorities. I think this might be difficult, though it is true one could not be certain without further work. The risk is that we should have local authorities complaining that they were being prevented by one Act from carrying out their statutory duties under another.

I am sending copies of this minute, as before, to the other members of E(LF) and to Sir Robert Armstrong.

ky.

4 MAY 1983

Mr. Loffhouse: Does the Chief Secretary recall that at a meeting earlier this month, NEDC said that there were no prospects of an increase in jobs in either the industrial or service sectors of industry during the course of this decade? Why do he and the Chancellor think that it was wrong?

Mr. Brittan: One of the reasons was that the sector committees, whose views were reflected in the report to which the hon. Gentleman, cover only about one third of the economy.

Mr. Budgen: Will my right hon. and learned Friend point out to NEDO that recently the west midlands has derived considerable advantage from the 13 per cent. fall in the sterling exchange rate and that the west midlands is prepared to support even the present very high level of interest rates if that is necessary to constrain any increase in the money supply, but is emphatically not prepared to support these levels of interest rates to sustain an uncompetitive rate of sterling?

Mr. Shore: Does the Chief Secretary recall that the last time he met and had discussions with the Neddy council on the most far-reaching report that it had had before it since the information of the Government, the general conclusion of the 30 sector committees that drew up the report said that there would be no increase in employment, on present policies, between now and 1990? What response will the Government make to this serious condemnation of their policies and the appalling prospects that lies ahead?

Mr. Brittan: As the right hon. Gentleman knows well, the view of the Government and the CBI is that the report was unnecessarily gloomy and that the sector committees whose work was reflected in that report have probably taken insufficient account of a number of recent favourable developments, including the rapid fall in inflation and the vast growth in industrial productivity.

PRIME MINISTER

Engagements

Q 1. **Mr. Tony Speller** asked the Prime Minister if she will list her official engagements for Thursday 28 April.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. After my duties in the House I shall be leaving for an official visit to Sheffield and the east midlands.

Mr. Speller: I welcome my right hon. Friend's achievement in getting inflation down to its lowest level for 15 years and in getting realistic wage settlements. None the less, will she accept that the real rate of interest is the greatest disincentive to borrowing and business? Furthermore, will she accept that while labour and capital-intensive businesses such as agriculture, catering and manufacture are doing well on other fronts, the real cost of borrowing is the greatest disincentive to investment and prosperity?

The Prime Minister: I share my hon. Friend's views of the importance of interest rates, and I agree that low inflation and low interest rates provide the right framework

for recovery. As inflation falls further, so real interest rates, which are slightly high at the moment, will continue to come down.

Mr. Beith: Will the Prime Minister spend any time today on her plans for the rating system? Will she promise to abolish the rating system, and if so, will it be on the basis of the plans that she had in mind at the time of the last general election, or will she promise merely to reform the rating system?

The Prime Minister: There was no pledge to abolish rates in the last election manifesto—[*Interruption.*] In the last manifesto we clearly said—

Mr. Skinner: Speak up.

The Prime Minister:—that the reduction in income tax will have to come first. The hon. Gentleman will have to wait to see exactly what we say about rates when the time comes.

Q2. **Mr. Chapman** asked the Prime Minister if she will list her official engagements for Thursday 28 April.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Chapman: The hon. Member for Berwick-upon-Tweed (Mr. Beith) spoke of rates. Will my right hon. Friend take time today to look at recently published statistics which show that the average rate poundage of Labour-controlled London boroughs is no less than 50 per cent. higher than it is for Conservative-controlled boroughs? Is my right hon. Friend aware that the equivalent figure for the metropolitan counties is 25 per cent., as it is in the shires? Does my right hon. Friend agree that the best advice to people is to vote Conservative at the local elections next week if they want to keep their rates down?

The Prime Minister: As my hon. Friend points out, there are many Labour-controlled local authorities that are big spenders of other people's money. This year, the 18 largest over-spenders are all Labour-controlled authorities. I agree with my hon. Friend that it is the duty of councillors to be careful how they spend ratepayers' money and to see that the ratepayers get value in every aspect of the councils' work.

Mr. Foot: If the right hon. Lady is now showing a renewed interest in the rating system, will she tell us by how much rates have increased under her Government?

The Prime Minister: Too much, especially in Labour-controlled authorities.

Mr. Foot: Have not the rates increased in general throughout the country under her Government by 75 per cent? By how much would that have been reduced had she not cut the rate support grant?

The Prime Minister: The rates are highest in Labour-controlled authorities. This year the 18 largest overspenders are all under Labour control. Among the 18 largest overspenders are the GLC, ILEA, the west midlands, Greater Manchester, Avon, Merseyside, Southwark, Sheffield, Derbyshire, Humberside, Greenwich, Tyne and Wear, Harringey, and south Yorkshire—all Labour-controlled. Labour loves spending other people's money.

Mr. Foot: Will the Prime Minister help us by saying how much the rates have increased in Surrey, which is controlled by the Conservatives?

The Prime Minister: They are much too high in Surrey this year. They are too high in many authorities. One of the ways of trying to reduce public expenditure in the local authorities was the new rate support grant system. On average, the rates are increasing this year by 6.5 per cent. Had the two biggest spenders—the GLC and ILEA—spent at their target there would have been, on average, virtually no rate increase this year.

Q3. Mr. Trippier asked the Prime Minister if she will list her official engagements for 28 April.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Trippier: Has my right hon. Friend had time to study the essay which was written by the right hon. Member for Leeds, East (Mr. Healey) in the book called "Renewal. Labour Britain in the 1980s"? Does she not find it strange that in an essay on foreign affairs he never referred once to Labour's policy of withdrawal from the Common Market or the removal of nuclear weapons and bases? Does not she agree that it would be far better if the right hon. Gentleman came clean and renounced those policies, which he knows will be a complete disaster for Britain?

The Prime Minister: I agree that it would be a complete disaster to withdraw from Europe or to abandon our nuclear weapons. The former would have a devastating effect on British industry and the latter would mean that we were not properly able to defend ourselves.

I have not read the essay of the right hon. Member for Leeds, East (Mr. Healey). I do not follow these matters meticulously. But I do not share my hon. Friend's surprise. The right hon. Gentleman seems always to accommodate his views to those of the Labour party, whatever either may be.

Mr. Ashley: Does the Prime Minister agree that some of the saddest sights that we have seen in the past few days have been the enforced sale of the Victoria Cross by the widow of a second world war soldier and the requests by widows of men in earlier wars to visit the graves of those men? Will the Prime Minister consider initiating an urgent and wide-ranging review of the problems of widows of those wars so that they can be given the same kind of consideration, kindness and compassion as has been properly shown to the widows of soldiers in the Falklands campaign?

The Prime Minister: As the right hon. Gentleman will be aware, the Government's record in improving the lot of war widows has been unsurpassed by any other Government, including that which the right hon. Gentleman supported, both in terms of the special increases that we have given for old age and in that we have completely taken war widows out of taxation.

It is very sad that the Victoria Cross has been sold. We have looked into that case and Mrs. Nicholson was visited. She was awarded a war widow's pension after her husband's death in the last war, with an increase for her son. Later in life, her son's school fees were met under the war pension scheme. In addition to the standard war widow's pension she has had some help from the RAF

benevolent fund. She also has a rank allowance and an age allowance. We were not aware that she needed any further money.

I repeat that we have an excellent record on caring for war widows and I imagine that the excellence of that record will continue in future.

Q4. Mr. Adley asked the Prime Minister if she will list her official engagements for 28 April.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Adley: Is my right hon. Friend aware that in two recent evenings' canvassing with the excellent Conservative candidates in the Grange ward of Christchurch, which has the largest council house estate in my constituency, I have come across a number of erstwhile Labour voters who have expressed their grave concern and disillusionment with the Labour party's policy of support for the CND? Therefore, will she do everything that she can to encourage comrade Kent and his Socialist cohorts to keep defence at the forefront of our political debate?

The Prime Minister: I agree with my hon. Friend. We shall indeed keep defence matters at the forefront of debate. They are vital to the security of our way of life and the British people. They are also vital to our international standing and I hope that there will soon be a full debate in the House on those matters.

Q5. Mr. Tom Clarke asked the Prime Minister if she will list her official engagements for Thursday 28 April.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Clarke: Is the Prime Minister aware that there is widespread concern in Scotland about recent remarks of the Secretary of State for Defence? Is she aware that distinguished representatives of the Church of Scotland, the Episcopalian Church and the Catholic Church took grave exception to his smear upon the peace movement? Will the Prime Minister use her influence to encourage the right hon. Gentleman to raise the standard of this important debate to a level that it is entitled to expect?

The Prime Minister: With regard to the head of any church, my right hon. Friend has had no conversation with either Cardinal Hume or—[HON. MEMBERS: "Answer the question."] I am giving the facts. Just because the Labour party does not like them does not make them any less the facts.

My right hon. Friend has had no such conversations, either with Cardinal Hume or indeed the head of any other church or religious organisation. That answers the first part of the hon. Gentleman's question.

On my right hon. Friend's other revelations about the leaders of CND, I fail to see that anyone can be blamed for revealing the facts.

Mr. Maxwell-Hyslop: Does my right hon. Friend agree that the most unchallengeable credential for leading a peace movement is to have been responsible for carrying out policies that have preserved peace? In doing that, my right hon. Friend and the preceding five Prime Ministers, who have kept Britain in NATO with nuclear weapons defending that alliance—[AN HON. MEMBER: "What