

Subject cc Master

6c. 17.6

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 July 1987

Dear Robin,

REFORM OF LOCAL AUTHORITY FINANCE

The Prime Minister this morning held a short meeting after E(LF) to consider how best to present the Government's case on the reform of local authority finance. There were present the Lord President, the Chancellor of the Exchequer, your Secretary of State, Secretary of State for Education and Science, the Minister of State (Department of the Environment), the Chief Whip, Professor Brian Griffiths (No.10 Policy Unit) and Mr. Bernard Ingham.

The Prime Minister stressed the need for the Government to put across the case for the reform of local authority finance more effectively. A true comparison was not between the existing system and the community charge, but between the system with a revaluation and the community charge. The example set by Scotland, and the controversies surrounding revaluations in the 1960s and early 1970s ought to be pointed out to those who were arguing against the new system. There was a need to marshal all the facts. It would be important in particular to prevent Conservative MPs from committing themselves during the Recess to opposing the reforms.

Your Secretary of State described the efforts which were already being made with Conservative MPs and through Conservative Central Office. A unit had been established in the DOE to deal swiftly with correspondence from MPs.

After discussion it was agreed that the Department of the Environment should establish a small unit to handle the campaign to put across the Government's case for the changes. The Prime Minister's Chief Press Secretary, Mr. Bernard Ingham, should have an input to this. Government supporters both in the House and outside it who would be prepared to speak out strongly in favour of the changes should be identified and encouraged to speak as appropriate in the House, to appear on local and national television and radio and to write articles and letters. All Cabinet colleagues should be encouraged to speak out on the reforms, and full material should be gathered to provide ammunition. This should also deal with arguments about the community charge that it would be regressive and costly to administer. It was noted that a lobby was likely to grow for a local income tax and this would need to be tackled. More attention should be

given to explaining the transitional arrangements for the introduction of the unified business rate. Conservative backbench MPs who were doubtful about the merits of the changes would need to be seen individually, but it would also be appropriate for your Secretary of State to write to all Members of Parliament from time to time describing what was proposed and setting out the arguments.

I am sending copies of this letter to Steven Wood (Office of the Lord Privy Seal) and Murdo Maclean (Chief Whip's Office).

*Yours
David*

DAVID NORGROVE

Robin Young, Esq.,
Department of the Environment.