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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 November 1986

MEETING WITH THE LOCAL AUTHORITY ASSOCIATIONS

The Prime Minister yesterday evening met the Chairmen of the four local authority associations, Councillor John Layden, Chairman of the Association of Metropolitan Authorities, Councillor John Allison, Chairman of the Association of County Councils, Councillor John Morgan, Chairman of the Association of District Councils and Councillor Ken Fagan, President of the Convention of Scottish Local Authorities. There were also present your Secretary of State, the Secretary of State for Wales and the Secretary of State for Scotland together with Mr. Bernard Ingham and Mr. Peter Stredder, No.10 Policy Unit. The tone of the meeting was friendly almost throughout.

Opening the discussion Mr. Ken Fagan said the associations saw very great problems with the Green Paper proposals. They all understood and shared the view that local authority finance should have "an element of accountability". But the system should be fair and reflect ability to pay. The proposed poll tax did not meet these criteria. Mr. Fagan accepted that the rating system had problems. However there should be a review and the Government should set up appropriate machinery.

Mr. John Morgan said that the Association of District Councils supported the aim of greater accountability. But he and all his colleagues had particular doubts about the proposed reform of business rates. The unified business rate would distance commerce and industry from their local areas and communities. It would mean that 75 to 80 per cent of the income of local authorities would come from central government. Whilst this power might not be misused by the present government, a socialist government might be less scrupulous. It would also reduce the incentive to local authorities to bring commerce and industry to their areas. Their aim would tend to be to increase housing provision instead, in order to increase population and income from the community charge and from the business rates.

Councillor Layden also agreed that the present system needed improving whilst arguing that the Green Paper did not provide the right answers. All of the associations opposed the community charge, though in a constructive way. The cost

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of collection would be up to 2½ times the cost of collecting rates and there would be a high level of evasion. Moreover the charge would be unrelated to ability to pay. (Councillor Layden at this point launched into an attack on the possibility that Rotherham might potentially be rate-capped in a future year even though its spending polices were responsible.) There should be a mini-Widdicombe inquiry.

Councillor Allison urged the Government to allow the associations time to find a consensus alternative to the Green Paper proposals. He felt they would achieve unanimity if given time. Whilst the Government might not find the alternative proposals acceptable there could well be elements which would be found acceptable.

Replying, the Prime Minister drew attention to the unpopularity of rates, which were deeply unfair. There was almost unanimity that rates should be abolished, but no agreement on what should replace them. The Layfield Report had proposed a rating system based on capital values. The effects on old people would be very damaging and revaluations would be particularly hard to handle. The Prime Minister then pointed to the support the Green Paper proposals had received from business interests and from ratepayers in England, Wales and Scotland. There would need to be a long transitional period into the new system. But it would greatly strengthen local accountability, and give stability to business. Rebates would be provided for the community charge, working in a similar way to the present system of rate rebates, though the percentages might be different. It would not be consistent to complain about ability to pay and, as some did, to support proposals for a local income tax. Moreover the collection of rates and rent was itself not altogether satisfactory. It was too late to alter the main thrust of the proposals although the Government would appreciate help from the associations on the details of how to apply them. The Prime Minister concluded by expressing the Government's recognition of the important role played by local government.

In further discussion, the local authority representatives continued to argue that with more time they could find alternative proposals and a consensus. Would the Government give them until January? The Prime Minister and other Ministers present drew attention to the differences between the associations, and the total inability generally to agree alternative proposals during the past 15 or more years.

Concluding the discussion, the Prime Minister said that if the local authorities had any rabbits, they should of course pull them out. Any further proposals would be exceedingly unlikely to change the main thrust of the Government's policy, though the local authorities could help enormously with their application. The Secretary of State for the Environment offered to meet the local authority associations again if they wished to discuss major new proposals and on technical points they were welcome to talk to his officials.

I attach a transcript of the interviews given by the Secretaries of State for Environment and Wales after the meeting.

I am copying this letter to Colin Williams (Welsh Office) and Robert Gordon (Scottish Office).

DAVID NORGRIVE

Robin Young, Esq.,
Department of the Environment.