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Pomie Assistant
Comments?

Yes not

DLW

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PRIME MINISTER

LOCAL GOVERNMENT FINANCE GREEN PAPER FOREWORD

I promised to let colleagues see a draft of the short foreword that I am proposing to include in the Green Paper on Local Government Finance.

The draft is attached. Details of the timing of consultations for Scotland and Wales should be settled next week. It would be helpful if colleagues could let me have any comments quickly so that the material can be prepared for printing.

I am copying this to other members of E(LF).

K B

K B

9 January 1986

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FOREWORD

0.1 This Green Paper is the product of a searching re-examination of the way we pay for local government. It began with two fundamental questions. What is the role of local government in this country? Does the present local government finance system help or hinder the performance of that role?

0.2 There is a clear distinction between the roles of central and local government. The main task of central Government is to establish national policies and priorities for defence, foreign affairs, industry and the economy as well as for public services - such as education - which are provided locally but where there is a national interest in standards.

0.3 Within this overall national framework, the main role of local government is to provide services in a way which properly reflects differences in local circumstances and local choice.

0.4 A council's powers to raise taxes locally, and the grant it gets from the national Government, should be designed to ensure that the council can provide adequate services. They should also be designed to ensure that the local electors know what the costs of their services are, so that armed with this knowledge they can influence the spending decisions of their council through the ballot box.

0.5 Effective local accountability must be the cornerstone of successful local government. All too often this accountability is blurred and weakened by the complexities of the national grant system and by the fact that differences arise between those who vote for, those who pay for, and those who receive local government services.

0.6 The present local government finance system does not strengthen local accountability. Local authorities' main income sources are non-domestic rates, domestic rates, and block grant. All of them are unsatisfactory.

- Non-domestic rates are paid by businesses and public institutions to whom local authorities are not directly answerable.
- Domestic rates are not paid by all local electors, and vary in a way that has little or no regard to the use made of local authority services. The burden of rates is carried on too few shoulders.
- Central Government grants are calculated in a very complicated way that conceals the real cost of local services from the local electorate.

So in almost every respect the existing local government finance system makes it very difficult for local electors to see what they pay for what they get.

0.7 We must put this right. If people can understand the costs of the different services provided to them, and if the costs are fairly distributed, they can then make sensible choices not only about the balance between local priorities but also about the overall level of spending.

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0.8 This Green Paper describes a way forward. It recognises that our present position has been reached over many years and that it would not be realistic to seek to overturn the present arrangements, however justifiable the case for doing so, in one wrench. It therefore sets out a possible path for moving gradually to a position where local accountability can again become the determinant of expenditure and priorities in local services.

0.9 The main features of this approach are:

- a national non-domestic rate with the proceeds distributed to local authorities in proportion to the numbers of adults in their area;
- a gradual transition from domestic rates to a community charge which each authority would set to be paid by every adult resident in its area;
- a grant system which compensates for real differences in local authorities' needs, and provides additional help in the form of a flat-rate sum per adult.

The same principles would apply, though with detailed variations, in England, Scotland and Wales. Northern Ireland is not covered by this Green Paper.

0.10 Taken together with other recommendations on capital expenditure, fees and charges, and local authority budgeting contained in later chapters of the Green Paper, these proposals amount to the most radical re-structuring of local government finance this century. They will provide both a new impetus to local democracy and a much fairer basis of local taxation.

0.11 Our thanks are due to the special advisers who contributed to the Studies leading up to this Green Paper: Professor Christopher Foster, Dr. Richard Jackman, Lord Rothschild, Dr. Christine Whitehead, Professor Tom Wilson and, in the early stages, Mr. Justice Hoffman. Their breadth of experience has been invaluable.

KENNETH BAKER
MALCOLM RIFKIND
NICHOLAS EDWARDS

General comments on this Green Paper should be sent to the Department of the Environment, Room N6/12, 2 Marsham Street, London SW1P 3EB, to arrive not later than 1 October 1986.

[Equivalent references to Scotland and to Wales.]

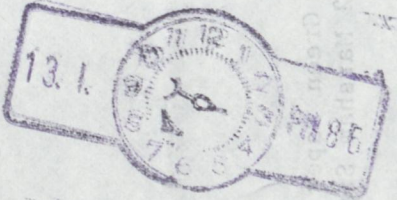
Comments on capital expenditure - Chapter 6 - should be sent by **M** to **M** in respect of England and **M** in respect of Wales.

respect of England and W in respect of Wales.

Equivalent references to Scotland and to Wales.

Then 1 October 1986.

General comments on this Green Paper, London Ship 388, to arrive not later



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10 DOWNING STREET

From the Private Secretary

16 January 1986

Dear Robin,

LOCAL GOVERNMENT FINANCE GREEN PAPER

The Prime Minister is content, subject to the views of colleagues, with the draft foreword to the Local Government Finance Green Paper attached to your Secretary of State's minute of 9 January.

I am copying this letter to the Private Secretaries to the other members of E(LF) and to Michael Stark (Cabinet Office).

Yours ever
David

David Norgrove

Robin Young, Esq.,
Department of the Environment.

JA

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PRIME MINISTER

LOCAL GOVERNMENT FINANCE GREEN PAPER : FOREWORD

I have just one small comment on the draft foreword ^{WITH DN} circulated by the Secretary of State for the Environment with his minute to you of 9 January. The second sentence of paragraph 0.2 says that it is a main task of central Government to establish national policies and priorities for ... industry, among other areas. This might be read as implying a shift to a more interventionist industrial policy; this could be avoided, without detriment to the point which the Secretary of State for the Environment is making here, if the word "industry" were omitted.

2 I am copying this to other members of E(LF).

L.B

L B

20 January 1986

Department of Trade and Industry

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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

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NBN

16 January 1986

Ken Kenetic

LOCAL GOVERNMENT FINANCE GREEN PAPER: FOREWORD

Thank you for copying me the draft foreword circulated under cover of your letter of 9 January to the Prime Minister.

In general terms I think the draft is fine. I do, nonetheless, have a number of relatively minor drafting suggestions which could, in my view, tighten up the presentation in a few places.

Paragraph 0.6 The reference to domestic rates understates our dissatisfaction with them. I offer the following alternative to the second sub-paragraph:

"Domestic rates are paid by only a minority of local electors, and vary in a way that has little or no regard to the use made of the present range of local authority services. The cost of funding local services is carried on far too few shoulders".

The final sentence of paragraph 0.6 reads rather awkwardly. An alternative might be:

"So in almost every respect the existing local government finance system makes it virtually impossible for local electors to link what they pay to what they - or the community - receive in return."

Paragraph 0.8 Given our firm views on the broad thrust of the reforms set out in the Green Paper, I suggest deleting the word "possible" in the last sentence. Furthermore, as the transitional periods for abandoning domestic rates in Wales and Scotland are far shorter than that proposed for England it would be better if - in the same sentence - "gradually" were replaced by "in a measured way".

Paragraph 0.9 On the same theme the second sub-paragraph would be better expressed as follows:

"A phased replacement of domestic rates by a community charge paid by every adult resident in each local authority area".

/As some ...

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment



As some of the variations between the countries - for example the pace at which domestic rates will be abandoned and the means of achieving this - may not be widely perceived as "detail" I offer the following alternative to the final sentence of this paragraph:

"The same general principles would apply throughout Great Britain, although within this framework the packages proposed for England, Scotland and Wales differ in a number of respects to take account of their circumstances. The main difference relates to the pace at which domestic rates should be replaced by the community charge, and the detailed mechanisms for achieving this shift. Northern Ireland".

As regards the procedure for gathering comments, I feel the following format would best serve to avoid confusion:

"In England, comments on this Green Paper should be sent to the Department of Environmentto arrive no later than [] 1986.

In Wales, views should be submitted by the same date, to

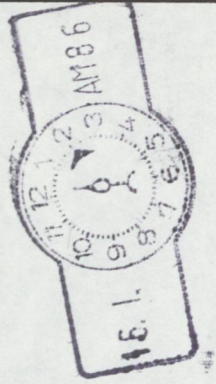
In Scotland

The address for comments in Wales on the capital control proposals will be provided by officials.

Finally I am still very uneasy about the prospect of us having different periods of consultation north and south of the border. When I raised this matter in Cabinet, I suggested that 31 July could well be a date that all of us would be able to live with; and the case for a common date was widely supported by colleagues. I understand that Malcolm Rifkind has now come to the view that 31 July could be accommodated in Scotland. This being so - although I understand your reservations - I urge you to reconsider your attachment to 1 October as the end date for consultation in England. A six month consultation period should be more than adequate to give all the main issues a good airing. Discussion on the technical detail will, of course, need to continue right through to the Bill stage. In my view it would be far easier for us to rationalise a different timescale for legislation in Scotland as against England and Wales than to come up with a plausible explanation of why the period of consultation should vary on a package of reforms which - as we emphasise in the foreword - are founded on the same principles throughout Great Britain. My vote would therefore be for a consultation period ending on 31 July. If you still believe that an 8 month consultation period is absolutely essential in England then we will clearly need to discuss the issue again. In any event I accept that there is no case for varying the date as between England and Wales.

/ I am copying this to the Prime Minister, other members of E(LF) and to Sir Robert Armstrong.

J. C.
Nick



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