

9 September 1980

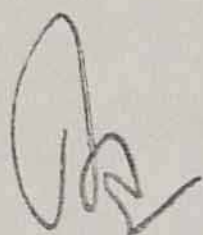
Tim

Cre Govt

PRIME MINISTER

LOCAL AUTHORITY CURRENT EXPENDITURE, 1980/81: E TOMORROW

1. Michael Heseltine considers six options for limiting local authority spending at paragraph 8 of his paper. We think that option (iii) - selective action requiring overspending authorities to submit their budgets or rate increases to a local referendum or election - should not be simply ruled out without further thought as too novel or too difficult.
2. Michael may be right to try block grant first. But this should not prevent further preliminary work being done to reduce the lead time needed to introduce selective action if, in the end, it becomes necessary. If it were publicly known that such work was being undertaken, the ensuing controversy might help to raise the level of public interest in local authority spending in the meantime. The idea may "bristle with practical difficulties", but what radical assaults on tough problems don't? It may well be "highly controversial legislation". But local government overspending and the rape of the ratepayer are themselves "bristling and controversial".
3. In any event, we strongly support the principle that those who pay rates should be able to speak clearly and directly, on this single issue, to those that spend them. Local referenda are the ideal way of doing this. Of course, there will be many practical objections to introducing such a completely new concept. But, as with so many issues, it is likely that commonsense public opinion is well ahead of the various interest groups who would prefer to exploit the present system. It would be easy to test this proposition by measuring public opinion.
4. I am copying this minute to Geoffrey Howe.



JOHN HOSKYNS