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THE CHAIRMAN OF THE PARTY

The Rt. Hon. The Lord Thorneycroft

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PT/SO

SECRET

15th November, 1979

Prime Minister

To/

- The Prime Minister
- The Rt. Hon. Michael Heseltine, MP.
- The Rt. Hon. Sir Geoffrey Howe, QC., MP.
- The Rt. Hon. William Whitelaw, CH., MC., MP.
- The Rt. Hon. Patrick Jenkin, MP.
- The Rt. Hon. Mark Carlisle, QC., MP.

Are you ready to see Lord Thorneycroft and Sir Frank Marshall?

If you are, I suggest that you should have with you the Ministers to whom Lord Thorneycroft has copied his letter. Do you agree?

Yes - we should talk to Sir Frank Marshall - but of the times, not.

1. I, and my Vice Chairman Local Government, Sir Frank Marshall are viewing with increasing concern the developing relationship between National and Local Government under a Conservative administration.
2. To put the matter briefly and succinctly the Government's present policy is to speak fair words to Local Authorities about their local responsibilities whilst pursuing policies calculated in the long term to bring about a fundamental switch of those responsibilities from local to national hands.
3. We recognise that it is not for us to determine policy and that if this trend has been firmly determined upon by the Cabinet we must accept it. We do not consider however that we should stand aside and watch these events take place, as it were, by accident and without any firm or clear Government decision to achieve them.
4. We would therefore welcome an opportunity to discuss these matters with you and any colleagues you thought appropriate. Sir Frank Marshall whom you fairly recently appointed to his post in the Central Office is one of the most experienced practitioners of Local Government in the country, has been touring widely in recent weeks, and can report opinion from the grass roots as well as express views on the developing scene.

No - Wants to see a school needs -

5. If I have to summarise a complex subject in a few sentences I think that I would do so as follows.

The Government is naturally concerned with Local Government expenditure, its impact upon the economy, and in finding a way to avoid subsidising the most profligate authorities. We share these views. We are however also deeply concerned with the constitutional position of Local Government in this country. While Labour was in office Conservative Local Authorities provided a partial but important check to the advance of Socialism. A serious weakening of the role of Local Government or a switch of its responsibilities to the centre would be handing new and extremely dangerous powers to any future left wing administration. It would be rash to assume that no such administration could ever again assume office in this country.

6. The centralising steps at present in train are as follows.

(a) The Block Grant to be based in part on the Labour Government's Unitary Grant proposals. This represents a change from the present rate support grant and it is fairly easy to demonstrate the need for some adjustments in that system. The intention of the Block Grant System is likely to be announced, however, without any clear knowledge or understanding as to how that grant is to be calculated and the Local Authority Associations have received only very general guidance about the nature of the grant in a consultative letter. We suggest that final decisions on the introduction of such a system should await a much fuller discussion and enquiry.

(b) New arrangements for the central control of capital expenditure. A Paper was put up by Mr Peter Shore while he was Secretary of State. It was rejected by the Local Authority Associations. A very similar paper has now been circulated to the Associations with an extremely short period for consultation. We know that it is deeply resented by the Shire Counties. It represents the assumption of sweeping powers by the Department of the Environment which future Governments can exercise. We advise a much longer period for consultation.

(c) The rating issue. This vexed question is dealt with in papers by Sir Frank Marshall attached. Our present technique appears to be to allow it to collapse rather than to abolish it. The Secretary of State has announced a decision to postpone the property revaluation and the Minister of State at the Party Conference has explained this by linking it to a future intention to abolish rates. No substitute for locally

collected revenues is known to exist. A system of local government without any revenue raising powers would be reduced to the status of an agent of Central Government. The end of domestic rating without such a substitute would be the end of effective Local Government in the United Kingdom. In the long term Councillors and local democracy would become redundant and the service would be administered by officials.

7. These are grave matters that raise large issues for the Treasury. Faced with out present difficulties on the public sector borrowing requirement I simply cannot visualise a scenario which accepts the loss of very substantial local revenues and a switch to central funding.
8. The constitutional issue is graver still. I must not protest too much but I fear we are at the moment drifting down a very dangerous road in the field of Local Government. A field I may say in which the knowledge of many in the Conservative Party is not particularly outstanding. My plea is that we should seek to decide much more clearly what it is that we are trying to do before we advance any further.
9. There are widespread consequences in the imperfect and limited process of consultation hitherto. There are grave dangers for the constitutional balance between Central and Local Government. There are in addition equally serious consequences that the withering of Local Government would have for our Party Organisation. We rely on interest in Local Government to motivate many of our constituency activists and the elimination of local councillors and the interest attached to their elections would damage our Party at its grass roots. This will have implications for the efficiency of the machine which fights Parliamentary elections.

It would not I believe be impossible in consultation with our friends in Local Government, and provided that we defined clearly the objectives which we had in mind, to find ways effectively to reach them. The measures at present proposed contain very little of Conservative philosophy and rather too much of plans already floated unsuccessfully by the last Labour Government.

