

CONFIDENTIAL

Mr Whitmore

Ref. A05849

MR. WHITMORE

Prime Minister

The changes which Mr Heseltine is proposing are major ones. Agree we they should be considered by E on Monday?

Yes not

29x.

Local Government Finance Bill: Interim Rating Measures

I have just seen a copy of the Secretary of State for the Environment's minute of 29th October, giving notice of the changes he proposes in his scheme for deterring local authorities from maintaining excessively high levels of expenditure.

2. The timetable is very tight. If the Bill is to be introduced as early as possible in the new Session - which the business managers regard as essential - it has to go to Legislation Committee on 3rd November. The Bill which will be before Legislation Committee will reflect the changes now proposed by the Secretary of State.

3. But Legislation Committee is not the body to consider major changes of policy. The changes which the Secretary of State is proposing seem to me to constitute major changes from the scheme approved by the Ministerial Committee on Economic Strategy:

- (a) He proposes to have only one supplementary rate (instead of two), and to attach the referendum to that one supplementary rate.
- (b) He proposes to take powers in effect to fix the fees and charges, including rents and fares, levied by an individual local authority which has failed a referendum.

4. I believe that these changes ought to be considered by the Ministerial Committee on Economic Strategy before the Bill goes to Legislation Committee.

5. We have a meeting of E fixed for Monday 2nd November at 10.30 am. The main subject for discussion is the Secretary of State for Employment's employment and training measures. I understand that he has reached agreement with the Chief Secretary on the financial provision for these measures; this should help to shorten the discussion. We could therefore, if the Prime Minister agrees, put on as an additional item a discussion of the changes now proposed in the Local Government Finance Bill.

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6. I am afraid that, given the shortage of time, the discussion would have to be on the basis of the Secretary of State for the Environment's minute of 29th October, rather than have a special memorandum circulated to the Committee.

RA

ROBERT ARMSTRONG

29th October, 1981

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