

Prime Minister

MR. SCHOLAR

MS 24/11

cc Mr. Ibbs
Mr. Cassels
Miss Bacon
Mr. Hilary

Local Government

I have seen Mr. Ibbs's minute of 19th November 1981 (Qn 05725), with its proposal that the CPRS undertake a wide-ranging study of the options for achieving the Government's objectives for local government finance.

2. I am sure that such a study is needed and would be useful. I have come to think during recent months that there is too much fundamentally amiss in the local government field to be remedied by tinkering. Apart from the shortcomings of rates as a source of revenue, there are still problems of structure (for instance, the two-tier system in the metropolitan areas) and of division of responsibility (for instance, education and police); and above all there is the fact that over many parts of the country those who benefit from the expenditure have no, or a limited, stake as ratepayers; while those who pay the bulk of the rates have no share in the election of those who are responsible for spending decisions: we are not far from "no taxation without representation".

3. It may eventually be necessary to set up a Royal Commission to validate whatever conclusions the Government reaches, but past experience of outside inquiries in that field does not encourage one to be optimistic about the outcome. I think that it would make sense to have an "in-house" study in the first instance.

4. If (as I hope) the Prime Minister agrees that the CPRS should undertake such a study, we must reckon with the probability that it will become known that it is going on. It is clearly unlikely to be completed in time for legislation in this Parliament. If she was asked about the study, the Prime Minister could say that there were obviously a number of problems to be considered in the area of local government; that a CPRS study could serve a useful purpose in defining the problems and identifying the options for dealing with them; but the



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Government were not committed by the fact of undertaking a study to any particular change, or indeed to any change, in existing arrangements; and that the Government did not expect to introduce legislation in this Parliament.

REA

Robert Armstrong

We can't dash into this. M.H. did make structural proposals at the outset. However the cost part is not new. There are no new

23rd November 1981

answers on either matters - there is merely a well known and well worn choice. Perhaps we can do have a second look at before any other action. etc.

M.S.
M.H.
Tom King
16.5.

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