

Ref. A0942

PRIME MINISTER

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If this is remitted to a small group, Home Secretary and Chief Whip very much want Lord Thorneycroft included. In the exceptional circumstances, this could be helpful. It would not preclude Cabinet Office from providing Secretariat. MAF 13/xii.

Parliamentary Affairs: Local Government Bill

You discussed the problem yesterday separately with the Home Secretary and the Chief Whip and with the Secretary of State for the Environment.

2. The Bill will in any case need a guillotine, whether or not it contains the controversial clauses about capital controls, unitary grant, and redistribution of planning powers.

3. Conservative local authorities have been frightened by the Bill's provisions on controls of capital expenditure, which indeed look dirigiste. Sir Frank Marshall has put the wind up Lord Thorneycroft and the business managers. Mr. Heseltine says that this is because he has not had a chance to explain to local authorities how he will operate the controls so as to achieve what he and they want.

4. If he succeeds in satisfying colleagues as he satisfied you, the conclusions might be:

- (a) the provisions on capital controls in the Bill should be reformulated so as to make it difficult or impossible for them to be used dirigistically;
- (b) agreement should be reached as soon as possible between the Ministers concerned (Treasury, Environment and other Ministers responsible for local authority matters) on the operation of the system of capital controls, so that the Secretary of State for the Environment can make his intentions known in good time before Second Reading;
- (c) once he is in a position to do so, the Secretary of State for the Environment should make a speech on the new system, copies of which should be circulated to his Ministerial colleagues so that they can use it in their own constituencies;
- (d) decisions on whether anything, and if so what, should be left out of the Bill before it goes into Committee should wait until after Second Reading.

5. Presumably, if the Bill is to be guillotined anyway, there is no advantage to be gained from taking bits out of it (and there is also the Secretary of State for the Environment's point that, if he takes bits out of it now in response to pressure, the critics will simply be enabled to concentrate the attack on what remains). If the business managers insist on slimming it, the Cabinet could remit the Bill for review to a group of Ministers under the Home Secretary's chairmanship, and comprising the Lord Chancellor, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Chief Whips, and the Ministers principally concerned with the contents of the Bill - the Secretary of State for the Environment, the Secretaries of State for Scotland and Wales, and the Minister of Transport.

Robert Armstrong

for (Robert Armstrong)

12th December, 1979