

file cc: LPO Emp.  
D/Tvaub. DES  
CSH Ind.  
NIO HMT  
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PMG HO  
Ch. Sec. HMT  
DIN DOK  
Trade CO  
MAFF CWO

SUBJECT

e.c. Martin



10 DOWNING STREET

From the Private Secretary

11 November 1981

LOCAL GOVERNMENT FINANCE BILL: INTERIM RATING LEGISLATION

The Prime Minister held a meeting this afternoon to discuss the latest position in relation to the Local Government Finance Bill. The Home Secretary, your Secretary of State (for part of the time) together with your Minister of State, Mr. King, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Paymaster General and the Chief Whip were present.

It was agreed that the Second Reading of the Bill should be postponed until 30 November or 1 December and the Prime Minister endorsed the suggested Government amendment to the Opposition Motion then in prospect, as in the attachment to this letter.

The Prime Minister asked what progress your Secretary of State had made in working out the Commons Order fall-back position discussed by E Committee on 5 November. Mr. King referred to the doubts of legal advisers about the scope for challenge in the courts of an Order by the Secretary of State. The Secretary of State was not yet ready to say anything publicly about this fall-back position. He would be presenting to E Committee next week the results of the detailed study commissioned at the 5 November meeting; and, on the assumption that the difficulties which he had referred to could be dealt with satisfactorily, it would only be after colleagues had discussed this study that he would be in a position to discuss publicly the Commons Order option. This, together with the difficulties which the Government's supporters in the House found in the referendum option enshrined in the present Bill, posed an awkward problem for tomorrow's debate. It would be necessary for Environment Ministers to acknowledge the difficulties which the Government supporters saw in the present Bill; and at the same time to set out the great difficulties involved in any of the alternatives to present policy.

There was then discussion of the criticisms which were being levelled against the Bill. On one matter there was total agreement among the Government's supporters: the need to restrain the high-spending local authorities. The objections in principle to a referendum might be, to some degree, diminished

/by reference

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by reference to the local polls already provided for in existing legislation. There was a clear distinction between a limited, local poll and a national referendum, and this might go some way to defusing the constitutionalist objection to a referendum. Environment Ministers would hold a series of intensive discussions, both inside and outside the House, designed to set out the reasons which had led the Government to choose the referendum route.

In further discussion of the Commons Order option, the Prime Minister commented that she saw much force in the argument that this procedure was not so much the occasion of a conflict between central and local government but a proper exercise of the United Kingdom Parliament's right to be the final arbiter of the level of taxation, whether national or local. Furthermore, there existed a precedent, in the shape of the powers already voted to the Secretary of State for Scotland - albeit in a rather different situation to that which applied to the case under discussion.

I am sending copies of this letter to the Private Secretaries to members of E Committee, David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

D.A. Edmonds, Esq.,  
Department of the Environment.

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