



PRIME MINISTER

This seems satisfactory. Policy Unit should be on EL(FKO). AT 13/6

LOCAL GOVERNMENT FINANCE STUDIES: FOLLOW UP TO E(LF) MEETING OF 21 MAY

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The purpose of this minute is to let you and E(LF) colleagues know the arrangements being made to follow-up the E(LF) meeting of 21 May. My remit is to develop the proposals we outlined on 21 May, in the light of the Committee's views, and to report further; I understand that a meeting is being fixed for the last week of September.

The overall direction of the work during the next phase will be steered by an inter-departmental official committee (E(LF)(0)) under the chairmanship of my department. It will be meeting for the first time within the next week.

The day-to-day conduct of further development work will be in the hands of a series of informal topic-related working groups whose members will be drawn from the departments with direct interests.

The working groups will cover the following topics:

- a) Distribution This group will develop a range of possible packages (including exemplifications of alternatives to the main package which were not ruled out by E(LF), such as partial retention of property tax and capping of non-domestic rates) and show their effects on areas, households and businesses. It will also consider the likely effect on expenditure of the new finance regime.
- b) Grant Mechanisms This group will develop the technical arrangements for standard grant, adjustments for London, and transitional arrangements. It will also start longer term work on new needs assessment methodologies.

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- c) Tax Mechanisms This group will develop technical aspects of the residents' charge (administration, enforcement, feasibility of graduation etc). It will also consider the feasibility of a locally variable tourist tax and VED, and the option for assigned revenues.
- d) City Grant This group will develop the City Grant proposal and examine the possibility of greater use of specific grants (eg for education) in urban authorities.
- e) Fees and Charges The first task will be to assemble a fees and charges data base. We are considering contracting out much of the detailed work, possibly to the Audit Commission.
- f) Tighter operating framework This will refine our ideas on the steps necessary to promote "sincere" budgets by local authorities.

The detail of departments' contributions to the work of these groups will be discussed at the first meeting of E(LF)(0)).

No further technical work will be done on annual elections. This is essentially a political question to which we must return in September.

Work on developing effective mechanisms for controlling capital spending will be proceeding in parallel. Other departments are already involved.

E(LF)(0)) will be kept in touch with the progress of the working groups and will be able to respond to new issues as they arise. The final conclusions of the working groups will be drawn together in September and will form the basis of the further report to E(LF).

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In addition to these arrangements, in which my department will be taking the lead, the Treasury are to set up a working group to develop the modifications to the rating system put forward by Nigel Lawson at our meeting on 21 May. I believe that the Treasury may be considering setting up a wider-ranging committee to consider the combined effects of the proposals for change in personal taxation and income support together with changes in the local government financial system.

I am copying this minute to E(LF) colleagues and to Sir Robert Armstrong. I would be grateful if it could be circulated within departments on a strict "need to know" basis.

I H Galloway

P J

*Approved by the Secretary of State
and signed in his name.*

13 JUN 1985