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- cc PS/SOS (L) (m)  
PS/Dr Boyson (L&B) (m)  
PS/Mr Scott (L&B) (m)  
PS/Lord Lyell (L&B) (m)  
PS/Dr Mawhinney (L&B) (m)  
PS/PUS (L&B) (m)  
1. PS/Mr Bloomfield (m) 2. *see all*  
Mr Brennan (m)  
Mr Barry  
Mr Stephens  
Mr Chesterton (m)  
Mr Elliott  
Mr Innes  
Mr Gilliland  
Mr Spence  
Miss Elliott (m)  
Mr McConnell

Secretary of State (B)

DISTRICT COUNCIL RATES

1. I minuted you on 15 January on this subject and we have since had several discussions on the tactics to be employed. We have also now taken new powers, on a contingency basis, to appoint Commissioners.
2. There is a statutory requirement on all District Councils to consider and approve estimates, authorise expenditure to be included in those estimates, fix the amount to be raised by means of a rate and make a District Rate by 15 February each year for the following financial year. The 18 Unionist controlled Councils failed to exercise these functions by the due date. The Department of the Environment therefore held investigations on 24 February and, having been satisfied that the functions had not been discharged, directed all 18 Councils to remedy this default and exercise these functions on or before 8 March 1986. All 18 Councils have failed to comply with these directions and so the position now exists that, to finance local government services in each of these Council areas and to authorise expenditure for 1986-87, action is required by Government to make District Rates and secure the exercise of these related financial functions.
3. You are aware that the Local Government (Temporary Provisions) (Northern Ireland) Order 1986 will be debated in the House on Tuesday 11 March. The justification for seeking these new powers will be that they are necessary, on a contingency basis, to be used as a measure of last resort if services and jobs are threatened.
4. Our options in relation to the immediate issues therefore are:-
  - (a) to complete the exercise of the default powers; or
  - (b) to exercise the new Temporary Provisions powers and appoint Commissioners.

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5. On the specific issues of Rates and related expenditure, I have considered carefully the pros and cons of the alternative options. While we could possibly justify the immediate appointment of Commissioners in at least one Council area, my consideration of all this leads me to the conclusion that we have not yet reached the measure of last resort and that we should therefore exercise our default powers in the first instance.

You should be aware that the more hardline Unionists are effectively "taunting" us to appoint Commissioners now, and there will be pressure from non-Unionist parties to do so. Despite this, I am firmly of the view that we should be "playing this as long as possible" before taking the draconian step of appointing Commissioners and this view is supported by Political Affairs Division.

6. By tomorrow (11 March) DOE will have all the necessary information to enable it to make District Rates and authorise expenditure for all 18 Council areas. This to me seems the most sensible and practical way forward at this point in time since it would be a comparatively straightforward function for the Department to exercise. The effects of failure to discharge this function by Councils would not begin until 1 April and therefore this default power could be used now and would remove any potential threat to services and jobs from 1 April without interruption in the services. This would be the minimum course of action needed by Government in respect of these specific functions. Exercising such default powers still leaves open the possibility of the appointment of Commissioners in any Council area at a later date, should that become necessary.
7. In order that the Department of Finance and Personnel can make the necessary arrangements to strike the Regional Rate and that DOE and the Housing Executive can issue rate demands to all the households in Northern Ireland, it would be necessary to have these Rates made by 14 March. Delay beyond that date could lead to difficulties, including possible loss of income from late Rate Demands.
8. In view of the political, practical and administrative considerations above, I propose, subject to your agreement, to have DOE make the necessary arrangements this week to exercise the functions above and then to advise the relevant District Councils accordingly. It would also be necessary to have a carefully thought out public presentation of this course of action and of the subsequent decisions, and I intend giving further thought to this during the next few days.
9. Work is also in hand at present within DOE to prepare a paper identifying the particular major hurdles in local government during the next months and I hope to submit a paper to you by the end of the week on the issues likely to arise. Present indications are that by using default powers we should be able to keep basic functions going and possibly avoid the need to introduce Commissioners in the immediate future. The proposed course of action at paragraph 8 above would therefore be consistent with such a policy.

A handwritten signature in black ink, appearing to read "Richard Needham".

RICHARD NEEDHAM

10 March 1986

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