

PART 17

CONFIDENTIAL FILING

Relations between Central and Local Govt.
Local Authority Expenditure
Local Authority Elections
Abolition of the GLC and the Metropolitan
County Councils.

LOCAL
GOVERNMENT

PE 1: MAY 1979

PE 17: SEPT 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
21.9.83							
23.9.83							
4.10.83							
5.10.83							
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31.10.83							
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PREM 19/1081

PART 17 ends:-

S/S Env to CST 31/10

PART 18 begins:-

E(LA)(83)7 1/11

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C(83) 32	19.09.83
E(LA)(83) 2	20.09.83
E(LA)(83) 3	21.09.83
CC(83) 28 th Conclusions, Minute 3	22.09.83
E(LA)(83) 3 rd Meeting, Minutes	26.09.83
E(LA)(83) 4	04.10.83
E(LA)(83) 5	04.10.83
E(LA)(83) 6	05.10.83
E(LA)(83) 4 th Meeting, Minutes	06.10.83
MISC 95(83) 13	18.10.83
MISC 95(83) 4 th Meeting, Minutes	24.10.83

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed Wayland

Date 16 April 2013

PREM Records Team



cc 100

NOPM

AT

1/6

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

31 October 1983

Dear Peter,

WELSH RSG SETTLEMENT 1984/85

Your officials have sent mine a copy of Nick Edwards' minute of 25 October to the Prime Minister. I am grateful since the E(LA) meeting on 17 October concluded that the Scottish and Welsh RSG settlement figures should be agreed in consultation with both of us.

My main concern is to ensure that the Welsh RSG settlement is not seen as excessively generous when compared with the English one. As you know, the Welsh target methodology has already caused some presentational problems since it seems a great deal less tough, especially for the highest Welsh overspenders, than the English one. I am anxious to avoid similar difficulties as far as possible over the grant figures. For that reason I have misgivings about Nick's proposals on both AEG and holdback for Wales.

On AEG he proposes a cash increase of 3½% in Wales compared with the 0.7% increase in English AEG. That seems unacceptable to me. I of course understand Nick's arguments about rate increases. But all the rate increase figures we use for exemplification in E(LA) are not forecasts, and are based on a range of assumptions. Moreover they are not published; I am careful never to specify the likely effect on rates of any aspect of the English RSG settlement, and I imagine the same applies for Wales. What will be published are cash AEG figures, and if the Welsh figure goes up by a bigger percentage than the English one, that should surely avoid much criticism from the Welsh side. I should not like to see the Welsh figure increase by more than 2%, which would suggest a figure of £990-995 million.

On holdback, in deciding on the English scheme we have all accepted the argument that since overspending authorities have already rated for the effect of the 1983/84 holdback scheme, the scheme needs to be significantly toughened for

Local Govt : Relations A 17

1984/85. Unless it is toughened, an authority can overspend by the same percentage next year without any extra pressure on the rates through increased holdback. That argument surely applies with equal force in Wales, although I of course realise that Welsh authorities in aggregate have overspent less than English ones.

I understand that your officials are discussing this further with the Welsh Office. I should be grateful if my Department could be kept in touch. If after that we cannot agree on AEG and holdback for Wales, E(LA) would seem the right forum in which to take the matter further.

I am copying this letter to the Prime Minister, Nick Edwards and Sir Robert Armstrong.

*Yours
Peter*

PATRICK JENKIN

- 1 NOV 1983



CONFIDENTIAL



At VB

10 DOWNING STREET

From the Private Secretary

31 October 1983

RATE SUPPORT GRANT 1984-85: WALES AND SCOTLAND

The Prime Minister has seen your Secretary of State's minute of 25 October reporting on his negotiations with the Chief Secretary. She has noted that there is still a gap between the two Ministers but feels that with further negotiation this gap could be bridged. She would be grateful if the two Ministers could make a further effort to resolve their differences.

She has noted from the Secretary of State for Scotland's minute of 27 October that similar principles arise in the case of Scotland. She would be grateful if the Secretary of State for Scotland and the Chief Secretary could continue their negotiations to see if a settlement can be reached.

I am copying this letter to John Graham (Scottish Office), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Colin Jones, Esq.,
Welsh Office.

CONFIDENTIAL

NR

①

PRIME MINISTER

The Secretary of State for Wales and the Chief Secretary are disputing the consequential of the English AEG settlement for Wales. SS/Wales wants AEG of £1,008m. CST wants £984m. (The difference does not affect public expenditure but does affect whether the agreed target for public expenditure is financed from taxation or rates)

Although the reported gap is wide, during their negotiations the two Ministers came much closer together, £1,000m, versus £992m. The true gap is thus very small. I suggest you ask the two Ministers to make one further effort to resolve this between them. Agree?

Yes not

SS/Scotland has also minuted you along the same lines, though his negotiations with the Chief Secretary are less advanced. Agree he also be asked to settle with the Chief Secretary?

Yes not

Only if this approach fails should we consider other ways of arbitrating e.g. recourse to the Lord President.

AF

27 October 1983



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Edwards MP
 Secretary of State for Wales
 Welsh Office
 Gwydyr House
 Whitehall
 LONDON
 SW1A 2ER

27 October 1983

Dear Secretary State

WELSH RATE SUPPORT GRANT 1984-85

I am sorry you have felt it necessary to trouble the Prime Minister about next year's RSG, but thank you for my copy of your minute of 25 October.

You are proposing an increase of £33 million in Welsh grant in 1984-85. That would be a slightly larger cash increase than in 1983-84. Yet in England, the increase will be less than a third as much as in 1983-84 - £90 million next year, £300 million this year.

I have already offered you a larger proportional increase in grant in Wales than in England. But I simply could not justify a discrepancy as large as you suggest.

I am as concerned as you about the prospects for rates. But as I said when we met, I have serious reservations about the figures in your minute. I think they could well be misleading. I am asking Treasury officials to pursue some technical points with the Welsh Office. I hope we can then think again.

I am sending copies of this letter to the Prime Minister and Sir Robert Armstrong.

Yours sincerely
 J.A. Gieve
 J.P. PETER REES

[Approved by the Chief Secretary]



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

WALES RATE SUPPORT GRANT 1984-85

with AT?

I have seen the minute sent to you on 25 October by the Secretary of State for Wales about Aggregate Exchequer Grant (AEG) for Wales in 1984-85.

Although the Scottish grant system is different from that in England and Wales, I support the views of the Secretary of State for Wales. In particular I agree entirely with him that it would be wrong to ignore (as an argument based on cash movements in AEG does) the likely real effect on rates, both domestic and non-domestic of the level of AEG. For Scotland this points to maintaining the proportionate grant differential between Scotland and England. Any percentage diminution for Scotland greater than that in England will undermine our strategy to control local authority spending, and provoke confrontation and high rate increases at a level and on a scale which I am not prepared to countenance.

I have written to the Chief Secretary about the 1984-85 grant for Scotland and he has still to reply. Should he however adopt the same approach to the Scottish grant figure, problems similar to those described by the Secretary of State for Wales will arise for Scotland.

I am sending copies of this minute to the Secretary of State for Wales, the Chief Secretary and Sir Robert Armstrong.

Cy.

G Y

27 October 1983



CONFIDENTIAL

PRIME MINISTER

WALES RATE SUPPORT GRANT 1984/85

Following the agreement of the essentials of the 1984/85 Rate Support Grant for England I have discussed with the Chief Secretary what should be the matching decisions for Wales. Our positions are very far apart and it has not been possible to reach any agreement. The principles underlying our respective positions are fundamentally different, and I feel I have no option but to bring the matter to you for decision.

At issue is the amount of Aggregate Exchequer Grant (AEG) and the pattern of holdback. The two need to be a balanced package, but the Chief Secretary has declined to discuss holdback until the AEG quantum is settled.

In my view the Aggregate Exchequer Grant figure should be calculated on the basis of the same principles of block grant that have been used previously. The fundamental principle of block grant is rate poundage equalisation and in Wales, the rate support grant settlement should take place on the basis of broadly equal effects to those in England: this was confirmed as logical and equitable by an official working party led by the Treasury prior to the 1982/83 settlement. The same applies to the settlement for Scotland. The decision reached in respect of England for 1984/85 is that the proportion of relevant expenditure met by AEG should be reduced by 0.6 per cent, which is equivalent to a 2p rate for English authorities as a whole. It would therefore be right to reduce the proportion in Wales by such an amount as would be equivalent to a 2p rate increase for Welsh authorities as a whole. On that basis the AEG figure would be £1008m if relevant expenditure is £1440m (which is agreed as a working assumption).

In the discussion of the England figures in E(LA) we were very concerned that the rating effects of the combined AEG and holdback package should not be excessive. The package eventually agreed was shown in the tables presented as a basis for the discussion as producing an average rate increase of 11½ per cent if authorities budget for an increase of 4 per cent over their budgets this year in cash terms. In Wales, for an AEG of £1008m, with continuation of my present holdback regime, the resulting average rate increase is 11.8 per cent

In his minute to you of 18 October, the Lord President, after stating that a modest increase in rates is an important policy goal, said that in England if authorities collectively spend at 3 per cent more than their 1983/84 budgets in cash terms, rates might rise by 7 per cent. On the basis of my proposals for AEG of £1008m the equivalent Welsh figure would be 8 per cent.



I have therefore argued that I should consult local authorities on the basis of £1008m AEG and the present holdback regime. This package would produce rate poundages broadly similar but if anything a little higher than those related to the England package; my holdback scheme is in fact rather tougher than that agreed for England at the lower levels of excess over target, and proved effective last year in reducing overspending by Welsh local authorities.

The Chief Secretary approaches the issue from a very different direction. He starts from the increase in the cash sum devoted to AEG in England and proposes an equivalent increase in the cash sum devoted to AEG in Wales. This produces an AEG figure of £984m. At that level, with my present holdback scheme, the resulting rate increase matching the 11.8 per cent in England would be 17.1 per cent; or using the Lord President's 3 per cent case, there would be a 13.2 per cent increase in Wales compared with 7 per cent in England.

I cannot accept that the principle of rate poundage equalisation and the fact that Welsh rateable values are lower than in England should be ignored in this way. Neither can I accept the level of rate increase which would result, either in absolute terms or relative to that in England.

The block grant system has worked reasonably well in Wales, whereas in England it has had limited success. Over the lifetime of the last Parliament local authorities in Wales reduced their current expenditure in real terms by about 4 per cent whilst in England there was a 1 per cent increase. Because my block grant system works I am not prepared to have it deformed so that I lose my present influence over local authority spending decisions. Capriciousness in setting the figures, which is to say decisions that cannot be explained and justified by block grant principles, will destroy the effectiveness I have been at pains to develop in my financial dealings with Welsh local authorities. The present principles have again and again been advocated and defended to local authorities and to the House of Commons.

As to the level of rate increase, I have to say that an 11.8 per cent increase will be a blow to Wales, most especially to industry and commerce. The economic recovery in Wales is slow and fragile, and a cost penalty of this size imposed by Government decision will be counter to the efforts which have been made to achieve a solid economic base. We can expect loud protests from the CBI and others. Nonetheless, I have been anxious to help the Chief Secretary in his difficult task and I am sympathetic to the pleas of my colleagues concerned in the England system that the settlement for Wales should not cause them presentational difficulty. I am therefore prepared to withstand the criticism provided the indicated rating effects of the two settlements are broadly comparable even though there will be those who will argue that the relatively successful efforts made by Welsh local authorities to hold expenditure down should be reflected by lower rate bills. However, there is no way that substantially higher indicated rate increases in Wales could be presented or justified. The proposal would be counterproductive in public expenditure terms, because Welsh



authorities would regard it as a wholly unreasonable response to their previous efforts to keep expenditure down and would cease those efforts. I would have to go back on everything I have said on this subject in recent years, and the political damage in Wales would be severe.

I am copying this minute to the Chief Secretary and Sir Robert Armstrong, *and to secretary of State for Scotland.*

25 October 1983

NE.

R N E



M

10 DOWNING STREET

Prime Minister (2)

MISC 95 agreed:

- (i) to introduce interim measures to control salaries and promotions
- (ii) not to introduce controls on capital contracts
- (iii) to defer a decision on controls on recruitment pending advice from the Attorney General on whether his powers would suffice in this field
- (iv) to draft legislation on commissioners but to hold it in reserve until a need for it was demonstrated.

Mr Jenkin will minute you in due course

HT

25/10



10 DOWNING STREET

✓ Mr Turnbull

I have told Alan Gropenbros that the PM will be answering his letter as soon as she can & that she is opposed to publication.

He has promised not to circulate his letter, apart from the two copies he has already sent to P Jenks & L Bellin.

ferdy

24/10



2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

20 October 1983

Dear Andrew

ABOLITION OF THE GLC

Thank you for your letter of today's date. I enclose a draft reply to Mr Alan Greengross. It has been cleared by my Secretary of State.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO COUNCILLOR
ALAN GREENGROSS

I thought that I should reply as quickly as possible to your letter, which arrived yesterday afternoon.

Rest assured that I have never doubted the loyalty of the GLC Conservative Group to the Government and to our Manifesto pledge. As you emphasised in your letter, the Group is totally committed to the abolition of the GLC and this is greatly appreciated.

I pay no attention to mischievous press articles and I hope that you will be reassured on this point.

Of course there are genuine differences as to what will happen when the GLC goes, but that is a separate matter. The Government would find it very hard to accept the proposal for a new, elected authority for which you have argued strongly on many occasions.

I hope that the Group will, in turn, understand this and that we can work together to ensure that the new re-organisation goes ahead sensibly. It is already clear that the White Paper proposals are supported by some of the more influential Tory leaders of the London Boroughs. It is vital that we all work together to get it right: nothing would be more helpful than to count on the advice and expertise of your colleagues and yourself.

I understand that you may wish to invite Patrick Jenkin to meet the Conservative Group. Now that the White Paper has been published I am sure that this would be a useful occasion to discuss the Government proposals and how the next steps can best be taken.



10 DOWNING STREET

From the Private Secretary

20 October, 1983

Abolition of the GLC

The Prime Minister has just received a letter from Mr. Alan Greengross which seeks to assure her that, contrary to the report in today's Standard, the Conservative Group on the GLC is fully behind the Manifesto commitment. (You will notice that he does not refer to the White Paper proposals.) I am copying the letter to you to warn you that Mr. Greengross intends to approach your Secretary of State shortly and to seek advice on how the Prime Minister should reply. Stephen Sherbourne has discussed this with Chris Mockler and they have agreed that the best course is for you and Chris to draft a reply. After clearing it with your Secretary of State, you could send it here sometime tomorrow.

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

received 20/10
BT

FCV
JH

NR

From ALAN GREENGROSS
LEADER OF THE OPPOSITION
GREATER LONDON COUNCIL
THE COUNTY HALL SE17PB
Phone 01-633 3304/2184

20 October 1983

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister,

As the abolition of the GLC goes through, I have little doubt that the campaign being waged by the Labour Party will grow progressively fiercer. I notice in The Standard today, however, an article suggesting that my colleagues and I are in some way party to the campaign.

May I repeat to you the words with which I started my speech at Conference:

"Tories on the GLC totally endorse the Manifesto commitment. Believe me, they hold no brief for what it has become."

As you accepted during the election, there will always be the odd maverick or two on our side at County Hall. Those apart (and I wish there was some way to bring them into line) no member of the Group even desires, let alone would plead for, the retention of the GLC.

What I also said at Conference was:

"Abolition must not become a negative act to get rid of a few lunatics who run the GLC today. It must be a positive move because we, as Conservatives, believe there is a better system for Londoners and as Conservatives, better must mean more accountable, less bureaucratic and more cost effective."

and I am positive that you and I are at one on this. My only wish, as yours, is that after the restructuring we do get that better system.

I am unhappy at the way the situation is being presented and wanted you to know that I will be seeing Patrick and Irwin at the earliest possible moment to discuss how we can put this right and show, publicly, that the Tory Group on the GLC is totally behind the Manifesto commitment, and that because we believe in better local government we will fight for it with the Government in order to bring back to Londoners that sanity that has been too long denied them.

Yours ever
Alan

CONFIDENTIAL

cc

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CH SEC, HMT

HL



10 DOWNING STREET

From the Private Secretary

CO
19 October 1983

English Rate Support Grant Settlement 1984-85: Aggregate Exchequer
Grant and Holdback

The Prime Minister has seen the Lord President's minute of 18 October and is content with the agreement reached on Aggregate Exchequer Grant and the tariff for holdback of block grant.

I am copying this letter to the Private Secretaries to the members of E(LA) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss Janet Lewis-Jones,
Lord President's Office.

CONFIDENTIAL

sc



PRIME MINISTER

ENGLISH RATE SUPPORT GRANT SETTLEMENT 1984-85: AGGREGATE EXCHEQUER
GRANT AND HOLDBACK

The Ministerial Sub-Committee on Local Authority Expenditure (E(LA)) has met three times under my chairmanship to discuss two important components of the English Rate Support Grant (RSG) settlement for 1984-85: the size of the Aggregate Exchequer Grant (AEG) and the tariff of holdback of block grant from those local authorities which exceed their expenditure targets. This minute reports our conclusions. As you know, provisional decisions on public expenditure provision for local authority current expenditure and expenditure targets for individual authorities were announced in the summer. The Secretary of State for the Environment intends to bring forward proposals on the remaining components - the methodology of grant-related expenditure assessments and the block grant mechanisms - in time for decisions to be reached, and the full RSG settlement to be announced, before Christmas.

2. The Sub-Committee found difficulty in reaching agreement because of the conflict between two important considerations. On the one hand, it is essential to maintain the pressure to curb local authority current spending both generally, and more particularly by the relatively limited number of determined over-spenders. The expenditure targets for 1984-85 imply a reduction in cash spending of 1 per cent on budgets for 1983-84. They are thus extremely demanding. It is important that we should not undermine their credibility. These considerations also indicate that the holdback tariff should be significantly more severe than in 1983-84; and that the size of AEG should reinforce the downward pressure on expenditure and give the right signals to authorities. In this connection, the Sub-Committee



thought it especially important that AEG, before holdback, should not be set at a higher percentage of relevant expenditure than in 1983-84. In the last three settlements, the grant percentage has fallen from 59 per cent to 56 per cent and then to 52.8 per cent; it would give the wrong signals if this trend were reversed in the 1984-85 settlement.

3. On the other hand, the settlement ought to enable responsible local authorities to keep down the average increase in rates next year. A modest increase in rates is an important policy goal: if it is not achieved, this may create serious opposition to our legislation on rate limitation. A settlement leading to widespread increases in rates above the rate of inflation would make local authorities suspect that the scheme for capping the rates of all authorities might be introduced: this would harden resistance to the proposals, not least among our own supporters. A further point to be borne in mind is the effect of the settlement on high-resource authorities, for example in the home counties. Because of the equalisation principles underlying the block grant system, a low figure for AEG hits them disproportionately severely. The Secretary of State for Education and Science was greatly concerned at this point. Especially if the holdback arrangements severely penalised minor over-spending, he feared that it might jeopardise the ability of even the most prudent and efficient of educational authorities to maintain reasonable standards. As against this, the point was made that it would be wrong to appear to condone even minor over-spending; and that the bulk of over-spending - leaving aside the exceptional cases of the Greater London Council and the Inner London Education Authority - falls within a band 1 or 2 per cent above target.

4. After lengthy and difficult discussions, the Sub-Committee agreed that AEG, before holdback, should be £11.9 billion in 1984-85. This is expected to be equivalent to about 52.2 per cent of relevant expenditure. The holdback tariff, in terms of the reduction, in pence, in the grant



poundage for each successive percentage point of overspend, will be 2-4-8-9-9 The corresponding features of the 1983-84 settlement were AEG, before holdback, of £11.8 billion, or 52.8 per cent of relevant expenditure; the holdback tariff was 1-1-5-5

5. Estimates of rate increases are necessarily unreliable. But the best judgement that can be made is that if local authorities spend at target they will be able to reduce rates by, on average, $4\frac{1}{2}$ per cent. In practice, many authorities will exceed their targets: if collectively they spend at 3 per cent, in cash, more than their 1983-84 budgets, rates might rise by about 7 per cent.

6. I must stress that these conclusions were reached only with great difficulty and after exhaustive exchanges. The opening positions of the Secretary of State for the Environment and the Chief Secretary, Treasury were a long way apart; and both went to the very farthest extent of their departmental positions in the interests of reaching agreement - as indeed did other members of the Sub-Committee. The Secretary of State for the Environment is concerned that the Government will face a most difficult period when the RSG orders giving effect to what will be widely regarded as an extremely severe settlement are debated at much the same time as the rate limitation legislation. The Chief Secretary would have preferred a more severe package, since that would have eased the Chancellor of the Exchequer's position when making his budget judgement and have held out more prospect of bringing local authority spending under control. However, these reservations simply reflect underlying difficulties of the situation; and I am clear that the Sub-Committee have reached the best possible compromise between the conflicting considerations. The decision will be communicated later this week to representatives of the local authorities.

Planned
for Thursday
morning



7. The Secretaries of State for Scotland and Wales will discuss settlements for their countries with the Chief Secretary and the Secretary of State for the Environment on a basis consistent with E(LA)'s conclusions on the English settlement.

8. I am sending copies of this minute to the other members of E(LA) and Sir Robert Armstrong.

hslb

18 October 1983

Local Gov Relations

pt 17



18 October 1983

Policy Unit

PRIME MINISTER

ENGLISH RATE SUPPORT GRANT

This is a rather unappealing compromise. Like the Treasury, we would have preferred a settlement nearer £11 billion than £11.9 billion.

But it is crucial that the average rise in rates next year should be modest. Otherwise, our Election pledges will be discredited, even before our main Local Government Bill is introduced. Any ratepayer can work out that if local authorities slap on huge increases in rates before the Bill becomes law, that law will be valueless. Therefore, we want to set expenditure targets which are tight, but which all except the most obstructive councils can reach without big rate increases.

We believe that these compromise proposals should be accepted.

FERDINAND MOUNT

PRIME MINISTER

The Lord President has reported the outcome of the discussion in E(LA) on the Rate Support Grant. It is very much a compromise between the two conflicting considerations

- (a) exert a discipline
 - (b) not push up rates of responsible councils, ahead of rates legislation.
-

With AEG of £11.9 billion, up £0.1 billion on last year, councils in general will be able to spend over the target without huge increases in rates, and are likely to do so. But it is difficult to see how this could have been prevented without large increases in some councils.

Agree therefore that proposals be accepted?
(See also Policy Unit advice.)

Yes mt.

AT

18 October 1983



10 DOWNING STREET

Prime Minutes

This meeting stems from Mr Jenkin's concern that colleagues may not fully appreciate what a long hard battle passing and implementing the local authority legislation will be. - see his ~~last~~ minute at Flag A

It was agreed that a paper by Mr Jenkin should be handed round just before the lunch - Flag B

Cabinet Office have provided a summary of the legislation - Flag C.

Agree sealing plan?

AT

14/10

LORD PRIVY SEAL

cc Mr Brearley
Mr Maclean
Mr Turnbull
Miss Lewis-Jones

LOCAL AUTHORITY LEGISLATION: 1983-84 SESSION

- .. 1. The attached schedule of local authority legislation may be of help in your discussions with the Prime Minister and Chief Whip on Monday October 17. It includes the legislation concerned with removing London Transport from the control of the GLC. Although not strictly a local government matter, this is likely to be treated as the precursor of the Abolition Bill next Session.
2. The schedule is arranged in order of the likely date of introduction of the Bills. The earlier Bills (Scottish rating and London Transport) seem to be well on target and are likely to be introduced in the latter half of November. However, further stages of the London Transport Bill would be delayed by at least two months if it proves to be hybrid. Both Bills contain features which will stimulate debate on the subject matter of the later Bills. It is not possible to be so sanguine about the timing of the latter. The detail of policy is far from settled and the date of introduction may well slip unless constant pressure is maintained. If everything goes according to plan, from early December onwards, therefore, the Session will be dominated by local government Bills in one form or another. If matters start to slip, however, a backlog could develop in the House of Lords towards the end of the Session.
3. Of particular concern is the possible need to find a home for legislation relating to the takeover of recalcitrant councils by commissioners (number 5 in the schedule). If Ministers decide that this should be kept in reserve as an essentially reactive response to a particular set of circumstances, it would no doubt be possible to push it through Parliament as an emergency measure.

../...

If, on the other hand, they decide that it should be enacted pre-emptively, it will add greatly to the burden at the end of the Session. The result might well be the need for a spill-over, with the consequential delay in the introduction of the Abolition Bill in the next Session. The treatment of Commissioner legislation is to be discussed at MISC 95 on 24 October.

4. The four Bills actually in the programme are going to produce a great deal of work and controversy in Parliament. This will probably be manageable if everything goes to plan. Any delay will cause great difficulties at the end of the Session in the House of Lords, where opposition to certain aspects may well be most effective. The need to introduce either of the additional measures will create additional problems which ^{may} _{other} well threaten the successful enactment by July of one or more of the/measures.



R Watson
14 October 1983

TITLE	CONTENT	COMMENT
<p>A. <u>The Present Position 1983-84</u></p> <p>1. LOCAL GOVERNMENT VALUATION AND RATING (SCOTLAND)</p>	<ol style="list-style-type: none"> 1. General scheme of rate control - Scotland already has selective control. 2. A scheme to relate general abatement of rate support grant to an individual authority's level of overspending. 3. A streamlined procedure for taking selective action on rates or rate support grant reductions 4. Enabling power to limit the rate fund contribution to the housing account. 5. A package of technical changes to the valuation and valuation appeal system. 6. Local authorities to consult local representatives of trade and industry before setting rates. 7. Discretion to rate empty industrial property abolished. 	<p>Royal Assent required by June 1984. Drafting well advanced - L Committee 16 November-introduction shortly thereafter.</p>
<p>2. LONDON REGIONAL TRANSPORT</p>	<p>Power to transfer the GLC's responsibilities for London Transport to a London Regional Transport Authority. Subsidiary undertakings will actually run the bus and tube services.</p>	<p>Royal Assent desirable by June 1984. Drafting in progress - possibly ready for introduction in late November. The House authorities have been consulted about whether the Bill is hybrid. If it is, a delay of at least 2 months - probably longer - will be introduced.</p>
<p>3. LOCAL GOVERNMENT (RATING AND EXPENDITURE)</p>	<ol style="list-style-type: none"> 1. Selective control of rate poundages levied by a small number of high spending authorities in England and Wales from April 1985. 2. A general scheme of control for all authorities in England and Wales to be kept in reserve. 3. Each tier of local government (including joint boards to be set up after abolition) required to provide ratepayers with separate statement of rate requirements. 4. Council tenants to receive annual rate statements. 	<p>Other amendments to the rating system may be added. White Paper issued. Comment required by end of October. Royal Assent required by July/August 1984. Likely date of introduction January 1984.</p>

	<p>5. Local authorities to consult local representatives of trade and industry before setting rates.</p> <p>6. Discretion to rate empty industrial property abolished.</p>	
<p>Royal Assent by July. Introduction March/April 1984. The use of the Paving Bill for Commissioner legislation cannot be ruled out. (see below). The question of anti-obstruction powers is far from settled. It will be discussed at MISC 95 on 24 October.</p>	<p>1. Powers to enable the 1985 elections in these authorities to be abandoned and for the existing councillors to be replaced by representatives of the second tier councils.</p> <p>2. Powers to obtain information necessary for the purposes of abolition.</p> <p>3. POSSIBLY - powers (short of take-over) to prevent obstruction - these are most likely to consist of central government control over the letting of large contracts, but Ministers have yet to decide.</p> <p>4. POSSIBLE BUT UNLIKELY - powers to enable the Secretary of State to dismiss councillors and replace them with Commissioners.</p>	<p>4. LOCAL GOVERNMENT (GREATER LONDON AND METROPOLITAN COUNTIES) (INTERIM) (The so-called Paving Bill)</p>
<p>Ministers have yet to decide whether to respond pre-emptively or reactively to the possible need for such legislation. If the former they may well press for an additional Bill in this Session - which could not be introduced before February. The alternatives would be inclusion in one of the other Bills (difficult) or a separate Bill next session. (In practice Commissioners are more likely to be used in rate limitation cases)</p>	<p>1. Powers enabling the Secretary of State to dismiss all the councillors of a recalcitrant local authority and replace them with appointed Commissioners.</p> <p>2. Extension of the disqualification period for councillors from 5 years to 10 years.</p>	<p>B. <u>POSSIBLE ADDITIONS</u></p> <p>5. COMMISSIONER LEGISLATION</p>
<p>An anti-obstruction measure already in the contingent section of the programme.</p>	<p>To make the exercise of the GLC's powers in relation to London Transport subject to the Secretary of State.</p>	<p>6. LONDON TRANSPORT EXECUTIVE</p>

PRIME MINISTER

Lunch for Colleagues
Monday, 17 October

I attach the list of guests attending the
lunch on Monday together with a draft seating plan.

Do you agree the seating plan please?

Sue Goodchild

14 October 1983

c.c. Mr. Michael Alison

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE
PRIME MINISTER FOR COLLEAGUES ON MONDAY, 17 OCTOBER 1983
AT 1.00 PM FOR 1.15 PM

Prime Minister

Rt. Hon. Lord Whitelaw

Rt. Hon. Leon Brittan, MP

Rt. Hon. Sir Keith Joseph, MP

Rt. Hon. Patrick Jenkin, MP

Rt. Hon. John Biffen, MP

Rt. Hon. Lord Cockfield

Rt. Hon. Peter Rees, MP

Rt. Hon. John Wakeham, MP

Rt. Hon. Lord Denham

Mr. John Selwyn Gummer, MP

The Lord Bellwin

The Hon. William Waldegrave, MP

Rt. Hon. Michael Alison, MP

DRAFT SEATING PLAN FOR LUNCH ON MONDAY, 17 OCTOBER 1983

The Lord Bellwin	Mr. John Selwyn Gummer
Rt. Hon. Lord Denham	Rt. Hon. Peter Rees
Rt. Hon. Patrick Jenkin	Rt. Hon. Sir Keith Joseph
PRIME MINISTER	Rt. Hon. Lord Whitelaw
Rt. Hon. Leon Brittan	Rt. Hon. John Biffen
Rt. Hon. Lord Cockfield	Rt. Hon. John Wakeham
Rt. Hon. Michael Alison	The Hon. William Waldegrave

ENTRANCE

CONFIDENTIAL

B



2 MARSHAM STREET
LONDON SW1P 3EB

t
01-212 3434

My ref:

Your ref:

13 October 1983

Dear Andrew -

The Prime Minister and my Secretary of State are to meet for lunch on 17 October, with a number of their colleagues to discuss local government and the battles ahead.

The Prime Minister suggested that a short background paper should be prepared for colleagues to read upon their arrival at 12.30pm. A note approved by my Secretary of State is enclosed, to be distributed on Monday. Copies have not been sent at this stage to any of the other Ministers attending.

Yours sincerely,

John Ballard

JOHN BALLARD

Private Secretary

Andrew Turnbull Esq

CONFIDENTIAL

LOCAL GOVERNMENT: THE NEXT FIVE YEARS

We will have two kinds of battle on the local government front over the next five years. First, we may face some difficulties, perhaps particularly in the Lords, over parts of the legislation, with more pressure we would judge on the rate capping Bill than the abolition Bill. We will in addition be making very heavy demands, in this session and the next, on parliamentary time. Colleagues may wish to hear views on the latest assessment of the parliamentary situation.

Second, victory in Parliament will be followed by major tasks, some of them of a kind not attempted in Britain before, in relation to the control of local government expenditure. These will derive both from rate-capping and from the temporary controls which will be necessary to secure savings in the newly established joint boards. It is important that we should not concentrate only on the period of the parliamentary battle; to secure the real savings we need (and have not yet achieved) in local government expenditure we will need to fight and win a series of battles outside parliament up to the next election and beyond. Some of these will have novel features. For example:

(i) we may need to take, and use, powers to put commissioners in to run some recalcitrant authorities to secure the savings we want. This might be needed either in an abolition authority before abolition, or in an authority selected for rate-capping or conceivably in a joint board which refused to implement realistic manpower and expenditure plans.

(ii) we will of course be involved in setting the rates for perhaps fifteen of the highest spenders under the rate capping powers. This will involve Whitehall civil servants for the first time in detailed executive decisions on spending in particular authorities.

(iii) If we are to get the savings we need, we must both keep up the pressure across the board (which means no easy answers to the grumblings of many Conservative shire counties and others about RSG) and seriously seek savings from amongst the new joint board services (ILEA, fire, police etc).

There will be plenty of room for Murphy's law to operate. Local authority lawyers will seek court challenges, and we face steady opposition from a rival civil service of local authority officials who feel threatened and who will be briefing members of both Houses and the media.

Annex A draws attention to the timing of the legislation and its relationship with the RSG settlement cycle and local government elections. The main point which emerges is that local government is going to be in the forefront of the political stage from this autumn right up to the next election.

Annex B is a summary of some of the arguments. It shows that we should have no difficulty in marshalling a powerful case for our policy. Above all, we cannot let ourselves forget that overall there has been virtually no real cut in local authority current spending.

October 83: Publication of Abolition White Paper

December 83/January 84: RSG Settlement for 84/85 debate in January perhaps in same week as rate capping bill second reading). Likely to be tough across the board and very harsh indeed on high spenders. No escape routes possible for high resource authorities (Surrey) or growth authorities (Buckingham) or authorities with historically low-spend records but new over targets (Somerset).

January 1984: Debates on RSG Settlements

January/July 84: Rate Capping Bill (Commons Second Reading January, Lords Second Reading April (?). Hotly controversial; raises issues of local independence which on previous occasions have proved particularly difficult to handle in the Lords. On the other hand this bill is about money (spending) and taxation (rates).

March/April 84: Rates Set Opportunity for abolition authorities to put forward obstructive financial programmes (especially the GLC who will be expected to rate for full-year support for transport even though it is intended to set up London Regional Transport in mid-year).

April (?) 84: Abolition Paving Bill introduced Could imply changes in political balance in some authorities. Constitutional argument about replacement of directly elected Councils.

April (?) 84 onwards (contingent): Counter-Obstruction Bill (either combined with the Abolition Paving Bill or as separate legislation introduced if and when the need arose). Would provide for dismissing a council and putting in commissioners; probably the most controversial of local government policies.

May 84 Local elections for one-third of the Councillors in Metropolitan Districts.

July 84: Selection of authorities for rate-capping Criteria for selection will be disputed; selected authorities may henceforth adopt obstructive tactics. Possibilities for legal challenges. Possibility of necessity for imposition of Commissioners on some councils, perhaps pretty quickly.

July 84: Announcement of targets for 85/86 (likely to be tough) and implementation of holdback for 84/85

October (?) 84: Setting up of London Regional Transport Possible obstruction by GLC who will be expected to continue subsidising London Regional Transport for the remainder of 84/85.

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November (?) 84: Substantive Abolition Bill Repeat of earlier debates during the passing of the Paving Bill.

December 84/January 85: RSG Settlement for 85/86 (debate in January).

January 85: Setting of rate limits for selected authorities Could be the trigger for major obstruction leading to takeover of some authorities, followed by wide scope for legal challenges and certainty of active obstruction by local government officials in some councils.

May 85: Possible announcement of intention to introduce general rate limitation (if 85/86 budgets are excessive). This would lead on to target setting, and widespread confrontations.

July 85: Formal setting up of new joint boards in metropolitan areas.

November 85/88 - Period of initial precepts and manpower control for joint boards. If savings are to be achieved, control must involve loss of staff in all services, including police, fire, and ILEA. Possibility of need for imposition of commissioners.

OVERALL LOCAL GOVERNMENT FINANCE POLICY

Argument

There is no macro-economic case for imposing controls on local government current expenditure since it affects neither the PSBR nor the money supply.

Response

The size and cost of the local government sector affect

- (a) the balance of the private/public sectors;
- (b) rates - and hence the overall level of taxation especially of business ratepayers;
- (c) rates - and hence the RPI;
- (d) rates - and hence (possibly) savings and interest rates;
- (e) pay outside the local government sector.

SELECTIVE RATE LIMITATIONArgument 1

Direct control of local authority spending is unconstitutional.

Response 1

The relationship between central and local government is set by Parliament, and there is nothing unconstitutional in changing it through Parliamentary procedures (eg Scotland).

Argument 2

The policy represents a fundamental shift in the balance of power between central and local government.

Response 2

We are only seeking to control expenditure in 12-20 of the worst overspending authorities, and within the overall total they will still be able to decide their own expenditure priorities.

Argument 3

The scheme will be unworkable; you cannot run a local authority from Whitehall.

Response 3

We shall not be seeking detailed control, merely setting

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realistic and achievable reductions from existing expenditure and manpower levels. If there are hidden special factors which make these reductions impossible, the authority concerned will be able to seek some relaxation.

GENERAL RATE LIMITATION

The same arguments as those on selective limitation apply, but with more force. In particular, there is no gainsaying that the general scheme would represent a big shift in power towards central government. The answer to this is that such action would be taken only if the selective scheme combined with the normal grant pressures had failed to produce a satisfactory response from local authorities so that the Government was left with no alternative but to knuckle under and abandon its expenditure plans or take general control of rates. It will also be argued that if the general scheme is only a fall-back option, immediate legislation is not needed; powers should be taken only if the selective scheme fails. The answer is that the scheme needs to be on the statute book in order to influence the attitudes to expenditure of all local authorities.

COMMISSIONER LEGISLATION

Argument

This would enable the Government arbitrarily to dismiss councils that legitimately disagreed with its policies.

Response

The power would be used only where the working of local government had clearly broken down, and specific Parliamentary authority would be sought in each case. (The response would be more persuasive if the legislation were introduced after the intention of one or more authorities to behave irresponsibly was firmly evidenced).

RSG/TARGETS/HOLDBACK

Argument 1

Rates have gone up because the Government has cut the grant.

Response 1

They would have gone up much less - on average no more than the RPI - if local authorities had met targets.

Argument 2

Targets are unfair because they take no account of differing spending needs; and they bear harshly on low spenders, especially shire counties.

Response 2

They are admittedly rough and ready. But there is an overriding need to restrain the total. Low spenders therefore have to contribute. Targets can be dropped when total spending comes into line with plans.

ABOLITION

Argument 1

Controlling spending is sufficient; abolition is not necessary.

Response 1

Control of spending is no substitute for getting fundamentally more economical arrangements.

Argument 2

You will be replacing directly elected and therefore accountable bodies with unaccountable joint boards, which have always tended to be extravagant.

Response 2

Borough and district councils will be elected authorities responsible directly for almost all services and much more accessible to local people. Where services have to be provided jointly, local elected members will form the joint boards and will be accountable to their authorities and the electorate. We are taking special measures to reinforce the pressures for economy on joint boards.

Argument 3

There must be an elected authority for the whole of the capital city.

Response 3

Only if there is a real job to be done; representations can just as well be made by the boroughs acting together.

Local Govt
Relations #17

PERSONAL



H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233 5022

13 Dec.

Dear Andrew

These may help a bit,

precisely because they are simple.

E(UK)'s decisions means

(a) taxes in 84-5 will be higher

than they need to be, &

(b) local authorities will again overpend

substantially.

Yours,
Robert.

CONFIDENTIAL

FROM: ROBERT CULPIN
DATE: 9 September 1983

CHIEF SECRETARY

cc without attachmen

Chancellor
Mr Bailey
Mr Wilding
Miss Kelley
Mr Pestell
Miss Rutter
Mr Short

AGGREGATE EXCHEQUER GRANT (AEG) TO LOCAL AUTHORITIES IN 1984-85

You have to decide how much grant to give local authorities in 1984-85. This does not affect the provision for their expenditure, which you have already settled. (Grant finances expenditure: it is not itself public expenditure). It does affect how much local authorities will actually spend: the more we give them, the more they will spend. It also affects the amount the Chancellor has to raise in taxes: the more we give local authorities, the more he will have to find ⁱⁿ his Budget.

2. Mr Jenkin wants grant of £12 $\frac{1}{4}$ billion. Subject to further work, I recommend £11 $\frac{1}{4}$ -11 $\frac{1}{2}$ billion.

3. An E(LA) meeting is being arranged for the week beginning 26 September. I attach a draft of Mr Jenkin's paper. This minute is an introduction to the arguments.

Main Treasury Points

4. There are two main Treasury points. First, we must do all we can to deliver the public expenditure provision for local authorities. There is no chance unless we cut grant substantially. The local authorities should expect us to cut it (paragraph 8 below).

5. Second, a grant cut means a tax saving. Even if you meet your public expenditure objectives, the tax burden might have to rise in 1984-85 if the general picture were to remain unchanged from the June forecast. It could, for instance, be difficult to index income tax thresholds. Each 1% of indexation costs about £200 million in lost revenue in ^a full year. For each £200 million you can save by cutting AEG, the price might at worst be some 2% on the average of local authorities' rates. Faced with this trade-off, you might rather put up rates than taxes.

Figures

6. In 1983-84, AEG is £11.8 billion before holdback, £11.5 billion after holdback. (Holdback is withdrawal of grant as a penalty for spending above target). For 1984-85, Mr Jenkin wants £12.25 billion. His paper gives a range of options down to £10.7 billion.

7. Grant has previously increased in cash in every year. A decrease would be a break with precedent.

8. But the "grant percentage" has regularly gone down. (This is grant as a proportion of "relevant expenditure" - one measure of what authorities would spend if they met their targets.) It was 59.1% in 1981-82, 56.1% in 1982-83, 52.8% in 1983-84. Local authorities must expect it to fall another 3 points or so in 1984-85, giving an AEG of roughly £11.3 billion. They would be staggered if the grant percentage went up, as Mr Jenkin is proposing. In that, he is very much the demandeur.

The Case for £10.7 Billion

9. At least for negotiating purposes, you will want to consider the lowest option shown, £10.7 billion. The case for it is this:-

- a. If grant is £10.7 billion, and local authorities spend at target, rates on average need only rise in line with inflation.
- b. Rates will probably rise at least that fast whatever the government does. If grant is higher than £10.7 billion, local authorities will easily be able to spend more than their targets.

10. However, although Mr Jenkin's paper does not say so, he ought to be able to shoot holes in this. If local authorities spent at target, rates on average would indeed rise in line with inflation. But this hides a vast difference between authorities. Rates would fall by nearly 50% in the GLC and rise elsewhere at two or three times the rate of inflation. That is a measure of the GLC's overspending: if they spent at target, they could nearly halve their rates.

11. There is a Treasury counter to this. The calculation in paragraph 9 above may overstate the average need for grant, for two main reasons.

- a. Local authorities should spend less than their budgets in 1983-84. So they should carry forward some unspent income.
- b. They should also carry forward a windfall they received in 1983-84. Claims for grant fell short of the cash limit; local authorities were then given more grant than they asked for.

12. But again, this is a flawed argument. Local authorities are planning to deplete their balances in 1983-84. They may want to build them up in 1984-85. So they may set their rates higher than suggested in our calculations.

13. My own view is that there is a case for £10.7 billion, but you are unlikely to get colleagues to accept it.

A Higher Figure

14. Above £10.7 billion, possible landmarks are these:-

- a. £11.1 billion: rates in authorities which get grant (i.e ignoring the GLC and a few others) would on average rise in line with inflation if those authorities spent at target.
- b. £11.3 billion: a normal fall in the grant percentage (paragraph 8 above).
- c. £11.5 billion: the same cash grant before holdback as grant after holdback in 1983-84.

15. As a rule of thumb, an extra £100 million of grant will reduce the implied average increase in rates by about 1%, at the cost of higher taxes.

Distribution

16. All this is about aggregates and averages. I strongly advise you to stick to these, and not to get immersed in the distributional detail. We shall do better that way; and Mr Jenkin himself wants to settle the aggregate first, the distribution later. (This is what his "Introduction" means). However, I should warn you of two large snags.

17. If you cut grant and leave the distributional mechanisms unchanged, you will get large percentage rate increases in the shire counties. That is because grant is reduced in such a way that, if other things were equal, rate poundages would rise by equal absolute amounts in all classes of authorities. The percentage increases would be highest where rates are initially low - notably in rich authorities with high rateable values. Surrey is a classic example. The political problems are obvious.

18. You can reduce or even eliminate this by changing the rules. (We can arm you with buzz words.) But that pushes the problem elsewhere. The most obvious tricks penalise authorities which spend way above their GREs. The classic case is Tower Hamlets. Others are Greenwich, Hackney, Hammersmith and Lewisham. It is very easy to generate implied rate increases of 20-30% or more for those authorities, even if they spend at target. In Tower Hamlets it could be over 50%. If these authorities spend more than their targets and lose grant through holdback, their rate rises would be still higher.

19. There is no easy answer. We can resort to a variety of ad hoc fixes. ^{But} I see no way, for example, to set the rules to imply rate rises of 5-6% in all authorities if they spend at target.

Conclusion on grant

20. For this reason, I think in practice that you will have to concede an AEG of at least £11.3 billion, and probably a bit more. Much will turn on the maximum rate increases you are prepared to imply for the shire counties and for authorities like Hackney and Hammersmith.

The Trade-Off Between Initial Grant and Holdback

21. One answer to the distributional problem is to be generous with grant for authorities which spend at target, but to withdraw grant at a rate of knots from authorities which spend above target. High initial grant would be accompanied by tough holdback. Mr Jenkin offers a trade-off of sorts in his paper - though his idea of "high" grant is much higher than ours.

22. I think tough holdback would help you to go up from his lowest option for grant - £10.7 billion - to his next option - £11.3 billion. But it would not get you to anything like the £12½ billion he wants; and there are four reasons not to expect too much of holdback.

- a. Authorities are becoming adept at minimising it through creative accounting.
- b. You know where you are with the initial AEG - that is a bird in the hand. The effects of holdback are unpredictable.
- c. You want to put pressure on all authorities, not just those which overspend their targets.
- d. Mr Jenkin has told you that he wants to drop targets and holdback in 1984-85. You have not agreed. But it would be unwise to put too many eggs into the holdback basket.

23. We shall have to go for both low grant and tough holdback. We should probably regard Mr Jenkin's option B for holdback as a minimum.

Procedure

24. You have three main procedural options.

- a. You can try to do a bilateral deal with Mr Jenkin before E(LA).

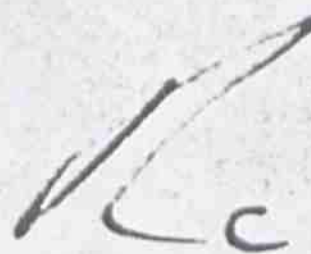
- b. You can put a paper to E(LA).
- c. You can reserve your argument for the E(LA) meeting.

25. The case for a. is that it worked well for targets, and should be the norm. The case against is that you are knee deep in bilaterals that Mr Jenkin will probably be reluctant to trade; and that you might be drawn into discussing hard cases.

26. The case for b. is that it would put colleagues on notice of your arguments. The case against is that your strongest points are general, and may be easier to handle in discussion. It may, for example, be better to say bluntly that you would rather put up rates than taxes than to write down a sophisticated proposal.

27. On balance, I am inclined at the moment to favour c., but this is very much a matter of style. It does not matter to us if it takes more than one meeting to reach agreement.

28. You might like to discuss all this well before the E(LA) meeting. I shall be here next week and then on holiday. Miss Rutter will be here throughout.



ROBERT CULPIN

CONFIDENTIAL

Float

FROM: ROBERT CULPIN
DATE: 16 September 1983

MISS RUTTER

cc Mr Pestell
Mr Short

AEG

I meant to pass on one last point.

2. Existing policy is ~~at~~ the grant to local authorities, as well as their targets, should be reduced by the full amount of the NIS saving in 1984-85. Local authorities should not gain from the NIS cut at all.
3. Before taking this into account, local authorities must expect some further fall in the grant percentage in 1984-85. It has never been held constant under this Government. But even if there were no reduction at all, grant would not be more than about £12 billion. Subtracting the NIS saving from that would give about £11.8 billion. We should not even be casting a passing glance at any higher figure.
4. I regard this as a second-order point, but you might like to have it in reserve. The main point remains, of course, that we should dismiss anything near £12 billion as unthinkable, and insist that it would be quite wrong for grant to be more than £11 billion and a bit.

Rc

ROBERT CULPIN

FROM: JILL RUTTER
DATE: 27th September 1983

PS/CHIEF SECRETARY

cc Chancellor
Mr Bailey
Mr Pestell
Miss Kelley
Mr Hart
1. ~~Miss Noble~~
2. Mr Culpin (OR)
Mr Short

AGGREGATE EXCHEQUER GRANT IN 1984/5

I attach a draft letter to the Secretary of State for the Environment, along the lines we discussed. It concentrates in denouncing £11.8bn rather than suggesting any concrete figure to put in its place.

2. You may like to consider the tone of the last paragraph which implies that we would be prepared to see lower holdback than that proposed by Mr Jenkin ^{in return for} ~~then~~ lower grant. There is a limit to the extent we would be prepared to trade, but a hint of flexibility might do no harm.

3. The last point you might like to consider is whether it would be worth adding the Prime Minister to the copy list.

Jill Rutter

JILL RUTTER

DRAFT LETTER FROM : CHIEF SECRETARY
TO : SECRETARY OF STATE FOR THE ENVIRONMENT

AGGREGATE EXCHEQUER GRANT IN 1984/5

Following our discussion in E(LA) yesterday I thought it might be useful if I explained why I would regard Aggregate Exchequer Grant of £11.8 bn as too high.

Our starting point must be the targets you announced in August. As you said when announcing them, they are "tough but fair". They are constructed to deliver the public expenditure provision which colleagues agreed was appropriate for local authorities in 1984/5. The grant settlement must reinforce the effect of those targets, not undermine them.

On the figures in Annex A to the paper you circulated to E(LA), grant of £11.8 bn would mean that rates could fall if all authorities spent at target by $3\frac{1}{2}$ per cent. That is what you would have to say when announcing the settlement. But experience from this year shows that that is not how authorities behave. A generous grant settlement which allows authorities to meet our targets while cutting rates simply facilitates large scale overspending with authorities only needing to raise rates in line with inflation. As your table at Annex A indicates, with grant of £11.8 bn authorities could overspend our targets by £815m (£415m excluding the GLC and ILEA) and yet only have to raise rates on average by a couple of percentage points over the rate of inflation, even on your tougher holdback option.

If you announce a settlement on these terms local authorities will realise that we are not serious about our targets. Our targets imply a one per cent cash cut from this year's budgets after NIS adjustment of £200m. Local authorities have raised rate to finance that with grant, after holdback, of £11.5 bn. To have a settlement grant of £11.8 bn again this year is simply to give local authorities more grant than this year to finance a lower level of spending. That just does not make sense. The consequence of your proposal will be further overspending next year which will constrain our room for manoeuvre in future public expenditure rounds. If we do not make a serious and sustained effort this year to bring local authority spending back into line with what we can afford, we will only exacerbate our problems next year.

You argue that we should be generous on grant and rely on holdback to deliver the targets. My worries on that are twofold. The first is that we should be giving local authorities conflicting signals. We have made a virtue of shifting responsibility for local spending from the taxpayer with cuts in the grant percentage in the last three settlements. I believe that is a trend which should continue but we can hardly point to a cut in the post-holdback grant percentage as evidence of our intentions. That would be further support for the view that we do not believe our own targets. My second worry is that the more we load onto holdback the more it becomes entrenched in the grant system. The scale of penalties has to be increased in successive years to bite on authorities which have already rated for grant loss, exacerbating the problems for authorities coming into holdback for the first time.

I am copying this letter to the Lord President and members
of E(LA).

PETER REES



✓ NO
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

NBPM

AT 13/10

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Room N16/05
2 Marsham Street
LONDON SW1P 3EB

11 October 1983

LONDON REGIONAL TRANSPORT BILL: EFFECT ON GLC EMPLOYEES

One of the effects of the removal of London Transport from the control of GLC under my forthcoming LRT Bill will be to terminate the functions of some GLC employees who currently deal with London Transport affairs. I am writing to let you know how I propose to deal with this problem.

We believe there are currently less than 50 GLC staff who deal with London Transport matters. It is difficult to know how many of these staff would be affected by the change, but there is clearly a possibility that some redundancies may occur. The compensation arrangements for such staff are of course a matter for the GLC under their existing powers. As you know, under various London Local Acts, the GLC have powers to pay compensation at higher rates than those available under the general local government compensation terms, and some local authorities claim to rely on general powers in the Local Government Act 1972 to make payments in excess of those provided by regulations. Indeed, it is for this very reason that you are proposing to limit the powers of the GLC, as well as the metropolitan counties, to pay compensation under your abolition proposals.

Accordingly it is possible that, if no specific provision is made in the LRT Bill to limit the entitlement to compensation of the GLC employees concerned, we will not be able to prevent their being given compensation considerably more generous than that to which we are proposing to limit GLC employees generally under the abolition Bill.

Nevertheless, I have decided against including special provisions to limit compensation payable for the following reasons:

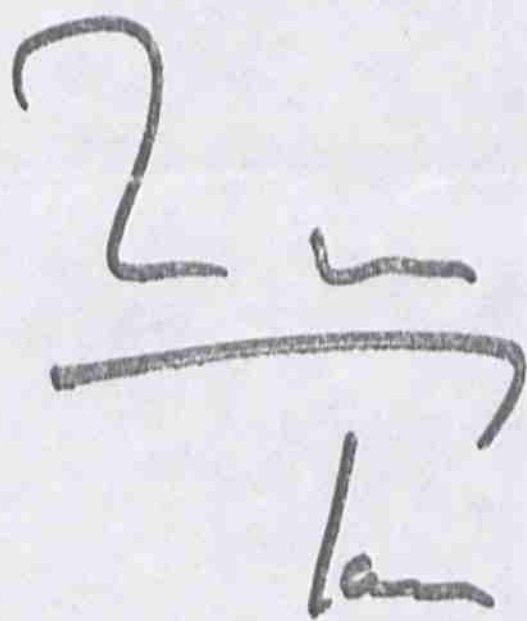
(a) the scale of the problem is virtually de minimis: in practice only a very few staff are likely to be declared redundant directly as a result of the switch of London Transport;

(b) any provisions that we sought to make which restricted entitlement to compensation would be very difficult to enforce. This is because, in practice, it is likely that the effect of the removal of public transport responsibilities from the GLC would give rise to a chain reaction of moves within the GLC under which it would not be possible to ascribe any particular redundancies to a specific cause;

(c) the strongest argument of all is that, if we sought these statutory powers, legal advice from both your lawyers and mine is that this would very much increase the chances that the LRT Bill would be hybrid. This is because we would thereby be adversely affecting a few GLC employers by restricting their compensation rights, while the majority of GLC employers would continue to enjoy their existing entitlements. We must ward off the threat of hybridity, especially given the very tight timetable for this Bill and its controversial nature. If the Bill were hybrid, the GLC would use every trick in the book to ensure interminable delays to the passage of the Bill in the House.

I hope you will agree therefore that it would be right to omit any special provisions for compensation for GLC staff in the LRT Bill.

I am copying this letter to our Cabinet colleagues and to Sir Robert Armstrong.

A handwritten signature in dark ink, consisting of a large, stylized 'T' and 'K' followed by a horizontal line and a small flourish.

TOM KING

PRIME MINISTER

Rate Support Grant: Outcome of E(LA)

	<u>AEG</u>	<u>Holdback</u>
SS/DOE offered	<u>£12.0b</u>	1, 3, 5, 7, 9
CST sought	<u>£11.5b</u>	3, 5, 7, 9, 9 · · · · ·
Compromise reached	<u>£11.9b</u>	3, 4, 7, 9, 9

AEG closer to SS/DOE; holdback nearer CST.
Agreement is subject to final check that does
not harm certain home counties authorities.

7 October 1983

MR. TURNBULL

7/10
In my minute about Sir Keith Joseph's recent talk with the Prime Minister, I said that he had suggested that the proposal for a scrutiny to review the burden of central and local government regulations should be pursued and that the ball was in my court. For the record, I have established from Sir Robert Armstrong's office that ~~Sir Keith~~ ^{Sir Robert} will be putting forward a proposal for following up this suggestion, and this proposal is likely to involve the Efficiency Unit, who are being consulted on the ^{preparation of Sir Robert's advice.} ~~advice to the Prime Minister.~~ So action is in hand on this.

I took the opportunity to see whether anything needed to be done on any other remit from the meeting of 6/7 October which was put down to the Prime Minister. The only such remit is on planning controls, on which I know that proposals are about to come forward from Mr. Jenkin.

F.E.R.B.

6 October, 1983.

CONFIDENTIAL

NBPM

187/10



HOUSE OF LORDS,
SW1A 0PW

6 October, 1983

Dear Irwin:

Abolition of the GLC and Metropolitan County Councils

Thank you for your letter of 19th September in which you ask me to agree that the right course is to abolish the counties.

I am sorry that it has taken so long to reply but the delay has allowed me to see Willie Whitelaw's letter of 27th September in which he too argues for the retention of counties. I agree entirely with what he says, and would only add that there were counties long before there were county councils, and that abolishing the counties would go well beyond what is needed for a clear break with the 1972 arrangements.

I am unable therefore to support your proposal.

I am copying this letter to the recipients of yours.

Yrs:

The Lord Bellwin,
Minister of State for Local Government,
Department of the Environment,
2 Marsham Street,
London, S.W.1.

CONFIDENTIAL

Local Govt,
Relations,
Pt 17



7 OCT 1963

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4 5 6 7 8 9 10

CONFIDENTIAL



cc HO CH SEC HL
DES M/S, DOE
LPS M/S, PCO
DHSS CDL
D/EMP LOD
DTI CO
D/TRNS

10 DOWNING STREET

From the Private Secretary

5 October 1983

Abolition of GLC and MCCs

The Prime Minister has seen the redrafted passages attached to your letter of 4 October and agrees that they reflect the discussion at Monday's meeting. Accordingly she is content for publication of the White Paper on Friday.

I am copying this letter to the Private Secretaries to members of MISC 95, Alex Galloway (Office of the Chancellor of the Duchy of Lancaster), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment.

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A handwritten signature in the bottom right corner of the page.



CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Prime Minister ①

Amu changes
mb

This seems to reflect yesterday's meeting pretty accurately. Are you content for publication on Friday?

Yes
mb

AT 4/10

My ref:
Your ref:

4 October 1983

Dear Andrew

ABOLITION WHITE PAPER

Following yesterday's meeting with the Prime Minister my Secretary of State has agreed the attached redrafts of the paragraphs dealing with fire, education, method of staff transfer, control of joint boards and the transitional councils. I understand that it was also agreed at the meeting that paragraph 4.4 on redundancy compensation should remain as drafted. *i.e. reference to considering improved terms for 41-49 is included.*

The White Paper, including the attached paragraphs, is now being sent to the printers. Amendments can be made at proof stage, but it would be helpful if we could know of any changes the Prime Minister wishes to make to these amended paragraphs as soon as possible.

I am copying this to the Private Secretaries of Members of MISC 95 Henry Steele and Richard Hatfield.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

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Andrew Turnbull Esq

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PROPOSED AMENDMENTS TO WHITE PAPER DRAFT

Fire

2.19 On the whole the Government believe that the present fire service organisation in the metropolitan counties and in Greater London is broadly appropriate on both operational and cost grounds, and the existing brigades will be retained. In the metropolitan counties a joint board of district council nominees will become the fire authority. In London, a joint board will also be required. But the size of the London Fire Brigade (a fifth of all the full-time firemen in England and Wales), means that special organisational arrangements may be necessary. (Last sentence omitted as agreed)

Reference to "breaking up longstanding and well understood patterns of provision" now omitted.

Education in Inner London

2.20 Education in inner London is the responsibility of the Inner London Education Authority, a special committee of the GLC. The Government consider that a unitary education service, administered by a single education authority, offers at present the best prospect of meeting the educational needs of inner London and improving the standards and cost-effectiveness of the service. Whether that prospect will in practice be realised depends, however, upon the performance of the new single authority; and the Government therefore propose to make the authority subject to review in the light of experience. In order to secure that education policies are developed within the context of the totality of demands being made on inner London ratepayers, the Government propose that the new single authority should be a joint board composed of elected representatives nominated by the inner London borough councils and the Common Council. The new authority will thus be based on the boroughs; and the Government will consider whether, within these general arrangements, ways can be found to increase the involvement of the individual boroughs in the educational provision made for their areas.

As agreed

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Method of Transfer

Reference
as
agreed

4.3 In the reorganisation of local government which was implemented under the Local Government Act 1972, large numbers of staff were transferred in groups specified in secondary legislation. It might be feasible to use this form of transfer for many staff who can readily be identified as engaged on services which are to be administered by the proposed joint boards subject to the need to ensure economy in the staffing of the boards (see paragraph 6.6). Group transfer will not be appropriate for staff engaged on the services which are to be carried out directly by the borough and district councils, because each service will be dispersed among several authorities. In this latter case it seems necessary for the borough and district councils to recruit directly any extra staff needed.

Joint Boards

As
agreed

6.6 The Government are determined that the creation of the new joint boards shall not be used as an opportunity to set up extravagant and expensive new organisations. They therefore propose that the precepts issued by each joint board should be subject to approval by the appropriate Secretary of State for the first three financial years. The Secretaries of State will also have power to specify levels of manpower or of manpower expenditure. In exercising this power they will wish to be satisfied that the joint boards' proposed administrative structures will result in the economical operation of the services, and that, where appropriate, arrangements have been made for the sharing of administrative and other staff, and for the contracting out of specialist services.

Emphasis now on transition and continuity as agreed

Transitional Councils

7.5 Elections are due to be held for the GLC and each MCC in May 1985; but new councillors elected then would have only a limited

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term of office. The Government believe that, in these circumstances, it would be inappropriate for the May 1985 elections to go ahead; and it would be right, as in previous reorganisations, to provide in legislation that they should not do so. However, as the terms of office of the present members of the GLC and MCCs will expire in May 1985, it will be necessary to make transitional provisions for the period up to April 1986, when the new structure will come into effect. The Government propose that the London boroughs and the metropolitan districts, who will in due course take over the responsibilities of the GLC and the MCCs, and who will appoint the members of the joint boards, should nominate, from among their elected members representatives to serve on the GLC and MCCs and thus constitute the councils in this transitional period. These nominations, like those to the joint boards (see paragraph 3.2) will be required to reflect as closely as practicable the party balance on each nominating authority. The necessary provisions will be included in the Bill to be introduced into Parliament during the 1983/84 session (see paragraph 7.3).

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file

10 DOWNING STREET

cc MASTER SET

From the Private Secretary

3 October 1983

Dear John,

Abolition of the GLC and MCCs: Draft White Paper

The Prime Minister took a meeting today to discuss the draft White Paper. Your Secretary of State, the Home Secretary, the Secretaries of State for Employment, Education and Transport, the Attorney General, the Chancellor of the Duchy of Lancaster and Lord Gowrie were present. Sir Robert Armstrong and Mr. Buckley also attended.

Your Secretary of State urged that it was important to publish the White Paper this week as there was intense interest in this subject - even more so than in rate limitation. It was essential to publish proposals before the Party Conference,

The meeting considered a number of issues which still needed to be resolved. On education in inner London, it was noted that the reference at the start of 2.20 gave too much endorsement to the status quo and it was agreed that it should be redrafted. The meeting then considered whether the review of the new arrangements should take place after four years. Two years was too short a period and three years was likely to coincide with an election. It was agreed that the best solution was to leave open the timing of the review.

It was suggested that the individual boroughs should be given a greater devolved role within ILEA and it was agreed that a sentence should be added to para. 4.20 along the following lines:-

"The Government will consider whether, within these general arrangements, ways can be found to increase the involvement of the individual boroughs in education in their areas."

The meeting then turned to the choice between precept control and manpower targets. The majority of MISC 95 had favoured precept control on the grounds that it was easier to define and enforce. It was argued that Departments did not have sufficient knowledge or resources to enforce detailed control over manpower,

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/Against this

CONFIDENTIAL

-2-

Against this it was argued that it was essential to control manpower separately as otherwise the joint boards would be able to keep manpower up while allowing the cuts to fall on politically sensitive areas such as books and equipment. It was agreed that there should be a place for targets for either manpower numbers or the pay bill though the choice could be left open at this stage. It was agreed that the second and third sentences of para. 6.6 should be redrafted along the following lines:-

"They therefore proposed that, for the first three financial years the joint boards should be subject to special control by the appropriate Secretary of State. In operating this control the Secretary of State will have power to specify levels of manpower or manpower expenditure."

It was agreed that the specified levels would relate to different categories e.g. teachers, technicians, etc., but that these need not be spelt out in the White Paper.

The meeting turned to a choice between deferring the 1985 elections and substitution i.e. allowing the councils to elapse when their mandate had expired and providing interim boards nominated from boroughs or districts. It was agreed that substitution gave the wrong flavour and that it was better to emphasise the transitional arrangements. There was advantage in creating an interim board from those who would subsequently be responsible. It was also easier to defend allowing a council to lapse naturally rather than extending its mandate.

It was agreed that para. 7.5 should be redrafted along the following lines:-

Transitional Arrangements

"Following the expiry in 1985 of the terms of office of existing GLC and MCC councillors it will be necessary to make transitional provisions until the new arrangements take effect. The Government proposes that the London boroughs and the metropolitan districts who will in due course appoint the members of the joint boards or inherit the powers which will be transferred to them, should nominate representatives to carry out the functions of the GLC and MCCs in the transitional period. These arrangements will be submitted separately to Parliament in the bill being introduced in the 1983/84 session,

On redundancy the meeting agreed the formulation proposed by your Secretary of State viz "The Government are, however, prepared to consider some improvement over the current general local government compensation terms for certain age groups",

On fire services - para. 2.19 it was agreed to redraft the opening sentence and to drop the last one.

/It was

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It was noted that transfer in groups might make it difficult to secure manpower savings. It was agreed that para. 4.3 should make clear that such transfer would be subject to the manpower controls.

The Prime Minister, summing up, said that the text of the White Paper should be amended to take account of the discussion. A new text should be circulated the following day.

I am copying this letter to Tony Rawsthorne (Home Office), Barnaby Shaw (Department of Employment), John Gieve (Chief Secretary's Office), Elizabeth Hodgkinson (Department of Education and Science), Mary Brown (Minister for the Art's office), Dinah Nichols (Department of Transport), Henry Steel (Law Officers' Department), Alex Galloway (Chancellor of the Duchy of Lancaster's office), and to Richard Hatfield (Cabinet Office).

Yours sincerely

Andrew Turner

John Ballard Esq
Department of the Environment,



Prime Minister

CONFIDENTIAL

BT 3/10

P.01112

PRIME MINISTER

Abolition of the GLC and MCCs

As he promised, the Secretary of State for the Environment has circulated a further note in preparation for your meeting this afternoon. However, I think that my minute of 30 September needs supplementing in only one or two respects.

Redundancy terms

2. Mr Jenkin suggests that the meeting should discuss terms for staff made redundant. There are two aspects:

- (i) the substance;
- (ii) the presentation in the White Paper.

Substance

3. For staff aged under 50, and particularly those in the 41-49 age group, the standard day-to-day local government redundancy terms are markedly less generous than those in other public services. Moreover, several London authorities have powers under local acts to pay more generously. If these powers were used, they could give rise to considerable costs. There is therefore a case for legislating to disapply them; but this will create a good deal of resentment among the staff, and probably jeopardise their cooperation in the abolition exercise, if only the day-to-day terms are put in their place. MISC 95, at its first meeting, took the view that it would be right to give some improvements. So far, however, the Chief Secretary, Treasury and Environment Ministers have not been able to reach agreement on how this decision of principle should be put into effect.

4. We understand that the Chief Secretary is likely to be willing to concede at this afternoon's meeting that staff in the 41-49 age group



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should be offered the redundancy terms applied in the National Health Service and the New Towns, provided that there are no other improvements on the day-to-day local government terms. Mr Jenkin would prefer also to leave open the possibility of minor improvements elsewhere; but he may be ready to accept the Chief Secretary's concession.

5. This is clearly not an appropriate subject for lengthy discussion round the table, especially as no papers have been circulated; and if it does not prove possible to resolve the issue quickly, you will probably wish to invite the Secretary of State for the Environment and the Chief Secretary to reach bilateral agreement. Failing that, the issues will have to go back to MISC 95.

Presentation

6. Paragraph 4.4 of the draft White Paper says that: -

'The Government are, however, prepared to consider some improvement over [the current general local government compensation terms] for certain age groups'.

If Ministers wish to secure staff cooperation by improving the standard redundancy terms, they will presumably wish to make the improvements quickly rather than have them dragged out. This suggests that some reference in the White Paper is appropriate. However, the Chief Secretary apparently feels that the present draft is too forthcoming; and in particular that the phrase 'certain age groups' could be taken to imply more widespread improvements than are likely to be granted. You will probably feel that this is a matter which should be left to be resolved between the Secretary of State for the Environment and the Chief Secretary.

PLG

P L GREGSON

Cabinet Office.

3 October, 1983

CONFIDENTIAL



NBPM

K
3/10

cc 110
2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

30 September 1983

Dear Peter,

Thank you for your letter of 27 September to Irwin Bellwin about the redundancy terms available to staff caught up in the abolition exercise and the stance we take up on these in the White Paper.

I am sorry that you remain unconvinced that there is any advantage from offering higher terms than the local government general redundancy terms. I thought we had agreed the principle in MISC 95 and that all that remained was to take on board any points of detail which you might want to raise.

Our view remains very firmly that we must offer something more to certain groups if we are not to provoke active non-cooperation of staff. The timetable is very tight and is bound to suffer if staff prove obstructive. I agree that we do not want to offer too much in the White Paper, but I think that there is a danger that we shall antagonise them unnecessarily if we do not indicate that we are prepared to consider something more for certain staff. They are likely to compare our proposals unfavourably with the terms given to those involved in the National Health Service reorganisation, in privatisation and in further and higher education - the precedents you no doubt had in mind when you wrote in July.

I remain firmly of the view, therefore, that we should leave the reference to higher terms in paragraph 4.4 of the White Paper to balance the explicit withdrawal of Crombie terms in the previous sentence. This still gives us room for manoeuvre in the negotiations.

I am copying this to the Prime Minister, members of MISC 95 and to Sir Robert Armstrong.

Yours ever
Patrick

PATRICK JENKIN

CONFIDENTIAL

LOWE GIVE
10/15

NRPN
R
SIR

Post
12 1 2 3 4
5 6 7 8 9
10 11



Department of the Environment
2 Marsham Street London SW1

Telephone 01-212 3434

Minister of State
for Local Government

My Ref: B/PSO/34202/83

12 SEP 83

Dear Peter,

ABOLITION OF THE GLC AND METROPOLITAN COUNTY COUNCILS: REDUNDANCY TERMS

Thank you for your letter dated 21 July about redundancy compensation for staff affected by the abolition of the GLC and MCCs.

I agree with you that NHS/NT terms will not buy staff cooperation. I am, however, clear that if we offer only local government day-to-day terms - which is the minimum we can offer - we may provoke active non-cooperation. If there is obstruction from the staff, our timetable will suffer. No counter-obstruction measures can force cooperation and we must, therefore, produce a package which is sufficiently attractive to avoid antagonising the staff unnecessarily.

Given the precedents and the fact that many of the staff are currently entitled to the very generous London Local Act terms, I hardly think we can do less than offer NHS/NT terms. This will not result in what unions would regard as a generous or even balanced package of terms, but it will at least indicate to them that we are prepared to seek their cooperation and not embark on a confrontation from the outset.

As you will know, Patrick Jenkin has been in correspondence with service colleagues about the scope for reducing staff levels in their services and the mechanisms necessary to achieve reductions. The results are reported in the papers we are to discuss in MISC 95 on 15 September. We are not, however, in a position to assess the costs and financial savings, because these will depend on when the reductions are made and on the pay, age and length of service of the individuals concerned, and the timing of the redundancies. What is clear is that bigger annual savings will result in higher overall financial savings in the long run, and we must therefore make every effort to maximise the reduction in staff levels.

At this stage, therefore, we are in no position to consider the detailed PES consequences, as you asked, since we cannot yet judge whether there will be a net increase in expenditure, even with NHS/NT redundancy terms. The figure of £250 million which you quote, is a discounted estimate of the total cost of redundancy payments over the full payment period. In the first year we estimate the costs of redundancies of £50-60 million. There might also be other initial costs arising

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from compensation for detriment, disturbance allowances etc. But there will also be substantial off-setting savings, which could well exceed these costs in the initial year or two, and will certainly do so in subsequent years.

Redundancy costs will, of course, be met by the local authorities, whose ratepayers will benefit from the off-setting savings. Arrangements will be needed for sharing the costs between the borough and district councils concerned. I propose that this should be spelt out in the White Paper.

I am copying this to the recipients of yours.

*Yours Sincerely,
L. Bellwin*

LORD BELLWIN

CONFIDENTIAL

Adv p--

Mr Rowcliffe

cc P^{ty} Secretary of State ✓

Lord Bellwin to see ✓

P^{ty} Mr Waldegrave

Mr Herzer

Mrs Phillips



Treasury Chambers, Parliament Street, SW1P 3AG

Lord Bellwin
Minister of State for Local Government
Department of the Environment
2 Marsham Street
London SW1P 3EB

21 July 1983

Alan Irwin

ABOLITION OF THE GLC AND METROPOLITAN COUNTY COUNCILS:
REDUNDANCY TERMS

At the first meeting of MISC 95, which Patrick Jenkin chaired, colleagues agreed to the terms you proposed for redundancy and to the principle of compensation for detriment, subject to any detailed points I would wish to make. Patrick also asked us to discuss further the question of the Staff Commission.

I understand that you have asked your officials to look further at the role any Staff Commission might play in the reorganisation. I am happy to defer our discussion until any revised proposals are on the table.

On the question of redundancy terms I understand that the terms you propose to offer, based on those used in the NHS and New Towns reorganisation, might cost over £10 million more than applying the existing local Government rules. I should not necessarily be opposed to this, if only because there are precedents for it. But I should like to be clearer who would foot the bill and from what source, and what the extra £10 million or so would buy.

Much will no doubt hang on whether we have to rely on voluntary redundancies rather than compulsory redundancies to achieve the staff savings we both wish to see. I have yet to see detailed proposals on how you intend to achieve staff transfers.

I must say that I am sceptical of the notion that the offer of NHS/NT terms will buy staff cooperation. What we will face will be politically motivated and orchestrated obstruction. We will not be able to buy that off with improvements in redundancy terms.

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Your officials' paper suggested that total redundancy payments, discounted at 5 per cent, at 1982 prices, could be of the order of £250 million. I am not clear on whom the burden of this would fall - the expiring authorities, the receiving authorities and the joint boards, or central Government. As you know, we are currently conducting the public expenditure survey to 1986-87. I would be grateful if you could let me know what account we should take of costs arising from this reorganisation in the Survey. If they are to be met by the Department of the Environment I would be grateful to know what offsetting savings you propose to make.

Copies go to Patrick Jenkin, members of MISC 95 and Sir Robert Armstrong.

*Yours
Peter Rees*

PETER REES

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P.01107

PRIME MINISTER

Abolition of the Greater London Council and
the Metropolitan County Councils

BACKGROUND

Flag A

The minute of 20 September from the Secretary of State for the Environment reported the conclusions of the Ministerial Group on the Abolition of the Greater London Council and the Metropolitan County Councils (MISC 95). Those conclusions, subject to the approval of yourself and the Cabinet, will form the basis of the White Paper on abolition which the Secretary of State for the Environment hopes to publish shortly.

Flag B

2. Mr Scholar's letter of 23 September records your agreement to the conclusions of MISC 95, with reservations on three points:

- i. How to deal with the May 1985 Council elections.
- ii. Control of joint boards.
- iii. Transfer of staff to joint boards.

Flag C

The Chief Secretary, Treasury's minute of 23 September comments on the second of these.

3. You are holding a meeting on 3 October with the Ministers mainly concerned to resolve the issues. As his minute of 28 September says, the Secretary of State for the Environment hopes to publish the abolition White Paper on 6 October, before the Party Conference. Unless all outstanding issues are resolved on 3 October this may not be feasible, since any major disagreements would presumably need to be resolved by the Cabinet.

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4. Mr Jenkin also says that he will circulate a further note in preparation for the meeting on 3 October. If necessary in the light of this, I shall submit a supplementary brief.

MAIN ISSUES

5. The main issues are those listed in paragraph 2. above. It will also be necessary to decide

- the timing of the proposed White Paper.

May 1985 elections

6. Elections to the GLC and MCCs are due in May 1985. MISC 95 agreed that they should not go ahead; and no Minister has dissented. There are three options for coping with the absence of the May 1985 elections:

- a. Deferral The elections would be deferred for a year; existing councillors would remain in office. The deferred elections would be overtaken by abolition on 1 April 1986.
- b. Substitution Councillors appointed by the London Boroughs and the Metropolitan Districts would take over the role of the GLC and MCC councillors in May 1985.
- c. Deferral with substitution as a reserve power This is the same as Option a. except that if there were widespread refusals to serve, there would be provision for appointees to replace those who refused to serve.

All the options would require legislation in the 1983/84 Session.

7. You have favoured Option c. The draft White Paper is now written in terms of Option a. Mr Jenkins will argue in favour of Option b.

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CONFIDENTIAL

8. Deferral would be in accordance with precedents of past local government reorganisations. Substitution, as the letter of 20 September from Lord Bellwin shows, would require complicated and probably contentious arrangements, which, as Lord Bellwin points out, would be almost certain to lead to a change of political control in at least one area. The Government would be attacked on the grounds that it was devising new and unprecedented arrangements for narrow party ends. Deferral avoids these risks. On the other hand, it would extend the term of office of the GLC and MCC councillors by nearly a year. This may be attacked by the Government's supporters, and perhaps the wider public. It would also increase the scope for the councillors in question to undertake damaging and obstructive action in an attempt to frustrate the Government's policies.

9. In favour of your Option c, it can be argued that substitution as a reserve power is more defensible because it would have been forced on the Government. It should be noted however that the present proposal is to use this reserve power only in the event of widespread refusal to serve. The question of whether a reserve power of substitution would be justified where a council continues to serve but behaves obstructively is still under separate consideration; Mr Jenkin will be putting forward shortly his proposals about countering obstruction in the context both of the reorganisation and of the new rates limitation measures.

Control of joint boards

10. The Secretary of State for the Environment and a clear majority of MISC 95 favour relying on setting a maximum level of precept in order to control the staffing and expenditure of individual joint boards; the Chief Secretary, Treasury argues that this is inadequate, mainly because it will not control the split between expenditure on staff and other expenditure.

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11. There are two main arguments against going beyond a control of the precept and thus of total expenditure:

- i. the more detailed the control, the greater the burden of work on Ministers and departments;
- ii. the more detailed the control, the greater the risk of challenge to Ministerial decisions in the courts.

12. If Ministers wish to meet the Chief Secretary's concern about manpower while trying to keep the extra work and added risk of legal challenge to the minimum, a compromise would be to combine the control of precept with an arrangement under which the Secretary of State had power to approve or reject proposals for each joint board regarding its overall staffing level.

Staff transfers

13. About 150,000 staff are engaged on services due to be transferred to joint boards. 31,500 are uniformed police, who are not employees, and whose status will be unaffected by abolition. A further 35,000 are employed by Passenger Transport Executives (PTEs); these will also be unaffected, since the PTEs are to remain in being. That leaves 83,000 operational and direct support staff on joint board services who will be affected by abolition; a proportion of the 5,700 GLC and MCC staff employed on "central administration" will also be engaged on similar services and may need to be transferred to joint boards.

14. The Ministers responsible for the services in question consider that they are not in a position to say where staff savings might be made; and that this must be for the joint boards to decide. Hence the proposal to transfer the staff in groups by statute. This does not mean that there cannot

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be staff savings. It means that the Government will have to rely on the pressures on joint boards after they have been set up (by control of precept or by whatever method Ministers have decided earlier in the discussion) to operate efficiently.

15. You have expressed concern particularly about whether, under these proposals, there will be an adequate opportunity to reduce the staff of ILEA. It would be possible to treat ILEA differently from the other joint boards provided that Ministers thought that they had a defensible case for this difference of treatment. It would however mean in practice that the Secretary of State for Education and Science would have to determine what the staff of ILEA ought to be at the time the new joint board was set up. Would the Department have the information necessary to arrive at this judgement and make it stick?

Publication of the White Paper

16. Mr Jenkin is extremely anxious to publish his White Paper before the Party Conference and may suggest that, even if some issues are undecided at the meeting, the White Paper should still be published with ambiguous or non-committal treatment of those issues. There are however dangers in publishing texts which need a good deal of elucidation later. If there are important matters left to be resolved by the Cabinet, it may be better to abandon the attempt to publish on 6 October.

HANDLING

17. I suggest that you might divide the meeting into three main parts:

- i. elections;
- ii. control of joint boards and staff transfers;
- iii. publication.



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18. You might invite the Secretary of State for the Environment to open the discussion on the election issue. All your colleagues are likely to wish to contribute, from a general political rather than a Departmental standpoint.

19. On control of joint boards and staff transfers you might again invite the Secretary of State for the Environment to open; the Chief Secretary, Treasury could then be invited to reply. The Home Secretary, the Secretary of State for Education and Science, and (if he can attend) the Secretary of State for Transport will wish to comment, since they are responsible for the services to be run by joint boards and their Departments would presumably have to operate any detailed control system. The Attorney General will be able to advise on the relative risk of legal challenge under the different possible methods of control.

CONCLUSIONS

20. You will wish the meeting to reach conclusions on:

- i. whether the GLC and MCC elections due in May 1985 should be dealt with by deferral, substitution, or deferral with substitution as a reserve power;
- ii. whether the expenditure of joint boards should be controlled through the setting of a maximum level of precept for each board or in some other way?
- iii. whether the Government should attempt directly to secure savings as part of the process of transfer either:
 - generally; or
 - for the ILEA alone;
- iv. when the proposed White Paper should be published.

PLG

P L GREGSON

30 September 1983

CONFIDENTIAL



CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

30 September 83

Dear Andrew

ABOLITION OF THE GLC AND MCCs: FINANCIAL CONTROLS

The Prime Minister is to meet my Secretary of State and other members of MISC 95 on 3 October to consider one or two points on abolition that need to be resolved before the text of the White Paper can be agreed.

The Secretary of State has suggested that I set out the points that appear to him to remain at issue. They are:

1) Financial Controls The Chief Secretary has proposed

- a) transitional control of total expenditure by joint boards and of their manpower expenditure; and
- b) the sanction of an efficiency audit, backed up by manpower controls if necessary, over the boroughs and districts.

The Prime Minister has also queried whether block transfer of staff would secure the savings in staff numbers being sought.

MISC 95, apart from the Chief Secretary, came to the conclusion that for joint boards, control through the precept would be a better course to follow, and that for Boroughs/Districts it would be better to rely upon the general measures that will already be available to restrain expenditures.

I attach the background note on these issues promised by my Secretary of State in his minute of 28 September.

2) Elections in May 1985 Whether the elections should be deferred, or another body substituted for the GLC/Metropolitan Counties when their time expires.

A further item, if the PM agrees, is the terms for staff made redundant. The Chief Secretary has proposed that the White Paper should not refer to the possibility of offering higher redundancy terms. Other members of MISC 95 consider that

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some guarded reference is needed if the necessary co-operation of staff in the handover of powers is to be secured.

I am copying this to Private Secretaries of members of MISC 95 and Richard Hatfield.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

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Background Note

Control of Joint Boards

1. Joint boards are proposed for police, fire and public transport (PTAs) in the metropolitan counties, and for fire and education in London. The majority view of MISC 95 members, as reported in the Secretary of State for the Environment's minute of 20 September to the Prime Minister, was that detailed control of manpower would be impractical because Departments would be swamped by the resulting workload and there would be the possibility of extensive challenge in the Courts. They concluded that joint board precepts should be controlled for a transitional three year period.
2. Precept control would operate in broadly the same way as the selective rate limitation scheme (except that all joint boards would be automatically included). Ministers would set an acceptable maximum total expenditure figure for each board, and from that determine a maximum precept taking account of grant entitlement. This would limit the cash available to each board; and, since manpower will account for about three quarters of the costs of each of the boards (except the PTAs), Ministers would thus be able to apply considerable pressure on staffing levels.
3. In setting the expenditure figure on which the precept would be based, account would be taken of the information already available about the manpower and other costs of each service in each area; and if any board sought a derogation from the proposed limit on their precept the Government should be able - indeed obliged - to look very closely at their proposed budget for the year.
4. The Chief Secretary is concerned about the flexibility available to authorities within the overall financing limit fixed by precept control. He accepts that detailed manpower controls are impractical, but he suggests that the Government should seek to control budgets so as to have direct control over staff costs, since otherwise there may be a risk that during the transitional period the boards will make short term economies in other expenditure while leaving staffing levels untouched.

5. The practical effect of precept control needs to be clearly understood. It will be based on a judgement about expenditure needs, and it will set a limit on the amount of finance available to each joint board. The relevant service Departments have sufficient information to ensure that the limits, though realistic, are tightly drawn, and leave little room for manoeuvre. Once set, the limit will be self-enforcing. The Board will have to constrain its expenditure within the total finance available.

6. The Chief Secretary proposal for budget control need to be set out in greater detail. If central government were to set a maximum figure for each board's total expenditure and for appropriate elements of the total (including manpower) it would have to monitor spending against profile on each of those elements throughout the year. There could be no means of enforcing these limits during the year, even if spending was departing from profile, since authorities would be able to claim that they intended to redress any imbalance later. It would not be clear until audited accounts were available - ie well after the end of the year - whether an authority had complied with the limits; and it would be necessary to devise sanctions for authorities whose outturn expenditure diverged unacceptably from the limits set. This could lead ultimately to full takeover of a joint board by Commissioners.

7. Reliance upon precept control would avoid these consequences. Precept control can effectively constrain a board's total expenditure, and exert a powerful influence on its manpower levels and costs. Detailed control of budgets will not work, unless central government were in effect to take over the day-to-day operation of the boards.

8. The Prime Minister has queried how staff savings are to be secured in bodies like ILEA if all staff are to be transferred by statute to the new boards. The reason for block transfer is that the service Ministers concerned do not feel that they have the information necessary to enable them to decide what staff savings might be made at the time of transfer (the transitional controls will, however, enable Government to put pressure on the boards to secure economies from the date of transfer.) Block transfer has the added advantage of making it easier to secure the transfer of staff which will have to be accomplished in a very short period between Royal Assent and implementation.

9. So far as ILEA is concerned, it is almost inevitable that they will be selected for the rate limitation scheme in 1985/6. That control will put strong pressure on them to make staff savings in that year since staff represent 76% of ILEA's current expenditure. As long as ILEA receives no RSG, precept control will allow control of almost the whole of the Authority's income (87% in 1983/84) and consequently of their budget.

Control over boroughs and districts

10. The Secretary of State for the Environment considers that the Chief Secretary has understated the extent of the measures available against boroughs and districts which increase manpower. First, they will be subject to the general restraints on spending incorporated in the local government finance system. Second, high spenders will be liable to selection under the rate limitation scheme which will have a powerful effect on manpower - intensive operations. Third, the proposed staff monitoring scheme will expose to public scrutiny areas in which authorities appear to have taken on unnecessary extra staff. Fourth, these authorities will be subject to the new audit arrangements under the Audit Commission which include value for money audit.

11. These measures, taken together with the Secretary of State, power to require the Audit Commission to direct an extraordinary (ie immediate) audit, will enable the Government to impose the necessary disciplines on the boroughs and districts. This should not however, be spelt out in detail in the White Paper, to avoid giving the impression that the authorities cannot be relied upon to make our policy effective. Moreover, reference to the Audit Commission's role at this time could be counter productive given its independent status.

30 September 1983
Policy Unit

PRIME MINISTER

ABOLITION OF THE GLC AND MCCs: WHITE PAPER

Even at this late stage, I am afraid there remain several highly unsatisfactory passages in the White Paper as drafted. Many questions are still dodged or blurred.

Is there any real hurry for publication? Patrick, I am sure, could deliver an admirable Conference speech without having the White Paper in his hand. In fact, he might find it easier to face the wrath of Conservative councillors on some points if our policy was not already published in detail.

In the long run, it is much more important, politically as well as administratively, to get these proposals right, even if it takes a few weeks longer.

If you find that MISC 95 is running into difficulties on Monday afternoon, it might well be better to defer final approval to another meeting after the Conference.

Fire Brigades (2.19)

There is a thumping contradiction here. The Government are said to be "convinced" that the present set-up is best, and should be kept. But we don't seem to be very convinced because, two sentences further on, we are told that the London Fire Brigade is far too big and ought to be split into "four operational commands each responsible to an area committee of the joint board".

In that case, why not split London into four separate brigades? Or at least devolve services to those boroughs that can cope on their own? There seem to be few economies of scale in firefighting beyond the level of the fire station. Smaller units may well be managed better, as outer London boroughs used to. There is growing pressure for this devolution, eg from the Leader of Sefton Council.

There is a good case for repeating here the Public Transport formula in 2.24.

2.19 could then read: "On the whole, the Government are convinced that the present fire service organisation in the Metropolitan

counties and in London is the most appropriate . . . and in general the existing brigades will be retained. The Government will, however, be prepared to consider on their merits any proposals by individual districts to provide separate services".

The Home Secretary would have a total veto over unworkable proposals. Anyway, boroughs would be unlikely to propose opting out without the backing of their Chief Fire Officer. But giving boroughs the right to apply to opt out would be one more answer to the allegation that we are merely replacing the GLC/MCCs with a series of joint boards. It would also make it easier to adapt the pattern of fire services to local geography - as we already do with police forces (eg the combined Thames Valley police; the inclusion of Tyne & Wear within the Northumbrian force).

Education in Inner London (2.20)

At the last moment, Inner London Tory MPs (led by John Wheeler and Martin Stevens) have produced a fresh and attractive proposals: that ILEA should devolve to borough committees the responsibilities for schools at present exercised by divisions of ILEA.

What is suggested is roughly that:

- (a) ILEA would continue to control the total level of the Inner London schools budget, its distribution and manpower levels in each division;
- (b) ILEA would also continue to control the capital programme, and closures and amalgamations of schools, subject to the existing rights of appeal to the Secretary of State; but
- (c) the borough committee would hire and fire teachers and head teachers and control curriculum and the day-to-day management of county schools. Voluntary-Aided Schools would be unaffected.

A similar allocation of powers has worked well enough for years between LEAs and the governors of Voluntary-Aided Schools.

A solution of this kind would meet the two principal arguments for preserving ILEA - equalisation of income between Westminster and Tower Hamlets, and the keeping together of Further Education

and other joint services. But it would give the borough quite a say in the management, character and performance of its local county (and voluntary controlled) schools.

A unique solution? Yes, but ILEA is a unique problem.

Obviously, further work would be needed to minimise the area of potential conflict. At this stage, we need only add to 2.20 some such sentence as:

X | "However, given the unique size of the Inner London area, it would be desirable to devolve as much responsibility for the management of schools within ILEA as possible to local communities. The Government will consider further how this might be most effectively done".

Savings and Transitional Costs (6.1)

Paragraph 6.1 is very feeble, particularly since officials have already estimated a saving of 3,000 to 9,000 on the 32,000 staff now engaged in services which are to be devolved to the boroughs and districts, and in central administration; ie a maximum saving of 30 per cent.

If we agree to adopt government manpower controls for the joint board services, we could then surely say something a good deal more firm and more precise, such as:

"It is estimated that considerable savings in manpower up to 9,000 posts could be made in those services which are to be devolved to the boroughs and districts, without harming standards of service provided. Government will expect boroughs and districts to realise the full potential savings, and will take account of this in assessing the appropriate levels of central government support for local government.

"In the case of those services which are to go to joint boards, the Government will assume the direct responsibility for making sure that staffing levels are adequate but not excessive".

Control of Joint Boards (6.6)

The main argument in favour of precept control alone is that manpower control as well would be an unwarranted interference in local democracy.

This is humbug. Detailed manpower control by central government was an accepted feature of local government for decades until the 1958 Act introduced the era of block grant. The Home Secretary still sets establishments for provincial police forces without being accused of trying to "take over" the police. Why should he not do the same for fire brigades? And why should not the Education Secretary do the same for teachers in ILEA? That would set a precedent, but most people would regard it as an entirely reasonable one, because most people can understand the difference between a manpower ceiling and detailed interference in management.

In fact, the abolition of the GLC/MCCs presents a golden opportunity to re-establish manpower control as a natural fulfilment of government's accountability for the huge sums of taxpayers' money that now disappear in the Rate Support Grant.

Elections in May 1985 (7.5)

I agree with you in preferring deferral. It is tidier and constitutionally more proper. Substitution would not really deny Ken Livingstone one year of dangerous liberty, since the most important services would still be under Labour domination with the embryonic joint boards.

FERDINAND MOUNT

fm



10 DOWNING STREET

Prime Minister

This is all a long way from
agreement.

I suggest you read para 2.20 (flag A)
on the ILEA. X should surely
be deleted? Do we want the new
ILEA to go on for 4 years, as at Y?

Mus 30/9



10 DOWNING STREET

Andrew.

This is going to be

a difficult meeting, and the Times
are both polarized and complex.

I think John Selwyn

Cummins should attend. (He used
to represent Lewisham and knows a
lot about ILGA).

rob



Chancellor of the Duchy of Lancaster

Secretary of State for the Environment

ABOLITION OF THE GLC AND MCCs: DRAFT WHITE PAPER

Thank you for copying to me your minute of 28 September to the Prime Minister.

May I make the following drafting points on the new Chapter 1 of the draft White Paper?

Para 1.3 Second sentence.

I am concerned that the second half of this sentence might be read as suggesting that we had abandoned all hope of future growth in the private sector. Would it be better to reword from "and when" in line 2 down to the end of the sentence as follows:

"and when it was assumed that growth would automatically and painlessly provide the funds for ever-increasing expenditure."

Para 1.5 Line 2

The word "employment" has a meritorious connotation. It would be better to use "manpower" or "numbers".

Next page Line 4

"run" is a typing error. Ditto "though" in para 1.7.

Para 1.12

The "search for a role" not only produces "conflict" but it leads to unnecessary and extravagant expenditure. It would help the argument and provide a better lead in to para 1.13 if in line 4 of para 1.12 after the words "lead them" we inserted:

"to incur unnecessary and extravagant expenditure and".

Para 1.17

The first sentence seems a very weak lead in to a dramatic conclusion: and its impact is weakened still further by the apologetic note in the next sentence. It would be more effective if the tribute came first and the conclusion followed. May I suggest that the para be redrafted on the following lines:

"1.17 The Government recognise that many of those who have served their councils, either as members or as officers, have done their best to make the system work: and in this they have had some successes. But

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Chancellor of the Duchy of Lancaster

this cannot be a reason for keeping a structure which is fundamentally unsound and which has imposed heavy and unnecessary burdens on ratepayers. The Government have therefore decided that the GLC and MCC's should be abolished."

I am sending copies of this minute to the other recipients of yours.

22 FEB 1984
A.C.

A C

30 September 1983

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CCNO



PRIME MINISTER

ABOLITION OF THE GLC AND MCCs
DRAFT WHITE PAPER

I enclose the draft White Paper on abolition, provisionally titled "Streamlining the Cities", which I hope to publish on 6 October. Subject to the points mentioned below it incorporates the decisions of MISC 95 that I reported in my minute of 20 September and has been seen in draft by colleagues on MISC 95 and others directly concerned.

Chapter 1

In circulating the previous draft to colleagues on MISC 95 I said that I was looking again at Chapter 1 to try to improve the presentation. I know Tom King shared my concern to get a more forceful argument. The draft here has been substantially recast with that aim in mind and also to link these proposals with our general concerns to improve efficiency in government.

Control of joint boards

We are due to meet on 3 October to discuss the nature of control over joint boards; I will prepare a note on the various options for that meeting together with appropriate alternative drafts for the relevant paragraphs (6.5 and 6.6) in the White Paper. For the moment the draft reflects the majority view of MISC 95 in favour of precept control.



Savings generally

Tom King has asked that we include in Chapter 6 an estimate of savings. I do not think this would be right at this stage. The six MCCs are already mounting a campaign to have the exercise costed and are employing consultants for that purpose. Neither we nor they have the material to make detailed estimates. Our line must, for the time being, be that it is inappropriate to try to do this given the many decisions on the organisation of services that will be taken by the successor authorities. Our approach must be to ensure that there are adequate pressures for economy in the abolition process rather than set up arbitrary targets, whose attainment we cannot directly control. At a later stage, we will be able to set firm targets and the pressures will be there to see they are met.

Elections in May 1985

Paragraph 7.5 of the White Paper now proposes the deferral of these elections as you preferred. However, I hope that we may also discuss this on 3 October. A majority of MISC 95 felt that the chance of major disruption would be less if the existing GLC and Metropolitan County Councils went when their term expired. Our supporters in London will be dismayed if we seem to give Ken Livingstone an extra year of office.

Other drafting points

I have incorporated a number of other drafting points put to me by colleagues. There is however one point made by Arthur Cockfield which I should mention here. In paragraph 4.4 he suggests that we should not revive memories of the ending of the Crombie Code. But in fact the Code is still operating for some transfers and our proposals might be misunderstood if we did not make the clear distinction between the Crombie Code and general day to day terms.

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Publication

*DoE aware you will not see
this by 30 Sept.*

I would be grateful if you and colleagues can agree to this text by 30 September so that printing can be put in hand on 3 October for publication on 6 October. This will mean dealing with the outcome of our discussion on control (paragraph 3 above) at proof stage.

I am copying this to other members of the Cabinet and to Sir Robert Armstrong.

PJ

PJ

28 September 1983

3F

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DRAFT WHITE PAPER (Version of 26.9.83)

STREAMLINING THE CITIES

Government Proposals for Reorganising Local Government in Greater London and the Metropolitan Counties

PREFACE

1. This White Paper puts forward the Government's proposals for streamlining the structure of local government in Greater London and the metropolitan counties. The Government have already issued a separate White Paper dealing with public transport in London (Cmnd 9004).

2. Chapter 1 of the White Paper briefly explains what lay behind the Government's manifesto commitment to the reform of the local government structure in Greater London and the metropolitan counties. Chapter 2 sets out proposals for a new structure, and Chapter 3 proposals for the constitution and powers of joint boards. Chapter 4 makes proposals for transfer of staff and property. Chapter 5 deals with financial arrangements and Chapter 6 with costs and savings. Chapter 7 deals with the implementation of the proposals.

3. The Government are committed to the principle of abolition of the Greater London Council (GLC) and the Metropolitan County Councils (MCCs), but intend to carry out consultations on the specific proposals set out in this White Paper. As indicated in the relevant chapters, more detailed consultation documents on certain proposals are being issued, and the Government will initiate discussions with the authorities and other bodies directly concerned on all aspects of the change. The Government would however welcome any general views on the proposals outlined in the White Paper. Comments should be addressed to the Department of the Environment, LG4 Division, Room P1/129, 2 Marsham Street, London SW1P 3PY to arrive by 31 January 1984.

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CHAPTER 1

THE PRESENT SYSTEM AND THE CASE FOR CHANGE

Background

1.1 Ten years ago - twenty years in London - there was a comprehensive reorganisation of the structure of local government in England and Wales. There were high hopes that the new arrangements would provide a basis for effective local government at least to the end of the century.

1.2 Yet, at the last General Election, all three of the major manifestos contained commitments - to a greater or lesser extent - to a further reorganisation.

1.3 The reorganisations of the 1960s and early 1970s were typical of their time. It was a time when resources seemed to be freely available, and when growth, in both the private and the public sectors, was assumed to be part of the natural order. It was also the heyday of a certain fashion for strategic planning, the confidence in which now appears exaggerated. It is, perhaps, not surprising that, in this climate, structural reform was approached with too little regard for economy, and that the structures created in that era tend sometimes to give inadequate weight to the need to obtain value for money.

1.4 Times have changed. Priorities now are more practical and less theoretical. Over the last four years the Government's prime objective has been to tackle inflation and to improve efficiency in all sectors of national life and especially in the public sector. One element in this strategy is a determined attack on the 'national overhead' - which has the same tendency to increase in the public sector as in all organisations. There has been a major reduction in the size of the Civil Service. In the National Health Service, one of the tiers of organisation created in 1974 has been removed. Other Government organisations have been subject to rigorous discipline.

1.5 Local government has been encouraged to reduce its manpower numbers also, and has to some extent succeeded - employment there is now back at the level of 1974. The Government now judge that in some parts of the country the organisational

structures themselves are preventing further progress. Many aspects of the previous reorganisations have stood the test of time. In the shire (ie non-metropolitan) counties, the Government do not believe that a case for change has been made out and they do not propose to alter the present arrangements. But in the case of Greater London and the six metropolitan counties¹ the Government consider that the hopes of the last reorganisation have been disappointed. That is why a clear pledge to abolish the GLC and the MCCs was included in the manifesto which brought this Government back to power.

1.6 The purpose of this White Paper is to spell out proposals for implementing the Government's manifesto commitment to abolish the GLC and the MCCs; and to provide a basis for wide-ranging consultation on the detailed design of a new - and more effective - local government structure in these important areas.

The Case for Change

1.7 The basic principle of the earlier reorganisations was that a two-tier² system of local government was necessary in all areas of the country. There was thought to be a need - and a worthwhile job - for two operational authorities in every area; a lower tier providing essentially local services and an upper tier dealing with functions needed a wider area of administration.

1.8 This pattern does embody a practical reality outside the metropolitan areas³ where the situation - and hence the distribution of functions between the two tiers - is different. In shire counties the major providers of services are the county councils; on average a shire county council has a budget 50 times the size of that of a shire district council and is responsible for 87% of the total expenditure on local services in its area. In metropolitan areas the position is reversed; the metropolitan district councils and the London borough councils are the major providers, and the MCCs and the GLC are responsible for 26% and 16%

-
- 1 Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands, and West Yorkshire.
 - 2 There are also parish councils with limited functions in some areas. The Government have no proposals for changes to these councils and the term two tier is thus generally adopted in this White Paper.
 - 3 used throughout this White Paper to refer to Greater London and the six metropolitan counties together

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respectively of the total expenditure on local services in their areas. In two cases a MCC spends less than the largest of the district councils within its area.

1.9 Thus in the metropolitan areas the district councils (borough councils in London) are the primary local government units. They are responsible for the majority of local spending. They are big enough to have full responsibility for most local services; at the same time, they meet the need for an authority to be accessible to the community that it serves.

1.10 The GLC and the MCCs, on the other hand, have full responsibility for only a limited number of services; in other fields they share powers with the borough and district councils. The most important services which are the sole responsibility of the upper tier authorities are police, fire, and public transport. And for two of these - police and public transport - the county role is more limited than for most local authority services, as day-to-day operations are the responsibility of separate bodies. In the London area the GLC has never been a police authority; while for reasons of transport planning it is proposed that the GLC should no longer control the London Transport Executive (Cmd 9004).

1.11 In this situation, the GLC and MCCs have found it difficult to establish a role for themselves. Most of the real power rests with the district and borough councils. The upper tier authorities have a large rate-base, and an apparently wider remit. This generates a natural search for a 'strategic' role which may have little basis in real needs. What is more, in most policy areas, the implementation of such strategic views as may be developed depends, in practice, on the agreement of the district or borough councils, which may not be forthcoming.

1.12 This is a recipe for conflict and uncertainty. A strict interpretation of the upper-tier role, as envisaged in the ^{existing} legislation, would leave members of these authorities with too few real functions. The search for a wider role brings them into conflict with the lower-tier authorities. It may also lead them to promote policies which conflict with national policies which are the responsibility of central government.

1.13 Since 1981/82 the Government have set expenditure targets for individual local authorities as part of their policy for restraining local government

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expenditure as a whole. The MCCs as a group and the GLC have consistently exceeded these targets, and have indeed increased their expenditure significantly more than other local authorities in England. The average cash increase between 1978/79 and 1983/84 (budgets) in net current expenditure¹ in the MCCs was 111%; the range lies between 91% (Tyne and Wear) and 127% (Merseyside). The increase for the GLC² was 185%. These percentages compare with an average figure of 80% for other local authorities in England.

1.14 The figures imply an expenditure growth in volume terms (ie adjusted for changes in local authority costs) of some 13% for the MCCs and 50% for the GLC. This compares with average volume growth of less than 1½% for other local authorities in England. In cost terms (ie adjusted for the effect of general inflation) the expenditure increases over the period are 22% for the MCCs, 65% for the GLC and 4% for other local authorities in England.

1.15 In the MCCs some of this reflects the priority that the Government have requested should be given to the law and order services. But even if police expenditure is excluded from the comparisons of performance, the MCCs as a group increased expenditure, after allowing for inflation, in volume terms between 1978/9 and 1983/4 (budgets) by 12% as compared with no growth amongst other authorities in England (excluding GLC).

1.16 The high level of spending has had inevitable consequences for the ratepayers in these areas. Between 1981/82 (the first year of the new rate support arrangements) and April 1983, the MCCs' precepts rose on average by 29% and the GLC's precept by 118%. These compare with an increase in the general rate poundage for all local authorities in England of 20% and an increase in the Retail Price Index of 14% (April to April).

Proposals for Change

1.17 In the light of all these considerations the Government have therefore decided that there is no longer a case for two separate tiers of authority in the metropolitan areas, and that the GLC and MCCs should be abolished. This conclusion

1 Expenditure on wages, salaries, goods and services, net of income from sales, fees and charges, interest receipts and non-relevant specific grants
 2 Figures for the GLC in paragraphs 1.13-1.16 do not include expenditure by ILEA

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is not intended as a criticism of those who have served these councils, either as members or as officers. Many of them have done their best to make the system work; and in this they have had some successes. But this cannot be a reason for keeping a structure which, in the Government's view, is fundamentally unsound.

1.18 The Government believe that most of the functions at present exercised by the GLC and MCCs should become the direct responsibility of the district or borough councils. In some cases they will need to cooperate closely and to have informal arrangements for sharing costs, staff and facilities. There are a few services for which statutory joint arrangements will be needed. This is not a new principle - there are already seven areas in England where there are statutory joint authorities for police services; and there were similar arrangements for public transport in some of the metropolitan areas in 1968-1974. What joint boards are needed to run services they will be made up generally of elected councillors nominated by the borough and district councils, and will therefore be accountable through them to their local electorates.

1.19 The abolition of the upper-tier authorities will streamline local government in the metropolitan areas. It will remove a source of conflict and tension. It will save money, after some transitional costs. It will also provide a system which is simpler for the public to understand, in that responsibility for virtually all local services will rest with a single authority.

1.20 In order to allow adequate time for consultation while avoiding a prolonged period of uncertainty the Government propose to introduce the Bill providing for the reorganisation early in the 1984/85 session of Parliament; reorganisation would then take place on 1 April 1986.

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CHAPTER 2

THE PROPOSED NEW STRUCTURE

2.1 The London borough¹ and metropolitan district councils are the primary providers of local services in the metropolitan areas. On reorganisation, they will become the sole principal tier of directly elected local government in these areas. They will acquire responsibility individually or collectively for the functions currently exercised by the MCCs and by the GLC, with the exception of London Transport, flood protection in the London area and a few minor aspects of other functions.

2.2 Since the GLC and MCCs were created, substantial amounts of human and financial resources have been devoted to building up county-wide services in these areas. It is not practical to dismantle these arrangements completely for every service. In most such cases the Government propose to give the direct responsibility for the service to the borough and district councils and to leave it to these authorities to co-operate voluntarily as necessary. There are certain services which must continue to be provided on a county-wide basis and for which the Government propose to create new statutory authorities: joint boards. Details of these services are set out in paragraphs 2.18-2.25 below. The joint boards will generally be composed of nominees of the borough and district councils; detailed proposals are set out in Chapter 3.

2.3 The Government believe that the borough and district councils in metropolitan areas are best placed to work out amongst themselves the most appropriate arrangements to preserve the best features of the current system without unnecessary bureaucracy. The Government expect authorities to co-operate in the use of specialist staff and facilities.

2.4 The Government's proposals for individual functions and services are set out in the following paragraphs and in Annex A. A summary of the proposals is at Annex B.

¹ The proposals in the remainder of this White Paper for changes to the functions and responsibilities of London Borough Councils are generally applicable to the Common Council, which is therefore not normally mentioned separately.

FUNCTIONS TO BE TRANSFERRED DIRECT TO THE LOWER TIER

Planning

2.5 The borough and district councils already have responsibility for certain planning functions and it is proposed that they should on abolition take over responsibility for the structure plan function at present carried out by the GLC and MCCs.

2.6 The existing system of structure and local plans will be retained, but with differences to reflect the special circumstances of the metropolitan areas. Responsibility for both the structure and local plan function will rest with the borough and district councils. The Greater London Development Plan and structure plans for the metropolitan counties will remain in existence for statutory purposes until such time as the borough and district councils, with the Secretary of State's agreement, undertake the review of the structure plans for their areas. The Secretary of State will require those plans to be submitted for his approval only if, for example, they appear to conflict with national or regional policies or with the plans of neighbouring authorities.

2.7 The Secretary of State for the Environment will, after consultation with the local authorities in each area, issue guidelines for the review and preparation of structure plans by the borough or district councils in that area. The plans will be short policy statements, taking account of those guidelines and providing the general context for local plans. In the case of London the Government consider that it would be appropriate to establish a London Planning Commission to advise the Secretary of State on the strategic issues. The Commission's role will be advisory only; it will have no powers in relation to the borough councils. The Government will look to the local authorities to co-operate fully with the neighbouring borough and district councils in developing their structure plans. The Secretary of State will have powers to ensure that, where appropriate, structure plans are brought forward simultaneously and examined in public together.

2.8 The borough and district councils will also take over all responsibility for minerals planning and derelict land reclamation.

Highways and Traffic Management

2.9 The borough and district councils will take over responsibility for highways and traffic management: the London borough councils are already highway authorities in their own right and many district councils already carry out work of this kind for the counties on an agency basis. This arrangement will ensure that the close links between land use planning and highways and traffic management are maintained.

2.10 Highways and traffic matters will require close co-operation between borough and district councils: the Secretary of State for Transport will continue to have reserve and default powers. In London most of the 880 miles of roads currently the responsibility of the GLC will go to the borough councils but the Secretary of State for Transport will take responsibility for some 70 miles as part of the trunk road network.

Waste Regulation and Disposal

2.11 The responsibilities of the GLC and MCCs for waste regulation and disposal will be transferred to the borough and district councils. The Government will wish to see that, in the setting up of new arrangements for disposal, the maximum encouragement is given to increasing private sector participation.

2.12 Before the functions are handed over, the Government will wish to be satisfied that the authorities concerned have made effective co-operative arrangements to ensure that their regulation and disposal responsibilities are properly discharged, that technical advances continue, and that provision for appropriate new investment is made. The Secretary of State for the Environment will have reserve powers to establish statutory joint arrangements at the date of abolition if he is not satisfied well beforehand that the authorities are making adequate voluntary arrangements for this service. The reserve powers will be available for later use should they be required.

Housing

2.13 The GLC, in addition to its limited permanent housing powers, has since its creation possessed on a temporary basis most of the powers of a housing authority. It has made extensive use of these, but over the past few years the

scale of its housing activity has reduced. Most of its housing stock has now been transferred to the borough councils. More will be transferred before abolition takes effect. The remaining stock will be transferred on the abolition of the GLC.

Trading Standards and Related Functions

2.14 The MCCs are responsible for administering food composition and labelling requirements; animal health legislation; and trading standards and consumer protection legislation. These functions will pass to the district councils who will need to take steps to ensure consistent standards of enforcement and make appropriate arrangements for sharing equipment and specialist staff. In providing for the enforcement of animal health legislation district councils will be enabled to make agency arrangements with existing animal health authorities (eg shire counties) and might wish to consider doing so.

Support for the Arts

2.15 The GLC and MCCs have concurrent powers with borough and district councils to make grants for the support of the arts and to maintain institutions such as art galleries, museums and theatres. The Government will look to the borough and district councils to assume nearly all the GLC's and MCCs' responsibilities and interests in these fields. Voluntary co-operation between the local councils will be encouraged and facilitated through the Regional Arts Associations and the Area Museum Councils. In a small number of cases the Government propose to make provision from central funds to replace the contributions now made by the GLC and MCCs to certain arts institutions and organisations of national significance. For the museums and galleries in this category the Trustees of appropriate national museums and art galleries will be invited to take responsibility for the channelling of central resources; similar arrangements will be made with the assistance of the Arts Council for an increase in central support to certain performing arts organisations.

Sport

2.16 The GLC and MCCs have concurrent powers with borough and district councils to make provision for sport and recreation. The borough and district councils will assume the GLC's and MCCs' responsibilities. The Government will consult the Sports Council and other interests on the future of the National Sports Centre at Crystal Palace.

Historic Buildings

2.17 The London borough councils already have the power to perform many of the statutory functions of the GLC in respect of historic buildings and ancient monuments and would generally take over its role in this area. They will also be able to take over the GLC's discretionary activities such as the Blue Plaque Scheme. The GLC, uniquely among local authorities, has power to consent to changes to Grade I or II* listed buildings without reference to the Secretary of State. Applications for such consents will be referred to the Secretary of State as they are elsewhere. The Royal Commission on Historical Monuments will take over the GLC's role in producing the Survey of London.

FUNCTIONS REQUIRING STATUTORY JOINT ARRANGEMENTS

Police in the Metropolitan Counties

2.18 The MCCs are responsible for the provision of police services in their areas through the police authorities, which consist of two thirds county councillors and one third magistrates. There is a separate police authority, and a police force, for each metropolitan county except Tyne and Wear, which is part of a combined authority for Northumbria. The Government are satisfied that the present general structure of police authorities is working well and that it would not be appropriate now to consider breaking up existing police forces. After abolition the present police authorities will accordingly be replaced by new combined authorities, ie joint boards, consisting of district council representatives and magistrates as before. In Northumbria, the local authority membership will come from the Tyne and Wear district councils and the Northumberland County Council.

Fire

2.19 Similarly the Government are convinced that the present fire service organisation in the metropolitan counties and in London is the most appropriate on both operational and cost grounds and the existing brigades will be retained. In the metropolitan counties a joint board of district council nominees will become the fire authority. In London, a joint board will also be required. But the size of the London Fire Brigade (a fifth of all the full-time firemen in England and Wales), and the number of councils to be represented on the joint board require

special consideration. One possibility would be to achieve greater management effectiveness and local accountability by establishing four operational area commands each responsible to an area committee of the joint board.

Education in Inner London

2.20 ILEA is a special committee of the GLC. The Government have considered whether, in the absence of the GLC, education in inner London should become the responsibility of the individual borough councils. They have concluded that, although such an arrangement would improve accountability for the service, it would mean breaking up longstanding and well-understood patterns of provision and that the disruption involved would not be justified. A unitary education service administered by a single local education authority offers at present the best prospect of meeting the educational needs of inner London and improving the standards and cost-effectiveness of the service. Whether that prospect will in practice be realised will however depend upon the performance of the new single authority and the Government propose to make the new arrangements subject to review after 4 years (ie in 1990). The Government have concluded that the new authority should be based on the boroughs and propose a joint board of elected representatives nominated by the inner London borough councils and the Common Council. Such an arrangement offers the best prospect of securing that education policies are developed within the context of the totality of demands being made on inner London's ratepayers.

Public Transport

2.21 The Government's proposals for the reorganisation of public transport in London have been set out in 'Public Transport in London' (Cmnd 9004).

2.22 In the metropolitan counties public transport is provided by Passenger Transport Executives (PTEs) under the direction of the MCCs as Passenger Transport Authorities (PTAs). The PTEs manage their own bus undertakings (together with the Metro system in Tyne and Wear), and also contract with British Rail, the National Bus Company and private operators for the provision of services. Many of the PTEs are breaking down their operations into smaller accountable units, but these are unlikely to coincide with district boundaries, especially in the large conurbations.

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2.23 Before the creation of the MCCs public transport in most of the metropolitan areas was provided by PTEs operating under the direction of PTAs which comprised members of the lower tier authorities. The Government have decided to revert to this arrangement. Joint boards of elected representatives drawn from the district councils will act as PTAs, and will be responsible for major decisions on revenue support, and hence on fares and service levels.

2.24 The Government will however be prepared to consider on their merits any proposals by individual districts to provide separate services and to enter into contractual arrangements with other operators in the public and private sector. But before any such arrangements are made the Government will have to be satisfied about the relationship between the district and the PTA in respect of facilities such as rail services which benefit the whole metropolitan area.

Airports

2.25 The MCCs have interests in five local authority airports. The Government propose to transfer the MCCs' interests in airports to the relevant new joint boards acting as PTAs. This will leave unaffected any direct interests of other councils in these airports. The Government believe that these airports should be managed on a commercial basis and are considering ways in which this objective can be furthered.

FUNCTIONS TO BE TRANSFERRED TO OTHER BODIES

Land Drainage and Flood Protection in London

2.26 The GLC is unique among local authorities in being a land-drainage authority for the greater part of its area ("the London excluded area"). As such, it is responsible for flood protection, including the ownership and operation of the Thames Barrier. On reorganisation, it is proposed that the Thames Water Authority should take over these functions.

GENERAL ACTIVITIES OF GLC/MCCs

Grants to voluntary bodies

2.27 Many voluntary bodies receive grants from the GLC and the MCCs, in some

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cases with support from the Urban Programme. Such bodies will be able to look to borough and district councils for similar assistance. The Government are, however, aware that there is concern in the voluntary sector about the possible effects of abolition on the finances of such voluntary bodies and they will therefore consult with the local authority associations and voluntary bodies before deciding whether further action may be necessary, either in terms of facilitating collective arrangements for the making of grants by the borough and district councils or in terms of taking other special action.

Assistance to Industry

2.28 Borough and district councils already have powers to assist industry in their areas. The Government consider therefore that no specific arrangements are required to replace the role of the GLC and the MCC's in assisting local industry and in drawing on the Urban Programme or Urban Development Grants.

Power to Spend Under s.137 Local Government Act 1972

2.29 All local authorities have power under section 137 of the Local Government Act 1972 to spend up to the product of a 2p rate in the interests of their area or its inhabitants for purposes not otherwise authorised. This has been the main source of funding for making grants to voluntary bodies and has been used to assist industry. The power is used extensively by local authorities in funding projects receiving grant under the Urban Programme including Urban Development Grant schemes. The borough and district councils will continue to have this power but the Government recognise that abolition of the upper tier will halve (from 4p to 2p) the combined amount available for spending by principal authorities in these areas. They will give further consideration to the need to make orders amending the 2p limit for the borough and district councils concerned in the light of information about the nature and extent of existing spending, which they will seek from the councils concerned. The Government are aware that some payments under these powers have attracted public criticism and they are considering the representations made to them on this issue.

Representation

2.30 It has been argued that the GLC and MCCs have an essential role in representing, to Government and generally, the wider interests of their areas. The

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Government consider that the borough and district councils are quite capable of performing this role acting together voluntarily. The Government are ready however to consider any suggestions which may be put forward.

CONSULTATIONS

2.31 The Government intend that there should be detailed discussions on the reallocation of functions and will therefore be initiating direct consultations on the proposals outlined above and in Annex A with the authorities and other interests likely to be directly affected by the change. The Government welcome general views on the proposals.

2.32 There are also a number of services on which supplementary consultation documents are being issued:

- (i) All transport matters: separate documents will be issued on Greater London and the metropolitan counties.
- (ii) Planning and related matters.
- (iii) Housing in Greater London.
- (iv) Waste Disposal.
- (v) Support for the Arts.

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CHAPTER 3

CONSTITUTION AND POWERS OF THE JOINT BOARDS

3.1 It is proposed in Chapter 2 that there should be joint boards for education and fire in London, and for police, fire and public transport in the metropolitan counties. The joint boards will be statutorily constituted. They will be composed of members nominated by the borough and district councils from among their elected members (but see paragraph 3.3 below). The joint boards will be directly responsible for their own expenditure decisions, have a power of precept and will therefore stand in a clear fiduciary relationship to the ratepayers of the area.

Constitution of Joint Boards

3.2 The joint boards will be constituted so that they are as representative as possible without being too large or unwieldy, and the number of members nominated by each borough and district council will if possible bear a relationship to the size of the council's electorate. To underline the fact that the elected representatives nominated to joint boards will represent the interests of the whole of their boroughs and districts, nominations will be required to reflect as closely as practicable the balance of parties on the nominating authority. This will in general only have practical effect where an authority is making nominations for more than two seats for a joint board.

3.3 In the metropolitan counties the boards for fire, public transport and police might be composed of two members from the district council with the smallest electorate in each area, with the other district councils in the area having further members in proportion to the size of their electorates. On this basis boards would vary in size from twelve members in South Yorkshire to thirty in Greater Manchester. This is illustrated in Table 1 below. The police boards will, in addition, include the magistrates who form one third of the membership of a police authority under the Police Act 1964. Special arrangements will be needed for re-constituting the Northumbria police authority.

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TABLE 1: PROPOSED ALLOCATION OF SEATS ON JOINT BOARDS

<u>Area</u>	<u>Number of seats</u>	<u>Area</u>	<u>Number of seats</u>
<u>Greater Manchester</u>		<u>Tyne & Wear</u>	
Bolton	3	Gateshead	3
Bury	2	Newcastle	4
Manchester	5	N Tyneside	2
Oldham	3	S Tyneside	2
Rochdale	2	Sunderland	4
Salford	3	TOTAL	<u>15</u>
Stockport	3		
Tameside	3	<u>West Midlands</u>	
Trafford	3	Birmingham	10
Wigan	<u>3</u>	Coventry	3
TOTAL	<u>30</u>	Dudley	3
		Sandwell	3
<u>Merseyside</u>		Solihull	2
Knowsley	2	Walsall	3
Liverpool	6	Wolverhampton	<u>3</u>
St Helens	2	TOTAL	<u>27</u>
Sefton	4		
Wirral	<u>4</u>	<u>West Yorkshire</u>	
TOTAL	<u>18</u>	Bradford	5
		Calderdale	2
<u>South Yorkshire</u>		Kirklees	4
Barnsley	2	Leeds	8
Doncaster	3	Wakefield	<u>3</u>
Rotherham	2	TOTAL	<u>22</u>
Sheffield	<u>5</u>		
TOTAL	<u>12</u>		

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3.4 The larger number of constituent councils in Greater London - 32 borough councils and the Common Council of the City of London - means that allocating seats on the new fire authority on a basis such as that suggested in paragraph 3.3 would result in a board which would be far too large for effective management. The Government propose that there should be one member from each borough council and the Common Council.

3.5 The constitution of the board for education in inner London also needs different provision. There are at present 48 members of ILEA. A board of this size is necessary to cope with the authority's workload. The Government therefore propose that the smallest inner London borough council should nominate three members and the others should nominate additional members in proportion to the size of their electorate relative to the smallest. The Common Council should also be given three members. This will result in a board of approximately 50 members. The board will be required under the Education Act 1944 to establish an education committee, the arrangements for which (including the co-option of additional members with relevant experience) will be subject to the approval of the Secretary of State for Education and Science.

3.6 The Government consider that these proposals provide an appropriate basis for constituting the joint boards. They recognise, however, that minor changes may prove necessary after the boards have been operating for a period and they propose to take a power to vary the apportionment of seats on the boards by secondary legislation.

Powers of Joint Boards

3.7 The joint boards will be separate corporate bodies with the same powers in relation to their respective services as the existing police, fire, education and passenger transport authorities. They will also be given the general powers necessary, such as powers to employ staff, acquire land and premises, and enter into contracts.

Consultation

3.8 The Government welcome views on the proposals for constituting the joint boards set out in this chapter and will be consulting directly the authorities concerned.

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CHAPTER 4

TRANSFER OF STAFF AND PROPERTY

4.1 The GLC, ILEA and the MCCs employ directly nearly 120,000 staff¹. The MCCs are also responsible, wholly or in part, for services in which about 70,000 further staff are engaged - principally the staff of the PTEs and uniformed police. Naturally, staff will be concerned about the effect on them of the proposed reorganisation.

4.2 The main effect for many of the staff will only be a change in their employing authority. But the Government are determined to ensure that reorganisation should result in greater value for money and reduced pressure on ratepayers. The Government believe that substantial staff savings can be achieved through voluntary redundancy, but recognise that the possibility of compulsory redundancy cannot be ruled out. The need for redundancies will, of course, be reduced if the GLC and the MCCs act responsibly in the period from now until reorganisation and do not recruit new staff unless it is essential that particular vacancies be filled.

Method of Transfer

4.3 In the re-organisation of local government which was implemented under the Local Government Act 1972, large numbers of staff were transferred in groups specified in secondary legislation. The Government consider that this form of transfer will be appropriate for staff (eg firemen) who can readily be identified as engaged on services which are to be administered by the proposed joint boards, but that it will not be appropriate for staff engaged on the services which are to be carried out directly by the borough and district councils, because each service would be dispersed among several authorities. In this latter case it seems necessary for the borough and district councils to recruit directly any extra staff needed.

Redundancy and Compensation Terms

4.4 In 1980 the Government made known their intention to withdraw the compensation terms, known as the Crombie Code, for any new statutory

¹ Numbers given are for full time equivalents.

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reorganisations. The current general local government compensation terms will therefore apply to redundancies arising from the abolition of the GLC and MCCs. The Government are, however, prepared to consider some improvement over these general compensation terms for certain age groups. Arrangements will need to be made for sharing the costs of redundancy compensation payments between the borough and district councils as appropriate where the costs fall to be met after the date of implementation of abolition.

4.5 The Government are also aware that because of differences in pay scales between authorities, some GLC and MCC staff may be offered new jobs at rates which are lower than their present pay. In these circumstances it might be appropriate for local authorities to pay some compensation for detriment.

Staff Commission

4.6 Staff Commissions were appointed for the reorganisations carried out in 1965 and 1974 generally to look after the interests of staff. The Commissions were independent of both Government and the existing and successor authorities. Their task was to keep under review the arrangements for recruitment, consider staffing problems referred to them by the Secretary of State and advise him on steps necessary to safeguard the interests of staff. The Commissions had no enforcement powers of their own but the Secretary of State was able to direct local authorities to implement the Commissions' advice. The Government believe that such a Commission will be useful in the present reorganisation to ensure that GLC and MCC staff have a proper opportunity to obtain new jobs created in the borough and district councils and to avoid unnecessary redundancies being caused by new staff being recruited in preference to existing GLC and MCC staff.

Property

4.7 On reorganisation, all property of the GLC and MCCs will need to be transferred. The majority of property will go to the authority or board taking over the function to which it relates. The Government will look to the authorities concerned to make appropriate arrangements for the shared use of property where possible.

4.8 There will be some property which will be surplus on abolition, and reorganisation will offer opportunities for the sale of some assets of the GLC and

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MCCs to the private sector, with the proceeds, in the form of capital receipts, distributed for the benefit of the area. One possibility would be for a single body in each area to hold and dispose of such property. In relation to industrial property, the Government will wish to draw on the special skills of the English Industrial Estate Corporation. Further consultations will take place on these aspects with the authorities concerned.

Consultation

4.9 The Government will initiate discussions with the interests concerned on the proposals for the transfer of staff set out in this chapter, in particular on:

- (a) the method of staff transfer;
- (b) the terms of compensation for redundancy and detriment;
- (c) the role of the Staff Commission; and
- (d) arrangements for the transfer of property.

CHAPTER 5

FINANCIAL ARRANGEMENTS

5.1 The transfer of functions and staff from the GLC and the MCCs will need to be reflected in the financial arrangements made for their successor bodies.

Rate Support Grant

5.2 An important element in any financial arrangements is the RSG system. RSG is made up of domestic rate relief grant and block grant. An important purpose of block grant is to compensate authorities for differences in their rateable values and differences in the costs they face to provide a standard level of service for their ratepayers. The costs are measured for each service by a system of grant related expenditure (GRE) assessments which take account as objectively as possible of variations in local circumstances.

5.3 Block grant was introduced in 1981/82. It is designed to discourage levels of expenditure higher than GRE by ensuring that a greater proportion of the cost falls on local ratepayers. This system has been reinforced both by the setting of expenditure targets for each local authority, and by the abating of the block grant of those authorities which exceed their targets. As from 1985/86, the Government propose, subject to Parliamentary approval, to supplement their policies for containing local authority spending by a scheme for the selective control of the rates of the highest spending authorities.¹

5.4 Most services provided by the GLC and MCCs will be taken over by the borough and district councils or by the joint boards. The expenditure they will incur in respect of these services will rank for block grant. The GRE currently allocated to the GLC and MCCs for their services will be allocated to the borough and district councils and the joint boards. Expenditure targets, if continued, will also reflect the new responsibilities. Some adjustments will be needed to the way GREs and expenditure targets are calculated, and the operation of the proposed selective rate limitation scheme will reflect the changes in service responsibilities.

¹ The proposals are set out in the White Paper 'Rates' (Cmnd 9008).

Rateable Resources of the City of London and Westminster

5.5 GLC services are financed partly by government grant and partly by the GLC precept. Three of the London councils on which the precept falls (the City of London, City of Westminster and the London Borough of Camden) currently contribute together 36% of the revenue raised by the GLC precept as a result of their very high rateable values. This represents a much greater share of the cost of GLC's services than their share of the services provided.

5.6 Such councils will continue to contribute in proportion to their rateable value to the financing of services transferred to the joint boards, which will be precepting authorities. But if no special action is taken in respect of GLC services transferred to the borough councils, the disappearance of the GLC precept will lead to a major increase in rates for ratepayers in all other London boroughs and in other local authorities outside London. In order to ensure that the existing balance between London ratepayers is maintained, it is the Government's intention that there should be some element of redistribution of high rateable resources in central London by an extension of the London Rates Equalisation Scheme. Currently, under this scheme, the City of London and the City of Westminster contribute into a pool which is then distributed to other inner London borough councils. If the scheme is to be extended it will need to apply to both inner and outer London borough councils to ensure that outer London ratepayers are not disadvantaged by the disappearance of the GLC precept.

Specific and Supplementary Grants

5.7 Transfer of services to the successor bodies will carry with it existing entitlement to specific or supplementary grants.

Financing of Services Provided by Voluntary Co-operation

5.8 Borough and district councils will be co-operating in providing certain services transferred to them from the GLC and MCCs (eg waste disposal, see paragraphs 2.11 and 2.12 above). It will be for them to decide how to allocate the cost of these services between them. The costs incurred by each council will count as their own individual expenditure for the purposes of calculating block grant entitlements, expenditure targets and grant abatement if continued, and any liability to the proposed selective rate limitation scheme.

Distributional Effects

5.9 The transfer of functions to the borough and district council and joint boards will result in general shifts in the pattern of grant distribution between all authorities. This will arise from the existing uneven incidence of assets, liabilities and expenditure, potential changes in GREs and any more general changes in the block grant mechanism. The Government consider that there should be no undue financial advantage or disadvantage to any authority as a result of abolition and will discuss with the authorities concerned any special steps necessary to even out the financial effects on individual authorities. Safety nets will be used to limit the transitional effects on ratepayers of any substantial changes in the distribution of grant.

Precepts

5.10 The new joint boards will have the power to levy precepts on their constituent authorities. The precepts will be set on a uniform basis, and the yield from each local authority will be proportional to its rateable value.

Capital Spending

5.11 Under the present system for controlling capital expenditure, Ministers allocate permitted capital spending levels to each authority each year. Authorities can supplement these allocations in various ways, including the use of capital receipts.

5.12 Where functions are transferred from the GLC and MCCs to borough or district councils, the procedure for allocating to each successor authority their share of the total capital allocations will be amended accordingly.

5.13 Joint boards will be brought within the ambit of the capital control system. They will receive their own capital allocations. Capital expenditure on the police, magistrates courts and the probation service will continue to be controlled separately.

Responsibility for Residual Matters

5.14 There remain three residual matters for which arrangements need to be made. These relate to capital debt, the local government superannuation scheme and legal

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liabilities which are discussed in detail in Annex C below. The Government consider that in each case it would be best for these responsibilities to be taken on by a single administrative body rather than distributed among all the successor authorities.

5.15 In the metropolitan counties it should be possible for one or other of the district councils to take on the responsibility for these functions. The larger district councils will have sufficient expertise in relation to debt management where their activities already exceed those of the counties. Arrangements will be made for consultation and the sharing of costs as necessary with the other districts in each area.

5.16 Two factors would make it difficult in Greater London to follow the course proposed for the metropolitan counties. First, the amount of debt administered by the GLC is more than five times as great as that administered by any London borough council. It is doubtful whether any borough council would have the staff or expertise to take over the function. Second, the London borough councils are already and will continue to be administering authorities under the superannuation scheme and they will assume responsibility for the superannuation of GLC staff transferring to them. There is, however, a need for a single body to discharge the GLC's other superannuation responsibilities that cannot be distributed to the boroughs, for example, in relation to existing GLC pensioners.

5.17 The Government therefore consider that in Greater London it will be appropriate for a separate organisation to take over the management of existing debt, the handling of residual superannuation matters and the GLC's residual legal liabilities. It will be a small statutory body drawing together technical expertise in the matters concerned. Its members will be appointed by the Secretary of State for the Environment who will consult representatives of the borough councils before making the appointments in order to ensure that their interests are adequately reflected in the composition of the body. Expenditure and income of this body will as far as possible be attributed to the appropriate borough council but certain unattributable costs, such as for pension increase payments for existing pensioners, will fall on the boroughs as a whole.

5.18 The arrangements which are made in both Greater London and the MCCs will ensure that the liabilities of the expiring authorities towards their former employees and those of other bodies are met. In particular, existing rights to pensions and compensation will be fully safeguarded.

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Consultation

5.19 The Government are issuing a separate consultation document on:

- a. the arrangements for ensuring that the disappearance of the GLC precept would not result in an imbalance between London ratepayers;
- b. the technical changes to the block grant distribution arrangements which might be necessary on the setting up of the new joint boards.

5.20 Views are invited on the other proposals set out in this chapter and in Annex C.

CHAPTER 6

SAVINGS AND TRANSITIONAL COSTS

6.1 It is not possible to put a figure on the savings arising from abolition, or the transitional costs. These will depend largely on the way in which the transfer of functions is achieved, and on the decisions to be taken by the authorities concerned.

6.2 The key to achieving savings will be the elimination of duplication and increased efficiency in the operation of transferred services and this will mean some staff redundancies. Even in the first year after reorganisation the Government believe that the savings from reduced staffing levels (including reduced accommodation requirements) could more than offset transitional costs. These costs (principally redundancy compensation, disturbance costs and, possibly, some compensation for detriment) will, in any case, taper sharply after the first year, and thereafter the annual savings should be substantial.

6.3 The authorities which take over GLC and MCC functions - both existing authorities and the new joint boards - will all operate within the framework of the local government finance system, including the proposed selective rate limitation scheme (the operation of which will take account of the enlarged service responsibilities of the boroughs and districts). Moreover, the Government expect all the authorities to act responsibly in the interests of their ratepayers; in particular they will look to the authorities to ensure that they take on only such staff as are essential to run the services efficiently, and to achieve maximum economy in the development of new administrative structures.

Borough and District Councils

6.4 Reorganisation presents the borough and district councils in the metropolitan areas with a major opportunity. Many of them have pressed to be given additional responsibilities; and it will be for them to show that they can absorb these and carry them out more economically than the authorities which are being abolished. It will be particularly important that there should be more economic use of staff than at present, and that there should be sensible co-operation and sharing of specialist staff and facilities. The selective rate limitation scheme will also act as an incentive to economy in the use of manpower.

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6.5 Ratepayers and electors will have a close interest in the way in which the 68 boroughs and districts organise themselves for their wider role. The Government therefore propose the establishment, for the first three years after reorganisation, of a special staff monitoring scheme. This will provide full information about the number of staff employed by each borough and district council in the services affected by reorganisation.

Joint Boards

6.6 The Government are determined that the creation of the new joint boards should not be used as an opportunity to set up extravagant and expensive new organisations. They therefore propose that the precepts issued by each joint board should be subject to approval by the appropriate Secretary of State for the first three financial years. Before approving the initial precepts, the Secretaries of State will wish to be satisfied particularly that the joint boards' proposed administrative structures will result in the economic operation of the services and that, where appropriate, arrangements have been made for the sharing of administrative and other staff, and for the contracting out of specialist services. The Government also propose, as for the borough and district councils, that there should be a monitoring scheme to provide full information about the numbers of staff employed by the joint boards for the first three years after reorganisation.

and
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manpower

6.7 After the three year transitional period, the joint boards would be treated in the same way as local authorities generally for the purposes of the arrangements for rate limitation.

Consultation

6.8 Views are invited on the proposals set out in this chapter.

John B. ...

CHAPTER 7

IMPLEMENTATION

Timetable

7.1 The Bill that the Government propose to introduce in the 1984/85 session will provide for the reallocation of functions, make provision for the constitution, powers and financing of the joint boards and contain the necessary powers for the making of staff and property transfers.

7.2 The proposed timetable implies a comparatively short period between Royal Assent in mid-1985 and transfer on 1 April 1986 during which much detailed work will be necessary on the transfer of staff and property. During that period the borough and district councils will need to make formal preparations for the assumption of their new responsibilities on 1 April 1986 (eg preparation of budgets, appointment of staff). Similarly the joint boards, which will come into being soon after Royal Assent, will need to begin formal planning for the takeover of functions.

7.3 It will therefore be desirable for the borough and district councils to give consideration at the earliest possible stage to the implications of the transfer of functions. This will need to be done collectively by the authorities within each metropolitan area, in consultation with the existing county council, so that the needs and opportunities for joint action can be identified. The Government hope that this concerted action will allow shadow forms of the proposed joint boards to be established while the Bill is before Parliament. The Government propose to introduce legislation during the 1983/84 session to place a specific duty on the GLC and MCCs and their staff to provide all necessary information to the Secretary of State and to borough and district councils in this period.

7.4 The Government consider that, as in the 1972-74 reorganisation, the Staff Commission proposed above (paragraph 4.6) should begin its operations as soon as possible. They therefore propose that it should be constituted as a non-statutory advisory committee once the Bill has received Second Reading in Parliament.

Local Elections in 1985

7.5 Elections would normally be held for the GLC and each MCC in May 1985. The Government believe, as in previous reorganisations, that it would be inappropriate for new councils to be elected then with the expectation of a limited period of office. They therefore propose that those elections should be deferred, in the first instance for a year, and that the existing councillors should continue to hold office until April 1986 when the councils will be abolished. These transitional arrangements will be dealt with in the legislation to be introduced during the 1983/84 session.

Boundaries

7.6 In legislating to abolish the GLC and the MCCs, it is not the Government's intention to make changes to the areas of the present London boroughs and metropolitan districts. Such matters will be for consideration in due course by the Local Government Boundary Commission for England when it carries out its review of these areas as part of its mandatory review of local government areas under the Local Government Act 1972. That mandatory review is due to take place between 1984 and 1989 and the abolition proposals are bound to have a major impact on any consideration of the metropolitan areas. The Secretary of State for the Environment will be giving the Commission a direction not to commence their review of any of the local authorities and boundaries in Greater London and the metropolitan counties until after 1 April 1987, so that their review can then take account of the revised allocation of functions.

7.7 A number of other statutory arrangements, including the appointment of Lord Lieutenants, make use of the defined administrative areas of Greater London and the metropolitan counties. The Government propose to draft the legislation on transfer of functions to minimise the disruption to these other activities.

Consultation

7.8 The Government welcome views on the proposals for implementation in this chapter and will be initiating discussions with the relevant authorities.

PROPOSALS ON OTHER FUNCTIONS AND DUTIES**Civil Defence**

1. The GLC and the MCCs have a duty to make plans for the purpose of civil defence and the borough and district councils have a duty to assist in the making of plans. The borough and district councils will take over the present duties of the GLC and MCCs and will be required to consult each other. Consultation will take place on the best way to secure co-operation.

Emergencies

2. The GLC, MCCs, borough and district councils have identical powers to incur expenditure in respect of an emergency. The GLC and MCC powers will lapse; borough and district councils, where appropriate in consultation, will have power to take any necessary action.

Magistrates' Courts Service

3. In outer London, the magistrates' courts service is administered by four committees composed of magistrates each covering several petty sessional divisions. Although each of these areas is coterminous with a group of London boroughs the petty sessional division and borough boundaries are not always coterminous. The costs of the service are met 80% by specific grants and 20% by the GLC. It is proposed that the outer London borough councils should take over the GLC's responsibilities. Consultations will take place on the best method for securing co-operation. No change is proposed for inner London where the GLC has no role or for the metropolitan counties where the district councils are already the funding authority.

Probation Service

4. Probation committees consist of magistrates, members of the judiciary and co-opted members. The GLC provides administrative back-up and has responsibility for funding 20% of the cost of the probation service in outer London. The outer London borough councils will take over the GLC's responsibilities for funding the service. In the metropolitan counties, probation areas are coterminous with police

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authorities. The district councils will take over the MCCs' responsibility for funding the service but the existing probation areas will be retained. Special arrangements will be required for the Northumbria combined area. Consultations will take place on the best methods of securing co-operation between the borough and district councils.

Coroners

5. The GLC and MCCs are responsible for appointing and paying coroners for their areas, and in some cases provide and maintain purpose-built coroners' courts. Pending changes in the longer term in the coroners' system, as envisaged by the Brodrick Committee, the Government propose that the present functions of the GLC and MCCs in relation to coroners should be exercised by a single district or borough within, and costs shared with other authorities covered by, the coroner's jurisdiction. The Government will want to be satisfied that the councils concerned have made appropriate co-operative arrangements for discharging their responsibility, and may wish to make statutory provision in relation to the approval of the appointment of coroners by the Secretary of State.

School Crossing Patrols

6. The MCCs are authorised under road traffic legislation to provide school crossing patrols. This function will be transferred to district councils.

Building Control

7. Building control in inner London is exercised through byelaws enforced by the GLC instead of through the national building regulations. The Government have already announced their intention of extending the national system of regulations in inner London. Enforcement will then rest with borough councils as in outer London.

Tourism

8. All local authorities have the same power to encourage tourism. Borough and district councils will take over any functions at present undertaken by the GLC and MCCs. Regional Tourist Boards derive income from the GLC and MCCs, and will need to alter their constitutions to enable them to receive funds from borough and

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district councils, and to allow borough or district council representation on their executive committees.

Entertainments Licensing

9. The GLC is the licensing authority for public entertainments and various similar matters. The borough councils will become the licensing authorities for their areas.

Archives and Libraries

10. The London borough councils already have powers to acquire and accept the gift and deposit of records under the Local Government (Records) Act 1962. These powers will be extended to the metropolitan district councils. The Government will look to the district councils in the metropolitan counties to make satisfactory co-operative arrangements both for the future keeping of records and for the custody and care of the historical collections now held by the MCCs, which it would be wrong to break up and which will therefore be transferred to an appropriate individual district council in each area. In London special arrangements will be made for the future of the Greater London Record Office.

11. Although not a library authority for the purposes of the Public Libraries and Museums Act, the GLC maintains a considerable research library. Consultations will take place with interested bodies on the best future arrangements for the GLC library collection and data bases.

Smallholdings

12. Most existing GLC/MCC smallholdings are in adjacent non-metropolitan counties and these will be taken over by the relevant county as the smallholding authority for that area. The Government consider that as there is likely to be no expansion of smallholdings activity it is not necessary to constitute the borough and district councils as smallholding authorities and the few holdings within these areas will be transferred to designated non-metropolitan county councils.

Recreation, Parks and Green Belt Land

13. The GLC owns a substantial number of "strategic" parks and is the main

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contributor to the Lee Valley Regional Park, run by a statutory indirectly-elected authority. The borough councils concerned, who already have concurrent powers to provide and run parks, will take over the GLC's functions and assets of this kind. There will be consultations on the most appropriate arrangements for any green belt land currently held by the GLC outside Greater London.

Safety of Sports Grounds

14. The GLC and MCCs issue safety certificates for certain sports grounds designated by the Home Secretary. Their functions will be transferred to borough and district councils.

Registration of common land and town or village greens

15. The registration responsibilities of the GLC and MCCs (under the Commons Registration Act 1965) will be transferred to the borough and district councils. Where commons or greens straddle boundaries agreements may be made for one authority to act for the whole of the land.

Rent Officer Service

16. In the metropolitan counties, the Rent Officer Service is formally administered by a "Proper Officer" appointed by the MCC, but the Service operates independently of central and local government in carrying out its statutory functions. To avoid fragmenting the present registration areas, which coincide with the metropolitan counties, the Government propose that one district council in each metropolitan county should appoint a proper officer for the whole area and be responsible for accommodation and support services. Relevant expenditure on the service will continue to be reimbursed fully by the Government.

Miscellaneous GLC Functions

17. The GLC has specific powers to undertake research (section 71 of the London Government Act 1963); to operate a central purchasing scheme for the boroughs, ILEA, voluntary organisations etc (section 72 of the 1963 Act); and to publicise the amenities and advantages of Greater London (section 73 of the 1963 Act). It is not proposed to replace these, since the borough councils can already do what is

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necessary under general powers. The Government will look to the borough councils to form such consortia as they consider necessary to ensure that the benefits derived from central purchasing continue.

Miscellaneous MCC Functions

18. Some MCCs make financial contributions to the Peak District National Park and appoint some members of the Joint Planning Board. These responsibilities will be transferred to the relevant district councils. MCCs also have responsibility for managing rights of way and preparing definitive maps and statements and for providing accommodation for gypsies. These functions will be transferred to district councils.

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**SUMMARY OF PROPOSALS ON THE REALLOCATION OF FUNCTIONS
FUNCTIONS TO BE TRANSFERRED TO BOROUGH AND DISTRICT COUNCILS**

Planning

Highways and traffic management

Waste regulation and disposal

Housing

Trading standards and related functions

Support for the arts

Sport

Historic buildings

Civil Defence and emergencies

Support and funding for the Magistrates' Court service and the Probation service

Coroners

School crossing patrols

Building control

Tourism

Entertainments licensing

Archives and libraries

Recreation, Parks, and Green Belt Land

Safety of sports grounds

Registration of common land and town or village greens

Maps etc in the relation to rights of way

Gypsy Sites

In a number of cases the boroughs and district councils already have similar statutory powers to the GLC and MCCs;

FUNCTIONS REQUIRING STATUTORY JOINT ARRANGEMENTS

Police in the Metropolitan Counties

Fire

Education in Inner London

Public Transport in the Metropolitan Counties

FUNCTIONS REQUIRING OTHER ARRANGEMENTS

The MCC interests in airports will be transferred to the new public transport joint boards

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Land drainage and flood protection in London will become the responsibility of the Thames Water Authority

Certain arts sponsorship will be taken over by the Trustees of national museums and galleries

Smallholdings estates will be transferred to appropriate shire county councils. The function will no longer be carried out by authorities in metropolitan areas.

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RESIDUAL MATTERS

1. In paragraph 5.14 it is proposed that there should be a single administering body for a number of residual matters that cannot be readily distributed to the borough and district councils. These are considered in detail below.

Management of Existing Debt

2. Local authorities normally operate a consolidated loans fund (CLF). Surpluses on authorities' revenue account and other accounts are used by the CLF where possible, with the remainder of the funds required being raised by external borrowing from the Public Works Loans Board (PWLB) or from the market. Some authorities also maintain capital funds from which service accounts may borrow for some purposes instead of borrowing from the CLF.

3. On reorganisation, the debts to the capital funds of the GLC and MCCs will be extinguished by writing off the funds. Where the CLF has borrowed internal surpluses as described above, it will have to replace that borrowing by an equal amount of external borrowing from the PWLB or the market, and so that the surpluses may be released for distribution between successor bodies. All outstanding debts by service accounts will then be debts to the CLF and will be matched in aggregate by an equal amount of external borrowing by the CLF.

4. Because borrowing for a CLF is not based on separate tranches for each loan to a service account, it is not possible to construct an equitable basis for distributing external debt between successor bodies. Administration of the external debt will therefore need to remain the responsibility of the single administering body, with the successor bodies for the various services made responsible for servicing the debt, ie for making sufficient payments to the body administering the debt to enable that body in return to make due payments to external lenders.

5. As for servicing the debt, the guiding principle will be that responsibility should be transferred with the asset to which the debt relates. Arrangements will also be needed for transferring debt associated not with fixed assets but with loans made by the authorities.

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6. The Government consider that the arrangements proposed will provide full security for lenders. The debt will be administered by bodies adequate for the purpose. Responsibility for servicing the debt will be equitably distributed across the rate base of the area, with a duty laid on the bodies concerned to fund the administering body. Debt will remain as now a first charge on the revenues of the asset holders, and lenders may therefore continue to provide finance with confidence.

Superannuation

7. The MCCs administer pension funds under the Local Government Superannuation Scheme (LGSS). The MCCs act as administering authorities for the district councils in their area. The GLC administers a fund under the LGSS but the borough councils are also administering authorities.

8. It would be possible in the metropolitan counties for each district council to become the administering authority for its own employees and pensioners. But this would entail splitting the existing funds and a considerable increase in the number of administering authorities. There are strong arguments on grounds of efficiency for not breaking up the funds. In Greater London, where the borough councils are already administering authorities, the superannuation fund could be apportioned among the borough councils in relation to the staff transferred to them. But there would be no readily available basis for deciding how responsibilities for paying pensions to existing pensioners should be allocated among the borough councils.

Legal Rights and Liabilities

9. Generally, the successor bodies will take on with a function the relevant legal rights and liabilities of the GLC and MCCs. However, some general rights and liabilities might arise which could not be allocated to borough and district councils individually. And legal actions at the date of dissolution will have to be brought to a conclusion. These will be tasks for the administering body in each area.

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

27 September 1983

Dear Irwin

ABOLITION OF THE GLC AND METROPOLITAN COUNTY COUNCILS

Thank you for sending me a copy of your letter of 19 September to the Lord Chancellor.

I must say that I do agree with the Lord Chancellor's preference for retaining the counties. Their abolition would arouse the strong feelings of those who resent the constant change in designation of local authority areas, and it would be a pity to disturb again the arrangements which have been set up for Lords Lieutenant. Like the Lord Chancellor and Lord Cockfield, I would not have thought that retaining the concept of a county would necessarily give the impression that there is still a council.

As you point out, the abolition of the counties would, incidentally, have implications for the appointment of High Sheriffs, which would have to be put on a different footing. The existing provisions are in section 6(1) of the Sheriffs Act 1887 and section 219 of the Local Government Act 1972. No doubt your officials will be in touch with mine if these provisions have to be amended; but my real preference for retaining the counties rests on the wider grounds I have mentioned.

I am sending copies of this letter to those who attended the third meeting of MISC 95, to the Lord Chancellor and Lord Cockfield and to Sir Robert Armstrong.

[Handwritten signature]

The Rt Hon Lord Bellwin



CLAS

10 DOWNING STREET

(1)

Prime Minister

GLC & MCC's Abolition

Mr Jenkin asks for a

discussion ^{the} on financial manpower

controls point — in time to get

his White Paper out before the

Party Conference.

Agree to a meeting

Yes

not

on Monday 3rd October?

Mes 23/9

FROM: CHIEF SECRETARY

DATE: 23 September 1983



CC NO

Prime Minister (2)

PRIME MINISTER

M
I have already
recorded your view
as being along these
lines.

MCS 23/9

ABOLITION OF THE GLC AND MCCS: FINANCIAL CONTROLS

Patrick Jenkin's minute of 20 September reporting the conclusions of MISC 95 recorded my concern at the proposal that we should rely on precept control of the joint boards for a transitional period.

2. Colleagues generally agree on the need for some control after we establish these boards to ensure that staff savings are made and that bureaucracy does not burgeon. But service colleagues are reluctant to be involved in the budgetary decisions. I understand their reluctance, but I believe that it is essential to ensure that we use our transitional controls to create efficient structures.

3. That is why I am concerned about relying on precept control. While that would give us a degree of control over expenditure by these boards, we ^{would} have no say on the split between staff and non-staff costs. Ideally I would have liked to have seen manpower controls as well, to ensure that the staff savings which we expect materialise. I realise that that could be difficult. But without control over budgets we run the risk that joint boards will make economies elsewhere and bureaucracy and overmanning will survive untouched.

4. I do not accept Patrick's view that the risk of legal challenge would be significantly greater. Indeed precepts which were set without scrutiny of the budget would strike me as potentially very vulnerable to legal challenge. In the end the workload on Departments would not be very different. But we would have lost the opportunity to tackle manpower waste. Ratepayers would not thank us for that.

5. I am also concerned about the sanctions Patrick is proposing against boroughs which increase manpower. The threat of a commentary published by the Secretary of State will not deter boroughs which will use reorganisation as a pretext for inflating their bureaucracies. I would prefer to see tougher sanctions, perhaps using the services of the Audit Commission, to require efficiency audits in authorities with excessive manpower increases, backed up with manpower controls if necessary. The White Paper will argue that reorganisation is needed to reduce unnecessary bureaucracy and waste. Our policy will be judged on our success in doing just that. I do not believe that the present proposals guarantee success.

6. I am copying this to recipients of Patrick's minute.

PR

PETER REES

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PR 17



23 SEP 1983

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B, HU

file



bc

10 DOWNING STREET

From the Private Secretary

23 September 1983

Abolition of the Greater London Council (GLC) and the Metropolitan County Councils (MCCs)

Your Secretary of State minuted the Prime Minister on 20 September about the decisions required for the White Paper on the abolition of the GLC and the MCCs.

The Prime Minister prefers deferment of the May 1985 elections of the GLC and MCCs (with a reserve power to substitute if individuals would not serve) to substitution.

She also has much sympathy with the Chief Secretary's view on financial and manpower controls. But the Prime Minister has minuted that if staff are to be transferred by statute in groups how would the Government reduce numbers in bodies like the ILEA?

These points apart, the Prime Minister agrees to the proposals in your Secretary of State's minute.

I am sending copies of this letter to the Private Secretaries to the other members of the Cabinet, the Attorney General, the Minister for the Arts, the Minister for Local Government and to Richard Hatfield (Cabinet Office).

Hilary - typed
Dessie Green - despatched

M. B. SCHOLAR

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cells

CP
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P
S
Miss Evans
W. P. L. M. M.

John Ballard, Esq.,
Department of the Environment.

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CONFIDENTIAL



ECNO

PA

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

23 September 1983

Dear Michael

in box?

ABOLITION OF THE GLC/MCCs: DRAFT WHITE PAPER

The Prime Minister has, I understand, said in response to Secretary of State's minute of 20 September that with respect to the Joint Board she supports the Chief Secretary's view that precept control is not enough. Cabinet Office advice is that if Ministers need to consider collectively as would appear to be the case, the issue should go to Cabinet on 6 October.

My Secretary of State's immediate concern is that the postponement of a discussion until 6 October could prevent the publication of the White Paper before the Conservative Party Conference, a timetable he considers vital in political terms. He would like to suggest two other possible courses of action.

The Prime Minister could chair a meeting on Monday 3 October of the Ministers who took part in MISC 95. This would just allow publication as planned on Thursday 6 October. He appreciates however that this may be difficult. An alternative would be to write the relevant part of the White Paper, in a way which did not prejudge the issue of substance.

My Secretary of State circulated a draft White Paper to members of MISC 95 on 21 September; and it had been his intention to send a draft, revised to take account of comments, to the Prime Minister as early as possible thereafter. In the circumstances it will probably be best if I let you have now a copy of the draft circulated on 21 September. (The reactions we have had so far suggested that members of MISC 95 are generally content except in respect of the opening chapter which my Secretary of State has already suggested might be strengthened to link reorganisation with the Government's policy to reduce bureaucracy, reduce costs, and reduce taxes.

If the Prime Minister were to agree to the second of the options suggested by my Secretary of State the second sentence of paragraph 6.6 of the attached draft could be amended to read:-

"They therefore propose that, for the first three years, the joint boards should be subject to special control by the appropriate Secretary of State. In operating

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this control the Secretaries of State will have particular regard to economy in the use of manpower. They will wish to be satisfied that the joint board's proposed....."

The White Paper could then go for printing on 3 October leaving the issue to be considered by Cabinet on 6 October. The Secretary of State would be able, in a press conference on the afternoon of 6 October to give a clear explanation of the meaning of this passage.

I would be grateful if you could seek the Prime Minister's views on which option she would like to see pursued.

Copies of this letter (but not the enclosure which they already have) go to Tony Rawsthorne, David Heyhoe, Steve Godber, Barnaby Shaw, Jonathan Spencer, Imogen Wilde, Dinah Nichols, John Gieve, Mary Brown and Mike Bailey.

J F BALLARD
Private Secretary

Yours sincerely

John Ballard

J F BALLARD
Private Secretary

Michael Scholar Esq

PERSONAL
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(1)



Chancellor of the Duchy of Lancaster

Prime Minister

You saw Patrick Jenkin's

PRIME MINISTER

ABOLITION OF THE GLC AND METROPOLITAN COUNTY COUNCILS:
THE 1985 ELECTIONS

*Yes - but I very much
share the chief's view
on financial matters
which. If staff are
do be known by
statute. in
proposals, except on deferment
on which agree to X?
MS 22/9 Yes
no*

The Secretary of State for the Environment minuted you on 20 September on the question of "Substitution" or "Deferment". This is one of the points on which MISC 95, at which I was not present, could not come to an agreed view, although a "small majority" favoured "substitution" (ie nomination to the bodies to be abolished) rather than "deferment" (which would entail existing Councillors continuing in office for a further year if they were willing to do so).

x | I would myself take the view that the balance of advantage if anything lay with deferment (with a reserve power to substitute if individuals would not serve). I would think that in terms of public opinion generally this would put us in the more favourable light: we would only have to resort to substitution if our opponents behaved unreasonably. We would not then need to prove our case: our opponents would have done it for us. If we go for substitution ab initio, we place ourselves in the position of having to prove our case: we could only do this by claiming that our opponents were certain to behave unreasonably, a charge we obviously could not substantiate before the event.

A.C.

A C

22 September 1983

PERSONAL
CONFIDENTIAL

21 September 1983
Policy Unit

PRIME MINISTER

ASSOCIATION OF LONDON AUTHORITIES

We view the setting up of the ALA with cheerful equanimity. The existence of local authority associations has never worked to our advantage. The Association of Metropolitan Authorities, for example, has claimed to be the "voice of local government" in the big cities. In fact, it has usually been the voice of big-spending Labour councils. The emergence of nakedly political groupings of councils destroys these pretensions to objectivity, and makes it easier for Government to be seen to be representing the interests of all the people.

The sooner, therefore, that we set up a counter Conservative voice, the better. But we ought, if at all possible, to resist legislation which merely inflates the self-importance of these groupings. Our position should be: "We are ready to consult any body representing elected local authorities, but we shall continue to act in the best interests of the nation as a whole".

We recommend a low-key approach:

- (1) recognition of the ALA, accompanied by a statement on the lines of Patrick's Annex B;
- (2) speedy consultation with London Conservative leaders to set up a counter voice; but
- (3) no hurry to discuss these essentially trivial questions with the other associations; and
- (4) no consideration of options for defining in law which associations have to be consulted.

FERDINAND MOUNT

fm

*Bronly & Werburster
to start legal action.*



Ref. A083/2678

PRIME MINISTER

The Association of London Authorities

(C(83) 32)

BACKGROUND

For many years each type of local authority has had a single cross-party association to represent its members' views to central Government and to take part in consultation. There has now been a change with the creation this year of a party (Labour)-based Association of London Authorities. There are signs of splits on political lines beginning to develop in some of the associations outside London. The Secretary of State for the Environment's memorandum follows consultation with the Law Officers and with Cabinet colleagues and seeks decisions on an appropriate response to this new body.

2. The Association of London Authorities (ALA) was established formally on 5 July. It consists of the GLC and 11 Labour controlled London Boroughs. Four of the 11 have remained members of the London Boroughs Association (LBA). Two Labour controlled London Boroughs have not joined the ALA and remain in the LBA. Although membership of the ALA is open to all London Boroughs, membership is in fact limited to Labour authorities by the objects of the Association, which include, eg retention of the GLC and the ILEA, and the accountability of the Metropolitan Police to the London local authorities.

3. The Law Officers have advised that there are no grounds for excluding the ALA from any consultations process prescribed by law. Yet recognition of the ALA by admitting them to consultation will be very unwelcome to the Government's supporters in London. It could also encourage "splintering" of the other associations on party' (or other) lines which, if carried very far, would make the effective working of both statutory and non-statutory consultation arrangements extremely difficult.



4. The Secretary of State for the Environment considered (a) not consulting the ALA and letting them take an initiative if they want to in going to the courts and (b) seeking a declaration from the courts that he is not required to consult them. He has been advised by the Law Officers that an appeal to the courts by the ALA as a result of failure to consult would almost certainly succeed. Similarly a declaration from the courts that the Government was not required to consult the ALA would not be forthcoming. In view of this the Secretary of State for the Environment has concluded that the ALA will have to be recognised for the purposes of statutory consultation, most immediately and importantly in determining the level of 1984-85 Rate Support Grant (the procedure for fixing which is well advanced), and that for practical purposes it is unavoidable to include the ALA in all standing consultative arrangements. The question is what else should be done? Four steps are proposed:

- (a) To ensure that the ALA is counter-balanced by an effective Conservative voice.
- (b) To talk to the other local authority associations in an attempt to prevent further splits.
- (c) To consider further the nature of possible legislation.
- (d) To issue a statement deploring the split and explaining the statutory necessity to consult.

5. It is possible that one or more of the Conservative London Boroughs will challenge the establishment of the ALA in the courts (they would in fact challenge the legality of payments by members to the ALA). No decision on this has yet been taken but, if some Boroughs do go ahead with court action, the Government's immediate actions should perhaps be different.

HANDLING

6. You will wish to ask the Secretary of State for the Environment to introduce his paper, and the Solicitor General (the Attorney General is in Hong Kong) to summarise the legal position. The



possibility of court action by Conservative Boroughs and particularly whether all or some of the proposed Government action can await the outcome of that (the RSG timetable is the critical factor) needs to be discussed. Cabinet may agree that recognition, in the sense of admitting the ALA at least to statutory consultation, is unavoidable either immediately or in the event of court action being taken but failing.

7. The four suggestions for limiting the effects of recognition could then be taken in turn.

A London Conservative Voice

8. What does the Secretary of State for the Environment have in mind? Is it to use the LBA (which still has six Labour members)? Or to create a third body? Or by other means? Use of the LBA or a third body would, on the face of it, reinforce the tendency to fragmentation of the existing associations and make the re-creation of a bi-partisan London association more difficult. It could be playing into the ALA's hands. If the objective is to sustain cross-party associations of authorities, perhaps action to combat the ALA at a political level should be outside the association framework. But would this satisfy London Conservatives (eg Mr Finsberg)?

Talks With Other Local Authority Associations

9. What signs are there that splits in the other associations are likely? Will talking to them on the lines suggested encourage thoughts of setting up a rival association? (Two Labour counties, Avon and Derbyshire, have already resigned from the Association of County Councils, but have not associated). Do the Secretaries of State for Scotland or Wales have views on developments in their countries? I understand that Conservative District Councils in Wales have just walked out of the Welsh Association of District Councils, but I have not heard of proposals to form a new association.



Legislation

10. Legislation to exclude certain associations from consultation may be a last resort. It would be difficult to frame, would be highly contentious, would give probably welcome publicity to the ALA and could be misrepresented to present the Government as being undemocratic. The Lord President, Home Secretary and Lord Privy Seal may have views. The Secretaries of State for Education and Science and Transport and the Chancellor of the Duchy of Lancaster also expressed views in correspondence.

Government Statement

11. The Secretary of State for the Environment does not say when or how the statement at Annex B should be made. Does he have a preference for a particular forum? You will not wish to discuss the drafting in Cabinet; but one issue of principle which could be discussed is how far the final paragraph should commit the Government to discussions with other local authority bodies, and whether legislation should be mentioned. You could suggest, following the discussion, that the Secretary of State for the Environment should circulate a revised draft for comment to you, the Lord President, the local government Ministers and the Business Managers.

CONCLUSION

12. You will wish to reach conclusions on whether the Cabinet agree with the Secretary of State for the Environment's view that the ALA should be recognised as well as on any further action to be taken. On the latter you will wish to record conclusions on:

- (a) whether to take action to strengthen the Conservative voice in London. If so what action;
- (b) whether to open talks with other local authority associations and, if so, what line to take;
- (c) whether more work should be done to plan legislation;



(d) how and when to issue a Government statement announcing recognition; whether the statement should refer to talks with other local authority associations or legislation; and arrangements for clearing the statement.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

21 September 1983



Prime Minister

Agree these

proposals?

Ms 21/9

PRIME MINISTER

ABOLITION OF THE GREATER LONDON COUNCIL (GLC)
AND METROPOLITAN COUNTY COUNCILS (MCCs):
Decisions for the White Paper

The Ministerial Group on the Abolition of the Greater London Council and the Metropolitan County Councils (MISC 95) met under my chairmanship on 15 September. This minute reports our conclusions. Together with those which I reported before the Summer Recess, they will, if you and other colleagues agree, be the basis for drafting the White Paper on abolition. I aim at publishing this before the Party Conference. I shall naturally circulate the text at the appropriate time to the Cabinet; I shall be consulting the members of MISC 95 on the detailed drafting later this week.

I shall be minuting you separately about legislation to counter obstruction to our policies, whether in the context of abolition or or rate limitation. Decisions on this do not affect the drafting of the abolition White Paper.

May 1985 Elections

Elections to the GLC and MCCs are due in May 1985. The Group are agreed that they cannot be allowed to go ahead: other objections apart, abolition would be a major issue in the elections, so that there would be a major public debate going on after the House of Commons had voted for Second Reading of the abolition Bill.



There are two options for replacing the elections.

(i) Deferral.

It would be in accordance with precedents of past reorganisations to defer the elections for a year; existing councillors would continue in office. The deferred elections would then be overtaken by abolition of the GLC and MCCs on 1 April 1986.

(ii) Substitution

Councillors appointed by the London boroughs and the metropolitan districts would take over the role of the GLC and MCC councillors almost immediately after the date on which elections would otherwise have taken place.

Under the deferred option, it is possible that existing councillors might not be prepared to continue to serve after May 1985 without a new mandate. Concerted refusals could leave an area without an effective council. If this were thought likely to happen a Bill based on deferral would have to provide for appointees to replace those who refused to serve. In these circumstances the two options would merge.

Either option would require legislation. There is already provision for this in the 1983/84 programme.

The views of the Group on the options were divided.

Some members argued that there were constitutional and political objections to substitution: in particular, that we should be accused of creating a new procedure in order to engineer a change in political control in the GLC area and possibly (depending on the results of elections between now and May 1985 and on the basis of selection of the substitute councillors) some of the MCC areas.



A small majority of the Group, however, considered that both our own supporters and the wider public would find it incomprehensible that we should, in effect, extend the terms of office of the GLC and the MCCs. Moreover, to do so would provide those bodies with scope of obstruction at a time when this would be most damaging to our policies. They therefore favoured substitution.

It was common ground within the Group that if the decision were in favour of substitution nominations to a substituted body should be required to reflect party balance on the nominating authority.

In political terms this is probably one of the most sensitive decisions we have to take. My own recommendation is in favour of substitution. I propose we should announce this in the White Paper, together with our intention to secure party balance on substitute authorities. The size of the authorities should be settled after consultation with the boroughs and districts.

Agree?
No

Financial and Manpower Controls

In their previous discussions, a majority of the Group took the view that direct control of the budgets and staff numbers of the joint boards would be needed for a transitional period of two to three years, after which the selective scheme of rate limitation would apply. However, it has become increasingly clear that this would involve Ministers in detailed operational control of the boards. It is also relevant that, in contrast to past reorganisations, there is now an expectation of a reduction in bureaucracy and spending levels; and the joint boards will know that they will soon be potentially subject to rate limitation.



In these circumstances control through the precept seems the most satisfactory approach. It would work in broadly the same way as the rates limitation scheme. Ministers would set the maximum precept level of each board. This would exert a considerable direct influence on staff levels without detailed negotiation: expenditure on staff will be the largest component of expenditure by the majority of joint boards.

There would also be a monitoring scheme, whereby for three years joint boards, the London boroughs and the metropolitan districts would be required to publish detailed information on manpower in transferred services. I would publish a commentary on the results, drawing attention particularly to services where unduly large numbers of staff were being employed.

The Chief Secretary, Treasury argued that this approach would not be enough. In particular, it would not allow Ministers to control the split between expenditure on joint board staff and expenditure on services. In his view, direct control of budgets and staffing levels was needed. Otherwise there was a risk that the Government's proposals would be discredited.

Although they sympathised with the Chief Secretary's aims, a clear majority of the Group did not consider his proposals practical. They would require substantial increases in the staffing of the departments concerned; even so, departments would be likely to be swamped by the resulting workload. They would, moreover, open up the possibility of extensive challenge in the courts by way of applications for judicial review of Ministerial decisions.



Agree?

My own recommendation is that the majority view should be accepted, and that we should rely on control through the precept.

Other Staffing Issues

The Group reached agreement on the following staff issues.

Agree?

(a) The great majority of staff currently engaged on services to be run by joint boards will be transferred in groups by statute. It will not be practicable to transfer staff in groups to the boroughs or districts because of the large numbers of services and authorities involved. The authorities concerned will have to recruit directly.

Agree?

(b) A Staff Commission should be established to supervise transfers and recruitment and ensure equitable treatment of staff.

Agree?

(c) Shadow joint boards should be established well before Royal Assent to the abolition legislation; they, and the boroughs and districts, should be pressed to start considering their staff requirements as soon as possible. Even so, they may not have finalised their staffing requirements by 1 April 1986. This could lead to staff being made redundant on that date, collecting compensation, and subsequently obtaining posts with receiving authorities. Officials are examining ways of tackling this problem.

(d) The costs of redundancies should fall on the lower-tier authorities, who will eventually reap the benefit of savings in staff costs.

(e) A legal duty will be placed on the expiring authorities and their officers to provide information to the boroughs and districts and to myself.



Financial Issues

The precepts of the GLC and the MCCs have an equalising effect, in that the cost of the services that they supply falls uniformly on ratepayers in the whole area. In London, in particular, this shares the benefit of the high resources of the central boroughs with other areas and, in effect, requires authorities who are otherwise out of the block grant system to contribute to the cost of services to the benefit of ratepayers elsewhere.

The equalising effect will continue in relation to the services run by joint boards; and in the metropolitan county areas the block grant system will be able to minimise disruption. But unless further action is taken in London rates will go up in most boroughs; there will also be an effect on block grant payments to authorities outside London.

It is therefore necessary to extend the London Rates Equalisation Scheme, under which the City of London and Westminster already make direct payments to other inner boroughs. This will make explicit the extent to which the high-resource boroughs contribute to the provision of services elsewhere. This is perhaps no bad thing.

A second cause of possible changes in the existing pattern of rates is the uneven distribution of expenditure by the GLC and MCCs across their areas. We shall need to take steps to offset any effects of this kind either through the block grant system or by specific cost-sharing arrangements. There is no reason to believe that the technical problems will be insuperable.



Some of the responsibilities of abolition authorities (debt management, pensions, legal liabilities, and perhaps some property) cannot be readily apportioned among successor authorities. In the metropolitan county areas, one of the districts should be sought to take on the task. But in London there is no obvious lead borough; and the scale of some of the responsibilities is much larger than the corresponding present responsibilities of the boroughs, who would therefore be unlikely to have the staff and the expertise to take them on or, in relation to debt, to command confidence in the market. The Group therefore concluded that a small expert body should be created to take on the relevant responsibilities. It would be appointed by me but include local representatives. Any pressure from local government for full control could be met by conceding that the members would be entirely drawn from nominees put forward by the boroughs collectively.



Allocation of functions not already decided

The Group agreed on the presentation in the White Paper on the allocation of responsibility for the following functions.

(a) Trading standards in the metropolitan counties

Responsibility will be transferred to the districts, though voluntary arrangements for cooperation between districts will be encouraged. The Secretary of State for Trade and Industry doubts whether voluntary arrangements will suffice and has proposed that the White Paper should mention the possibility of a reserve power to require cooperation. The Group agreed, however, that it would not be tactically advisable to do so. This agreement was without prejudice to the merits of the argument: the substantive decision on the need for a reserve power will be taken in the light of the response to the White Paper.

(b) Animal health in the metropolitan counties

The Minister of Agriculture, Fisheries and Food considers that the powers on animal health should be exercised by shire counties adjacent to the metropolitan areas. However, the Group agreed that the powers of the metropolitan counties should be transferred in the first instance to the metropolitan districts. The White Paper should say that agency arrangements between the districts and the shire counties might be an appropriate way of discharging the relevant functions, but would not mention the possibility of transferring responsibility to the shire counties. Again, this agreement was without prejudice to the merits of the argument; and substantive decisions will be taken in the light of the response to the White Paper.



(c) Coroners

Subject to confirmation that the Lord Chancellor was content, the Group agreed that a lead district or borough should be nominated within each coroner's jurisdiction. The Government would have to be satisfied that appropriate cooperative arrangements had been made; and statutory provision might be necessary to regulate the appointment of coroners.

Section 137

Section 137 of the Local Government Act 1972 empowers local authorities to spend up to the product of a 2p rate for purposes not otherwise authorised. It has been used to provide finance for, among other things, support for voluntary groups, assistance to industry, including projects supported under the Urban Programme and participation by local authorities in the Community Programme and the Youth Training Scheme. (It has also been used for less desirable purposes). Since both main tiers of local government can use the power all areas now have a discretionary spending capacity equal to a 4p rate. Abolition will halve this in the areas affected. Groups supported by funds from this source are already expressing concern about future funding.

I shall be bringing forward proposals in due course about Section 137 more generally. Meanwhile, MISC 95 agrees that the White Paper should recognise the problem outlined above; indicate that further decisions will be taken in the light of further information about spending; and give some reassurance that the Government will enable boroughs and districts to take suitable joint action and that suitable worthy activities will be safeguarded. It will, however, avoid any implication that the Government itself might accept direct financial responsibility.



Consitution of joint boards

Finally, the Group -

(a) confirmed their previous view that nominations to joint boards should reflect the party balance of the nominating councils; and

(b) agreed that members of joint boards should not be nominated for fixed terms, but that councils would be allowed to review nominations at any time.

In view of the timetable for preparing the White Paper, I should be most grateful if you and the other recipients of this minute could let me have any comments by Friday 23 September.

I am sending copies of this minute to the other members of the Cabinet, the Attorney General, the Minister for Arts and the Minister for Local Government, and to Sir Robert Armstrong.

P.J.

P J

20 September 1983

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File

Brc



10 DOWNING STREET

From the Principal Private Secretary

19 September 1983

Thank you for your letter of 15 September. The lunch-time discussion of policies on local government has been arranged for Monday, 17 October and we have found a table which we can fit into the small dining room at 10 Downing Street and which can accommodate fourteen people. So we have asked those proposed in your letter, plus the Chancellor of the Duchy of Lancaster and Mr. Waldegrave.

E. E. R. BUTLER

John Ballard, Esq.,
Department of the Environment

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PART 16 ends:-

Sue Goodchild to FERB 16.9.83

PART 17 begins:-

FERB to Environment 19.9.83