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PREM 19 / 1306



CONFIDENTIAL FILING

Relations between Central and
Local Government;
Local Authority Expenditure
Local Authority Elections

Abolition of the GLC and
Metropolitan County Councils

LOCAL

GOVERNMENT

PART 1 MAY 1979

PART 21 JUNE 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.6.84		25.7.84					
5.6.84		30.7.84					
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Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Lords HANSARD, 11 June 1984, columns 886 to 986:
Local Government (Interim Provisions) Bill

House of Commons HANSARD, 12 June 1984, columns 811 to
872: Greater London Council (Money)(No.2) Bill

House of Commons HANSARD, 5 July 1984, columns 468 to
476: Local Government (Interim Provisions) Bill

House of Commons HANSARD, 23 July 1984, column 394:
Local Authority Finance

House of Commons HANSARD, 30 July 1984, columns 33 to
124: Local Government (Interim Provisions) Bill

Abolition of the Greater London Council and the Metropolitan
County Councils: The Government's proposals for transferring
functions to London boroughs and Metropolitan districts – July
1984 – Printed and Published by the Department of the
Environment 1984

Signed J. Goary Date 1/7/2013

PREM Records Team

PART 21 ends:-

CST to 875 SCOT 31-7-84

PART 22 begins:-

PS/LPC to environment 1-8-84



NDPA

BT

2/8

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger MP
 Secretary of State for Scotland
 New St Andrews House
 St James' Centre
 EDINBURGH EH1 3SX

31 July 1984

George Younger

LOCAL AUTHORITY CAPITAL SPENDING IN SCOTLAND

Thank you for your letter of 5th July ^{with BT} about the local authority capital cash limits in Scotland.

I am pleased that SO/LA1 was not overspent in 1983-84 and that you can take the usual penalty for the overspend on SO/LA2 in 1984-85 without needing any new measures to control spending. I am also pleased to hear that you do not expect there to be any overspend in 1984-85; this reflects the strength of the Scottish system which does not appear to permit overspending provided local authorities remain within the law. Nevertheless I should be grateful if our officials could keep closely in touch in order to ensure that things remain on course.

Finally, I can assure you that I fully appreciate the difficult decisions you have had to take in order to achieve this satisfactory position. It is heartening that they appear to be bearing fruit in avoiding the need for the measures we have had to take in England and Wales to control capital spending in the current year.

I am copying this letter to the Prime Minister, Willie Whitelaw, Leon Brittan, Keith Joseph, Nicholas Edwards, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Nicholas Ridley and Grey Gowrie and to Sir Robert Armstrong.

Yours sincerely
Peter Rees

PETER REES

Local Govt: Aels.

- 2 AUG 1984





file

CFPPA R118

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

31 July 1984

Dear Margaret,

Last week I wrote to you about our proposals for the 1985/86 Rate Support Grant Settlement and about the first list of high spending councils selected for rate capping under the Rates Act 1984.

This letter is about our other main local government commitment - our Manifesto pledge to abolish the Greater London Council and the six metropolitan county councils.

Last October, the Government published its proposals in a White Paper "Streamlining the Cities (Cmnd 9063)". There followed a full consultation on the details of our proposals and the Government has carefully considered the very large number of responses to the White Paper. Over recent months the Government has announced a number of changes in the arrangements set out in the White Paper in order to meet some of the very fair points put to it in the responses. Many of these changes have been widely welcomed - not least the proposal for a directly-elected Inner London Education Authority, the proposals for protecting spending on the arts, on sport and on grants to voluntary organisations and the proposal to allow district and borough councils to secede from the joint boards if a strong enough case can be made out.

The Government has now reached decisions about the future of virtually all the services currently provided by the GLC and the metropolitan counties. My Department is therefore publishing today a comprehensive paper setting out our proposals in detail. Copies will be available in the Vote Office.

There are 3 points I would like to make about the publication of this document.

First, it re-affirms our determination to press ahead with abolition and to fulfil our Manifesto commitment. The proposals it contains will form the basis of the legislation which the Government intends to introduce early in the next session of Parliament; and, subject to Parliament, abolition will take effect on 1 April 1986. The Paving Bill preparing the way for abolition has now passed through all its stages in Parliament and will receive Royal Assent before Parliament rises tomorrow.

The abolition of this tier of local government is both right and necessary. The few functions which these huge authorities retain simply do not add up to a package of responsibilities sufficient to justify their continued expensive existence. Their functions can be discharged more effectively and economically by the London boroughs and district councils, acting either individually or jointly.

Second, publication of the document meets the criticism that we have not made clear our proposals on the arrangements to follow abolition. My covering statement makes it clear that the preparation of legislation to give effect to these proposals is now well advanced.

Third, the proposals in the document demonstrate that the majority of services are being transferred direct to the London boroughs and the metropolitan districts. Education in Inner London apart, only those few services which cannot be operated by the boroughs and districts on their own account - the fire service in London and police, fire and public transport outside London - will be run by joint boards of boroughs or districts. Membership of the boards will consist of elected councillors appointed by and answerable to the boroughs or districts concerned - not Ministers. Joint boards are not quangos.

SAVINGS

I well understand the desire to get some hard figures about the savings which will accrue from abolition. There will be substantial savings from the scrapping of a whole tier of local government; but exactly how big those savings will be depends not upon central government, but upon how the 69 boroughs and districts choose to organise and operate the services they inherit. They alone can estimate with any accuracy the savings to be made and to do that they need information about services from the seven authorities to be abolished. That has not been forthcoming. Some boroughs and districts have made provisional estimates which have been very encouraging. These point to overall savings of well over £100m; but until the abolition authorities provide the figures the estimates must remain provisional. The Paving Bill contains powers to require these bodies to divulge the necessary information.

CONCLUSION

There has been a great deal of highly misleading - and sometimes downright false - propaganda about our proposals put about at great expense (to the ratepayer) by the abolition authorities. It is now very important that we counter this campaign. The arguments for abolition remain as strong as they ever were. They need to be deployed forcefully and continuously. Ministers will play a full part in this and on the Party net I am pursuing a number of initiatives in the areas concerned. Now is the time for us to go on the offensive. I hope very much that we can count on your support to win public approval for our plans.

Your ever
Patrick

PATRICK JENKIN

File

MR TURNBULL

30 July 1984

PRIME MINISTER'S SPEECH: LOCAL AUTHORITY SPENDING

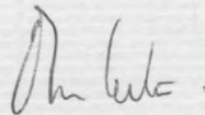
For purposes not connected with the speech, I have asked the Treasury to provide some further figures on local authority spending in England. One of these might, I think, be a useful addition to a passage in the speech on local authorities.

If local authorities had kept their current spending constant in real terms (as measured by the GDP deflator) that spending would now be £1.7 billion below 1984/5 budgets.

A reduction of £1.7 billion in public spending would, in 1984/5 terms, buy you:

- i. one and a half pence off basic rate tax;
- or ii. 8% on all tax allowances;
- or iii. over 2 per-centage points off VAT.

These figures are, of course, over-generous to local authorities. When one asks them to keep their spending constant in real terms, one is ignoring the fact that they themselves have been a major cause of inflation.



OLIVER LETWIN

JMHABU

File

I agreed with OL that we would submit points
interim basis of be minutes of MISC 95

MR TURNBULL

30 July 1984

AT 3/7

GLC/MCC ABOLITION: MEETING OF MISC 95

The DoE papers submitted to MISC 95 are not very inspiring.

Lord Bellwin and his officials have still not identified the savings to be expected from abolition, and have not set any form of target. Instead, they are asking the Boroughs and Ministers on MISC 95 to produce 'estimates' by September.

The papers also fail to propose proper manpower controls on the new joint boards. Instead of a control on the number of staff, Lord Bellwin suggests complicated manoeuvres involving 'management schemes' and approval for the creation of top posts. These are likely to be extremely ineffective: the only way to bring about real and lasting savings is to control numbers. That is why the Treasury sets controls on manpower as well as on expenditure for central government departments.

We recommend that the Prime Minister should write to Patrick Jenkin, as Chairman of MISC 95 on the following lines:

"The Prime Minister has read Lord Bellwin's papers on MISC 95 with interest. She wonders whether it might be more appropriate for the Committee to set itself a target for savings, rather than waiting for estimates from Boroughs, Districts and Departments. She also wonders whether a control on the absolute number of joint board employees might be more effective than either of the options for manpower control suggested in paragraph 11 of MISC 95(84) 14."

Oliver Letwin

OLIVER LETWIN

JMHABW



NBPN
AT 3/17

CTR

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

30 July 1984

Dear Andrew

Thank you for your letter of 10 July about the arrangements for the disposal of surplus industrial and commercial property owned by the GLC and the metropolitan county councils.

will request if required

I am afraid that you were under a misapprehension when you wrote to Andrew Turnbull on 31 May. Despite what you say in your second paragraph, Ministers never envisaged English Estates as a substitute for the arrangements that would be necessary for dealing with a range of residual matters. On 28 March this year Ministers decided collectively that the task of disposal of surplus property, as well as other residual tasks, should go to the residuary bodies, which they also decided should be set up in each area. This was not a Departmental decision as you suggest, but one taken by MISC 95 in the light of the proposals in MISC 95(84)6. My Secretary of State announced this decision to the House in a Written Answer on 4 May.

see p 20

It will primarily be for the residuary bodies themselves, once appointed, to decide how they carry out their tasks, but my Secretary of State will seek powers in the Abolition Bill to enable him to give appropriate guidance. We see no reason why they should not be asked to make early contact with English Estates in the way you envisage - and indeed no reason why they should not welcome any advice and help English Estates can give them.

I have copied my letter, as before, to Andrew Turnbull (No 10), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Education), David Morris (Lord Privy Seal's Office), Steven Godber (Health and Social Services), Callum McCarthy (Trade and Industry), David Normington (Employment), Dinah Nicols (Transport), Mary Brown (OAL), John Gieve (Chief Secretary's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Richard Hatfield (Cabinet Office) and Mike Bailey (DOE).

John Ballard
J F BALLARD
Private Secretary

Andrew Lansley Esq

LOCAL GOVT: Relations Pt 21



OFFICE OF ARTS AND LIBRARIES
 Great George Street
 London SW1P 3AL
 Telephone 01-233 8610

CCND

From the Minister for the Arts

*no pm
 dms
 31/7*

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

30 July 1984

Patrick Jenkin
- with AT

ESTABLISHMENT OF A TRUSTEE MUSEUM AND ART GALLERY SERVICE ON MERSEYSIDE

Thank you for your letter of 25 July. I was pleased to learn of your agreement to the statutory basis for this new trustee today, the more so because it comes in time for us to announce it next Tuesday both in your statement on functions, and in my letter of reply to the Chairman of the Select Committee on Education, Science and Arts, and associated Written Question.

I agree with what you say about there being some presentational disadvantages for us, but there will also be some advantages in terms of national recognition and depoliticisation of the institutions concerned, and I shall of course make the most of these positive aspects.

I also accept that we cannot risk creating hybridity in the Bill, and am content to see an enabling power in the Bill to create the new body by Order in Council.

Copies of this letter go to the Prime Minister, colleagues on MISC 95, and Sir Robert Armstrong.

2
T/...

LORD GOWRIE

Local Govt Relations

PT 21



30 JUL 1984



WBP

AT

30/7

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

27 July 1984

Dear Lord Gower

Thank you for your letter of 19th July, enclosing the draft of a letter that you propose to send to the Chairman of the Select Committee on Education and Science, and the Arts in response to their report on the effect of GLC/MCC abolition on support for the arts.

I am broadly content that you should write in these terms, and I suggest that you might time your letter so as to coincide with the issue on 31 July of our paper on "The Government's proposals for Transferring functions to London Boroughs and Metropolitan Districts" - since that will be incorporating the same announcements. I would however be grateful if you would consider minor amendments on several points.

First, on the Merseyside proposals, although I am, as you know, persuaded of the need to set up a statutory body to take over the Merseyside museums and the Walker Art Gallery and its outstations, I should prefer not to say so specifically at this stage. This would be in line with the wording we are including in my "Functions" paper - on advice from Parliamentary Counsel. If we use the phrase "statutory body", Parliament may expect us to be more explicit about the power under which it will be established; and, on this, I would prefer not to be drawn before introduction of the Abolition Bill.

I am also concerned that your text as it stands (para 10) gives the impression that the whole existing County Museum and Art Gallery service will be centrally funded, when this is not our intention.

Secondly, I understand that the Historic Buildings and Monuments Commission are sensitive about the terms in which the proposed transfer of the LGC's historic house museums and the Historic Buildings Division is presented. As you know their agreement is conditional upon satisfactory arrangements being reached on finance and staffing; and it would in particular be dangerous to give any apparent commitment that the Division will necessarily be maintained in precisely its present form. I suggest, therefore, that what is said to the Select Committee (para 11 of your response) should follow more closely the wording of earlier announcements which the Commission themselves have agreed. In the same paragraph you can now refer to the "new ILEA" since we shall announce this decision in the functions paper.

Thirdly, on the South Bank (your para 15), I understand that

our officials are considering whether it would in practice be desirable to transfer the freehold of the whole site to the Arts Council, since considerable responsibilities and obligations unconnected with the arts (eg maintaining and lighting the embankment and walkways) attach to it. In view of this uncertainty, I think it better to stick to the rather looser wording of our original proposal to transfer responsibility for the "complex" rather than the "assets" to the Arts Council.

Fourthly, I fully appreciate your wish to react positively to the possible transfer of the GLC's historic theatres to the Theatres Trust (para 16 of your draft). The amendments which we have been forced to table to the Paving Bill will, however, be likely to make any transfer subject to my consent. In these circumstances it would be inappropriate to express support in such a way as to imply commitment before we know the details of any arrangements which I shall have to consider. A more neutral and conditional expression of welcome would, therefore, be advisable.

Finally, I am concerned that the treatment of financial issues in your draft response (para 17) is a little confused; and in particular that the references to imminent changes in GRE methodology for the arts are premature.

On all these points the suggested redrafts in the enclosed annex (together with the two other textual points recorded above) would fully meet my anxieties, if you are willing to accept them.

I am copying this letter to the Prime Minister, Willie Whitelaw, Quintin Hailsham, Peter Rees, Keith Joseph, George Younger, Nicholas Edwards, John Biffen and Sir Robert Armstrong.

Yours sincerely

Patrick Jenkin
for
PATRICK JENKIN

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

PROPOSED AMENDMENTS TO RESPONSE TO SELECT COMMITTEE

Paragraph 10, Lines 17-20 - for sentences 7 and 8 substitute:

'For Merseyside a body will be established covering both the County Museum and the Walker Art Gallery and its outstations. It will be set up on broadly similar lines to existing national trustee museum bodies and will be accountable to the Minister and to Parliament.'

Paragraph 11, Lines 1-16 - substitute

' I am particularly conscious of the careful thought that the Committee has given to the position of London's Museums and Galleries. I have already announced that ownership and management of the three London Historic House Museums (Kenwood, Marble Hill House and Ranger's House) - with appropriate central funding - will pass to the Historic Buildings and Monuments Commission, which has also indicated its willingness to take on the GLC's Historic Buildings Division. This is partly in line with the Committee's thinking but also embodies the Government's view that responsibility for these houses should be kept with the Historic Buildings Division (with which they are closely connected) and that their scale is too small to justify separate trustee status and direct financing.'

Paragraph 16, Final sentence - substitute

'Provided that acceptable financial and legal arrangements were made, this would be a welcome development.'

Paragraph 17 - substitute

'The Committee made a number of recommendations about the introduction of arts grants to successor authorities in the GLC and

MCC areas; the imposition of a statutory duty on those authorities to have regard to the spending levels and provision for arts responsibilities they inherit from upper tier authorities; and the refinement of grant-related expenditure assessments for the arts. On the first of these, the Government's view is that the announced central funding together with developments such as the Arts Council's regional strategy make it unnecessary to contemplate a scheme for specific grants to local authorities for arts purposes. The proposal for a statutory duty would likewise be unnecessary. It is the Government's belief that the vitality of the arts will be better served if, apart from the major regional bodies already discussed, decisions on which local activities to fund and on what scale are taken at local level within the resources available and not imposed from above. On the third recommendation, however, the Government will consider whether to refine the methodology of the grant-related expenditure assessments for the distribution of Rate Support Grant. As the Committee was told in evidence, grant distribution arrangements will in any event need to be adjusted when the upper tier's functions are transferred. As to changes in the GRE methodologies for the arts, it is, however, important to bear in mind both the practical limitations in devising workable methodologies which equitably reflect objective needs to spend on arts locally, and the fact that the arts form a relatively small proportion of total local authority expenditure and the Rate Support Grant is itself a block grant not earmarked for particular services.

Wash Govt News Pt 21

30 JUL 1964

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EFFICIENCY IN LOCAL GOVERNMENT

25 SAVILE ROW · LONDON W1X 1AA · TELEPHONE 01 · 437 · 4410

OL
July 27 1984

DON'T LET THE GLC FOOL YOU; IF
YOU BELIEVE IN LOCAL GOVERNMENT,
TAKE THE RIGHT ACTION

File
BEC
CF → File

The Government's attempt to deal with corrupt and high-spending local authorities is like a virtuous child dealing with a burglar. The Government is quite right to try and stop local authorities like the GLC running riot on political spending. The Government's intentions are excellent, but they are innocent children in comparison to the ruthless rule-breakers in certain local councils.

Efficiency in Local Government makes these recommendations to be considered for the debate in the House of Commons on Monday:

1. Boroughs must be given specific powers as soon as possible so that plans can be prepared for the transition in order to cut out chaos and disruption.
2. The Government is proposing that no contracts of £100,000 or over can go through without Government permission. Certain local councils and direct labour organisations are well used to busting these kind of rules simply by breaking down the contracts into smaller sub-contracts. The Government is innocent not to understand this - and must legislate to prevent it.
3. A special body of people must be created to handle the extremely tricky and complicated task of winding down what are nothing less than multi-thousand-million pound operations.
4. The Government must tackle the Greater London Enterprise Board. It has a £32 million budget, is a quango of the worst type and is a natural organisation for "laundering" operations.

continued...

5. As an example of the sleight-in-hand operating at present, the GLC have sold the Coin Street site to a new-born co-operative, Coin Street Community Builders, for £750,000. It was bought from Greycoat Properties for £2.7 million. The Government was warned of this - and yet allowed it to happen.

CCND

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

25 July 1984

nbpr
BMS
26/7

Dear Guy,

FUTURE ARRANGEMENTS FOR THE COUNTY MUSEUM SERVICE AND WALKER ART GALLERY, MERSEYSIDE

Thank you for your letter of 27 June about arrangements for the central funding of the Merseyside County Museums and the Walker Art Gallery and its outstations.

First of all let me say that I quite appreciate the reasons which have led you to conclude that it will be necessary to set up a new statutory body in Merseyside to take over the main museums and galleries. In view of the substantial amount of central funding involved, I see the force of the argument that a charitable body with a deed of trust would not provide a sufficiently firm basis for proper management and financial control.

I also recognise that your paper to MISC 95 (MISC 95(84)8) gave warning that it might be necessary to make provision in the Bill. We did not, however, at that stage address ourselves to the details of implementation as opposed to finance; and I have to say that the establishment of another quango does raise presentational difficulties.

Although the body would inherit only a very limited element of present MCC functions (and would thus differ from others we are being pressed to establish), the distinction is likely to be lost on many supporters and opponents alike. Moreover, as you will appreciate, our supporters in the area would not welcome the creation of another body which appears to recognise the continuance of 'Merseyside'. For that reason alone I am grateful for your assurance that another name will be found.

I accept that, from your point of view, there would be considerable advantages in terms of precedent and prestige in establishing the quango on the face of the Bill. However, I am advised that including provision for a Merseyside museums and galleries body with no similar provision in other metropolitan counties) could make the Bill hybrid. That is a risk that we cannot run; and it will therefore be necessary to provide a general enabling power to establish a body to run institutions of national importance in any metropolitan county. We should, of course, make it clear in the debates on the Bill that we would not see a need for such a body in any county other than Merseyside.

Local Govt A21
relating

CONFIDENTIAL

Against this background, I agree - albeit with some reluctance - that the body which you propose will need to be a statutory one. However, the threat of hybridity rules out specific provision in the Bill; and we shall have to proceed by way of a general enabling power. To go some way towards meeting the point you make about prestige, we could however provide in the order-making power for the use of the Order in Council procedure.

Copies of this letter go to colleagues on MISC 95, to the Prime Minister and to Sir Robert Armstrong.

Your ee
Patrick

PATRICK JENKIN



1877



nbpm
and
25p

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Lord Gowrie
Minister for the Arts
Office of Arts & Libraries
Great George Street
LONDON
SW1

25 July 1984

Alan Gray

**DRAFT RESPONSE TO SELECT COMMITTEE ON EDUCATION, SCIENCE AND
THE ARTS OF GLC/MCC ABOLITION**

Thank you for copying to me your letter of 18 July to Patrick Jenkin.

I have only one comment on the draft response. Your original consultation paper contained the sentence "The Government's intention is that the arrangements for public support of the arts in the GLC and MCC areas after reorganisation would permit the continuation of existing public expenditure plans in this field'. This formulation was arrived at, with some difficulty, in discussion between our officials to avoid any appearance of conflict between our general stance on local authority expenditure (and the necessity of abolition) and the desire that abolition should not be seen as posing a serious threat to the present level of local authority expenditure on the arts.

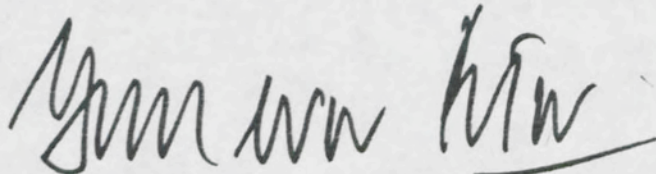
In Chapter II of their report the Committee explore the implications of the sentence, in the light of other Ministerial statements, and say 'we interpret this to mean that should there be a shortfall in lower-tier arts spending, the Government will make good that expenditure and the total amount will be no less than the amount actually spent now, allowing for inflation.'

That is of course one of the things the sentence was carefully designed not to say. I do not ask you, in your response, to refute the Committee's interpretation. However I think it important that the terms of the response should not give colour to any suggestion that in it we confirm the Committee's

view of the nature of our 'pledge', as they describe it.

From that point of view, I think paragraphs 3 and 4 of the draft are dangerous. I suggest that you omit paragraph 3 (and its side-heading) altogether. Paragraph 4 could then begin 'I am glad that many of the Committee's comments and detailed recommendations are broadly in line with the Government's thinking as set out...'

I am copying this letter to the Prime Minister, Willie Whitelaw, Quintin Hailsham, Patrick Jenkin, Keith Joseph, George Younger, Nicholas Edwards, John Biffen and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Peter Rees', written in a cursive style.

PETER REES

Loc m Gov: Pelatui: R+21

25 JUL 1984





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Earl of Gowrie
Minister for the Arts
Office of Arts and Libraries
Great George Street
LONDON
SW1P 3AL

25 July 1984

*wh pm
Dubs
25/4*

Dear George,

DRAFT RESPONSE TO SELECT COMMITTEE ON EDUCATION, SCIENCE
AND THE ARTS: GLC/MCC ABOLITION

Thank you for sending me a copy of your letter of 18 July
to Patrick Jenkin about your proposed response to the Select
Committee.

In theory there is nothing in the additional measures you
propose which could lead to increased calls for central
funding of the arts in Scotland. I am therefore quite content
that you should reply to the Select Committee as you propose.
It is only fair to warn you, however, that this public
reminder of the special measures being taken in England is
bound to remind those arts bodies which have suffered
from the effects of local government reorganisation in
Scotland that no similar arrangements have been made for
them; and the Scottish bodies affected do, of course, fall
under your responsibility rather than mine.

I am copying this letter to the Prime Minister, Patrick Jenkin,
Willie Whitelaw, Quintin Hailsham, Peter Rees, Keith Joseph,
Nicholas Edwards, John Biffen and Sir Robert Armstrong.

Yours was,

George.

Local Govt Relations

A2

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69 4 2

25 JUL 1984



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01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

25 July 1984

Mr
24/7

Dear Tim

STATEMENT ON WELSH RATE SUPPORT GRANT: 1985-1986

I wrote to you yesterday enclosing a copy of the draft statement my
... Secretary of State will be making to the House today. I now enclose a copy
of the finally agreed version.

/ Copies of this letter and the statement go, as before, to the Private
Secretaries to the Leader of the House of Commons, Government Chief Whip
(Commons), the Lord President, the Secretary of State for the Environment,
the Secretary of State for Scotland, the Chief Secretary to the Treasury
and Sir Robert Armstrong, and also to Mr Bernard Ingham.

Yours sincerely
Judy Roberts

MISS J H ROBERTS

Tim Flesher Esq
Private Secretary
10 Downing Street



OD/01/D7

RATE SUPPORT GRANT SETTLEMENT 1985-86: WALES
STATEMENT BY SECRETARY OF STATE FOR WALES: 25 JULY 1984

Mr Speaker, with permission I wish to make a statement about my proposals for the 1985-86 Rate Support Grant Settlement for Wales.

Local authorities have started to plan their budgets for the next financial year. For this reason I am today circulating my proposals for the key elements of the 1985-86 RSG Settlement to each local authority in Wales. Copies of the comparative material sent to them have been placed in the Libraries and the Vote Office.

I have decided not to make use, in 1985-86, of the new powers given me by the Rates Act to set rate limits for high spending authorities, preferring to rely on the existing measures to influence local spending decisions. Whether the new powers are used in Wales in later years to protect the ratepayer depends entirely on authorities' responses to the present voluntary arrangements.

Before outlining my proposals for the 1985-86 Settlement it is useful to consider what has been achieved to date in Wales, as this has a major bearing on my strategy for 1985-86.

/In 1981-82 ...



In 1981-82 the excess over the Government's planning total for local authority current expenditure in Wales was £41 million, or 4 per cent. Budgets for the present year reveal a cash excess amounting to only half that figure. Furthermore, three quarters of the total overspend against targets arises in just three counties - Clwyd, Mid and West Glamorgan. The overwhelming majority of Councils are budgeting moderately and responsibly, with all the benefits that such a policy brings to their ratepayers. Between 1979-80 and the present year average general rate poundages in Wales have risen by about 7 percentage points less than the rise in the Retail Price Index. The performance on rates since 1981-82 has been even better, with the average increase amounting to only about two thirds of the rise in inflation.

We have therefore reached a position in Wales where aggregate spending is within striking distance of the Government's plans, and where the vast majority of Councils are budgeting to spend at or below target.

This outcome has not been achieved painlessly. It has required most authorities, even low spenders, to contribute savings, and to make difficult choices of priority. It continues to be necessary for all authorities to maintain a tight grip on their spending but provided they do so it should not be difficult for them to meet the targets I am proposing for 1985-86.



In order to maintain the pressure for economies in the area of current expenditure and the housing revenue account I intend to retain the target system which has worked so well in recent years. However, I intend increasing the weight attached to GRE in the current expenditure component from 60 to 70 per cent.

Once again I intend to apply limiters to produce minimum and maximum cash increases on 1984-85 budgets. The minimum increase for the highest spenders will be 2 per cent - which is $1\frac{1}{2}$ per cent higher than the minimum increase allowed in the current year. The maximum increase on this year's budgets will be 4 per cent. In addition, for authorities spending at or below their 1984-85 targets, I propose to add a quarter of one per cent to the current expenditure total otherwise calculable. Thus the maximum increase for low spending authorities spending at or below target in 1984-85 is $4\frac{1}{4}$ per cent, so real terms cuts in current spending should not be required in these authorities.

In total these targets add up to £1,342 million, which implies an increase in current expenditure provision of £25 million. This increase in provision will be contained within the established aggregate public expenditure plans. After allowing for the abolition from next April of the National Insurance Surcharge payable by local government employers, and the greater role proposed for the Manpower Services Commission in funding certain elements of further education, the target aggregate for 1985-86 represents a 4.1 per cent increase on 1984-85 budgets.



It is extremely important that the more generous target package for 1985-86 must not be seen as a signal to relax the search for economies. The resources I have made available are the maximum that the rate and taxpayer can afford. This being so I am proposing to introduce a far tougher grant holdback schedule next year.

In the current year grant holdback ranges from 40 per cent of any excess up to 1 per cent over target, to 90 per cent for any excess over 5 per cent. For 1985-86 I propose that up to 1 per cent over target grant should be withheld at the rate of 100 per cent, and thereafter at a rate of 150 per cent. In addition, I consider that the limiter which reduces holdback in low resource authorities is cushioning the impact of overspending to too great an extent. Accordingly I propose to halve the effect of the present limiter in the coming year.

There will be no other changes in the grant arrangements.

Aggregate grant will be £1,013 million. This represents a grant percentage of about 67 per cent, compared with 69.1 per cent this year. What counts for rating purposes, however, is the increase in grant between that built into authorities' budgets for the present year and that available for 1985-86. On this basis the increase is about £41 million, or 4.2 per cent. If all authorities spend at target - and there is absolutely no reason



why they should not - and apply only half the reserves used in the present year, then ratepayers can look forward to rate increases in 1985-86 no higher, on average, than the presently projected rise in costs for the economy as a whole, 4 1/4 per cent.

The final ingredient of my proposed package for 1985-86 is a £15 million addition to the existing provision for local authority capital investment in 1985-86. This enhancement is linked directly to Welsh authorities' efforts to contain their current expenditure in 1984-85.

I will be consulting the local authority Associations on my proposals for 1985-86 before presenting a Rate Support Grant Settlement to Parliament at the end of the year. I will also be consulting them on the possibility that from 1986-87 onward, targets will be calculated on the assumption that targets in the previous year have been achieved. I am very attracted to this proposition, as breaking the link with budgets would eliminate the tendency for the higher spenders to increase their share of resources at the expense of low spending authorities. However, I will not make a final decision on this aspect until after I have had the opportunity to discuss the important issues involved with the Associations during the Autumn.

I commend my proposals for the 1985-86 Settlement to the House.

25 JUL 1984

11 21 25
9 1 35



NBRM AT 2517

Unlikely for questions?

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

AT
Observe!
AT 2517

My ref:
Your ref: 24 July 1984

Dear Andrew

AUDIT COMMISSION SECTION 27 STUDY

One further issue which the Opposition might latch on to in the next few days is the forthcoming Audit Commission report on block grant. Robin Butler spoke to Terry Heiser about this last Friday.

The Report will deal with the way the local government finance control systems have operated over the last four years, with a view to identifying the extent to which they have made it either easier or more difficult for local authorities to achieve value for money.

Last week, a working draft of the Report fell into the hands of the Financial Times, and Ms Hazel Duffy ran the attached article on it. Her story line was that the report revealed that the complexities of the Rate Support Grant could have cost ratepayers £1.5 billion, as authorities have been forced to build up internal funds as a hedge against further uncertainty.

We have not seen a copy of this working draft but our first reaction is that we would not accept that there is any casual connection between the alleged complexity of the RSG system and the build up of internal funds. These are built up for all sorts of reasons, including for instance "creative accounting" to minimise grant penalties and for use to keep rates down in election years.

The Opposition repeated the gist of Ms Duffy's article in the debate on 18 July on the Rate Support Grant Supplementary Reports (Hansard Col 367). You will see my Secretary of State refused to be drawn. The fact is that the Commission have not yet approved a final version of the Report, and we understand will not do so until after Recess.

I attach a short speaking note if the point is raised with the Prime Minister at any time.

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

Yours sincerely
John Ballard
JOHN BALLARD
Private Secretary

Andrew Turnbull Esq
10 Downing Street

SPEAKING NOTE ON AUDIT COMMISSION REPORT ON RATE SUPPORT GRANT

I have nothing to add to what my Rt hon Friend the Secretaryh of State for the Environment told the House on 18 July. We have not yet seen a copy of the Report. The Financial Times article appears to have been based on a working draft which is still subject to further discussion and approval by the Commission. I advise the Hon Member should reserve his judgement until he sees the final report whcn issues with the authority of the Commission itself.

The economies that may have cost £1.5bn

THE INDEPENDENT Audit Commission has concluded from its first major investigation into local government finance that the complexities and uncertainties associated with block grant distribution could have cost the ratepayer up to £1.5bn in the past three years.

The report of the investigation, now in draft, is expected to be published next month. It could prove highly embarrassing for the Government, which has made control of local authority spending a central plank in its efforts to keep overall public sector spending under control.

The report also suggests that the Government may have got it wrong in considering that there has been excessive spending by local authorities. It concludes that real overall local government spending last year was prob-

ably about in line with target.

The Audit Commission was set up by the Government in 1982 to act as an independent check on local authority financing with the aim of securing greater economy, efficiency and effectiveness. Its job is not to challenge government policy, or the policies of local authorities, but to look at the effects of the existing arrangements from a managerial standpoint.

The report is categorical in its conclusion, however, that "the uncertainty associated with the present arrangements for distributing block grant to local authorities has led to higher rates than are necessary."

The commission maintains that the uncertainties inherent in the block grant system of distributing central government grant have led to local authori-

ties taking very short-term views of their current expenditure plans.

In order to manage these uncertainties, councils have increased their general rate fund balances and resorted more to special funds.

For ratepayers, "this means that rate bills in the last three years have probably been some £1.5bn in total higher than would have been necessary had there been fewer external uncertainties outside authorities' control."

The growth in balances and reserves has been highest where uncertainty as to future grants is greatest. This has been most marked in London and shire districts where penalties and the unpredictability of housing GRE (grant related expenditure, which is the Government's

assessment of expenditure needed to provide a standard level of services) have the greatest effect.

They are lowest in shire counties where there has been less uncertainty, because GREs and targets have been relatively predictable.

Some 68 per cent of the local authorities responding to the commission's request for information put their planning horizon for current expenditure at only one year.

The commission comments: "Failure to plan more than 12 months ahead is inevitably wasteful in a changing environment."

Local authorities are well aware of the risks involved in not planning ahead. But, in general, they have failed to do so—and cite as a major reason

the uncertainties involved in present arrangements for distributing central government grants.

The related findings of the commission on actual spending by local authorities could be just as damaging to the Government's policy on targets and penalties.

The draft report says: "On present evidence, for instance, on outturn expenditure, it is entirely possible that while the Government acts as though it believes that aggregate local authority revenue expenditure is well above target, real spending last year (1983-84) may in fact have been about in line with target overall—especially since the impact of premature debt repayment or changes in financing have not been included."

Grant system 'pushes up rates'

BY HAZEL DUFFY

THE SYSTEM of distributing grants to local authorities has led to complexity and uncertainty which has cost the ratepayer up to £1.5bn in the last three years.

This is the conclusion of an unpublished report from the independent Audit Commission, set up by the Government two years ago to promote good housekeeping among local authorities.

The report, in its final revision stages, also suggests that even though the Government persists in acting as though local councils are spending well above their targets, in reality current spending last year (1983-84) may have been about in line with the overall target.

These conclusions from the Commission's first major study will make it much harder for Mr Patrick Jenkin, Environ-

ment Secretary, to defend the Government's complex system and penalties for overspending, in today's Commons debate on Rate Support Grant.

Mr Jack Straw, Opposition spokesman on the Environment, described the Commission's findings as a "bombshell." "It demonstrates that overspending by councils is an illusion produced by a system of Byzantine complexity."

Before the debate, Mr Jenkin is expected to make a statement on plans for curbing capital spending by local authorities, which is running substantially over the cash limits of £2.45bn for the current year.

Councils claim that they are doing nothing wrong in spending on capital projects, which the Prime Minister was exhorting them to do two years ago.

They say it is the rigidity of the system which is at fault.

Similarly, the uncertainties in the distribution of block grant—emphasised by the fact that one of the supplementary reports to be discussed this afternoon is the final revision of grant as far back as 1981/82—has led councils to take very short-term views of future expenditure plans and to increase their rate fund balances to cope with the uncertainty.

The commission says this prevents efficient planning. "Rate bills in the last three years have probably been some £1.5bn in total higher than would have been necessary had there been fewer external uncertainties outside authorities' control."

Details and Spending curb options, Page 8



1. Mr Malcolm Bruce (Gordon): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

THIS MORNING I PRESIDED AT A MEETING OF THE CABINET AND HAD MEETINGS WITH MINISTERIAL COLLEAGUES AND OTHERS. IN ADDITION TO MY DUTIES IN THE HOUSE I SHALL BE HAVING FURTHER MEETINGS LATER TODAY.

2. Mr Peter Thurnham (Bolton North East): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER MY HON FRIEND TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

3. Mr David Penhaligon (Truro): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER THE HON GENTLEMAN TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

4. Mr Gareth Wardell (Gower): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER THE HON GENTLEMAN TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

5. Mr Eddie Loyden (Liverpool, Garston): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER THE HON GENTLEMAN TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

6. Dr Oonagh McDonald (Thurrock): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER THE HON MEMBER TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

7. Mr Greville Janner (Leicester West): To ask the Prime Minister, if she will list her official engagements for 26th July.

I REFER THE HON AND LEARNED GENTLEMAN TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

8. Ms Harriet Harman (Peckham): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER THE HON MEMBER TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

9. Mr Peter Bruinvels (Leicester East): To ask the Prime Minister, if she will list her official engagements for Thursday 26th July.

I REFER MY HON FRIEND TO THE REPLY THAT I GAVE SOME MOMENTS AGO.

cc AT
Pryor



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ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

24 July 1984

Dear Tim

STATEMENT ON WELSH RATE SUPPORT GRANT : 1985/86

Following the circulation of his proposals paper to Members of E(LA), the Secretary of State has agreed his RSG package for 1985/86 with the Chief Secretary, and wishes to announce the key elements to the House tomorrow.

... A copy of the draft statement is attached. There may be some minor revisions to the text during the course of the day, but none of these will be changes of any substance. A copy of the finally agreed version will be circulated as soon as possible.

/ Copies of this letter and the draft statement go to the Private Secretaries to the Leader of the House of Commons, Government Chief Whip (Commons), the Lord President, the Secretary of State for the Environment, the Secretary of State for Scotland, the Chief Secretary to the Treasury and Sir Robert Armstrong, and also to Mr Bernard Ingham.

Yours sincerely
Judy Roberts

MISS J H ROBERTS

Tim Flesher Esq
Private Secretary
10 Downing Street

DRAFT

RATE SUPPORT GRANT SETTLEMENT 1985-86: WALES
STATEMENT BY SECRETARY OF STATE FOR WALES: 25 JULY 1984

Mr Speaker, with permission I wish to make a statement about my proposals for the 1985-86 Rate Support Grant Settlement for Wales.

Local authorities have started to plan their budgets for the next financial year. For this reason I am today circulating my proposals for the key elements of the 1985-86 RSG Settlement to each local authority in Wales. Copies of the material sent to them have been placed in the Libraries and the Vote Office.

I have decided not to make use, in 1985-86, of the new powers given me by the Rates Act to set rate limits for high spending authorities, preferring to rely on the existing measures to influence local spending decisions. Whether the new powers are used in Wales in later years to protect the ratepayer depends entirely on authorities' responses to the present voluntary arrangements.

Before outlining my proposals for the 1985-86 Settlement it is useful to consider what has been achieved to date in Wales, as this has a major bearing on my strategy for 1985-86.

In 1981-82 the excess over the Government's planning total for local authority current expenditure in Wales was £41 million, or 4 per cent. Budgets for the present year reveal a cash excess amounting to only half that figure. Furthermore, three quarters of the total overspend against targets arises in just three counties - Clwyd, Mid and West Glamorgan. The overwhelming majority of Councils are budgeting moderately and responsibly, with all the benefits that such a policy brings to their ratepayers. Between 1979-80 and the present year average general rate poundages in Wales have risen by about 7 percentage points less than the rise in the Retail Price Index. The performance on rates since 1982-83 has been even better, with the average increase amounting to only [two thirds] of the rise in inflation.

We have therefore reached a position in Wales where aggregate spending is within striking distance of the Government's plans, where the vast majority of Councils are budgeting to spend at or below target, and where it is the

norm for rate increases not to diverge significantly from the going rate of inflation.

This outcome has not been achieved painlessly. It has required most authorities, even low spenders, to contribute savings, and to make difficult choices of priority. It continues to be necessary for all authorities to maintain a tight grip on their spending but provided they do so it should not be difficult for them to meet the targets I am proposing for 1985-86.

In order to maintain the pressure for economies in the area of current expenditure and the housing revenue account I intend to retain the target system which has worked so well in recent years. However, I intend increasing the weight attached to GRE in the current expenditure component from 60 to 70 per cent.

Once again I intend to apply limiters to produce minimum and maximum cash increases on 1984-85 budgets. The minimum increase for the highest spenders will be 2 per cent - which is $1\frac{1}{2}$ per cent higher than the minimum increase allowed in the current year. The maximum increase on this year's budgets will be 4 per cent. In addition, for authorities spending at or below their 1984-85 targets, I propose to add a quarter of one per cent to the current expenditure total otherwise calculable. Thus the maximum increase for low spending authorities spending at or below target in 1984-85 is $4\frac{1}{4}$ per cent, so real terms cuts in spending should not be required in these authorities.

In total these targets add up to £1,342 million, which implies an increase in current expenditure provision of £25 million. After allowing for the abolition from next April of the National Insurance Surcharge payable by local government employers, and the greater role proposed for the Manpower Services Commission in funding certain elements of further education, the target aggregate for 1985-86 represents a [4.1] per cent increase on 1984-85 budgets.

It is extremely important that the more generous target package for 1985-86 must not be seen as a signal to relax the search for economies. The resources I have made available are the maximum that the rate and taxpayer can afford. This being so I am proposing to introduce a far tougher grant holdback schedule next year.

In the current year grant holdback ranges from 40 per cent of any excess up to 1 per cent over target, to 90 per cent for any excess over 5 per cent. For 1985-86 I propose that up to 1 per cent over target grant should be withheld at the rate of 100 per cent, and thereafter at a rate of 150 per cent. In addition, I consider that the limiter which reduces holdback in low resource authorities is cushioning the impact of overspending to too great an extent. Accordingly I propose to halve the effect of the present limiter in the coming year.

There will be no other changes in the grant arrangements.

Aggregate grant will be £1,013 million. This represents a grant percentage of about 67 per cent, compared with 69.1 per cent this year. What counts for rating purposes is the increase in grant between that built into authorities' budgets for the present year and that available for 1985-86. On this basis the increase is about £43 million, or 4.4 per cent. If all authorities spend at target - and there is absolutely no reason why they should not - and apply only half the reserves used in the present year, then ratepayers can look forward to increases in 1985-86 no higher, on average, than the presently projected rise in costs for the economy as a whole, 4 1/4 per cent.

The final ingredient of my proposed package for 1985-86 is a £15 million addition to the existing provision for local authority capital investment in 1985-86. This enhancement is linked directly to Welsh authorities' efforts to contain their current expenditure in 1984-85.

x I will be consulting the local authority Associations on my proposals^s for 1985-86 before presenting a Rate Support Grant Settlement to Parliament at the end of the year. I will also be consulting them on the possibility that from 1986-87 onward, targets will be calculated on the assumption that targets in the previous year have been achieved. I am very attracted to this proposition, as breaking the link with budgets would eliminate the tendency for the higher spenders to increase their share of resources at the expense of low spending authorities. However, I will not make a final decision on this aspect until after I have had the opportunity to discuss the important issues involved with the Associations during the Autumn.

I commend my proposals for the 1985-86 Settlement to the House.



Prime Minister ②
This is a letter sent
to all MPs. We can
query this for your
Opposition Day speech

cc TP

CCND

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

24 July 1984

AT
26/7 R 25

Dear Margaret,

Today I have announced the rate support grant settlement for 1985/86 as well as the list of Councils to be rate-capped. Next week a comprehensive paper will be published setting out in detail our proposals on the future of services currently provided by the GLC and the six Metropolitan Counties. At the same time, the "Paving Bill" has been approved by the House of Lords and is now approaching its final stages.

As these announcements and events will attract considerable interest for some time to come in local government and elsewhere, I thought you would find it helpful, as the Summer Recess approaches, if I were to summarise the key points.

THE CONTEXT

Our policies on local government finance, and the reform of the local government structure in London and the metropolitan areas, form part of our wider efforts to keep public expenditure and taxation under control and to encourage a more efficient and economical public sector. Local government accounts for one quarter of all public expenditure and, in England alone, employs some 2½ million people. For many businesses, rates are a bigger burden than Corporation Tax. Local government cannot expect to opt out of national economic policy. That is what these policies are all about.

RSG SETTLEMENT AND RATE LIMITATION IN 1985/86

The main feature of my announcement today was the list of the local authorities I have selected for rate limitation next year.

Authorities have been selected for rate limitation if they are budgeting to spend in the current year more than 20 per cent above their grant-related expenditure (GRE) and more than 4 per cent above their target; (as specified in the Rates Act, authorities spending below their grant-related expenditure or less than £10 million are automatically exempted from designation). On this basis the following 18 authorities have

been designated:

Basildon	Leicester
Brent	Lewisham
Camden	Merseyside
GLC	Portsmouth
Greenwich	Sheffield
Hackney	Southwark
Haringey	South Yorkshire
ILEA	Thamesdown
Islington	
Lambeth	

These selected authorities are the highest overspenders in the country and have contributed the lion's share of the continuing real terms increase in local authority expenditure. The benefits of limiting their expenditure are twofold:

First, it protects hard-pressed ratepayers in areas which have suffered crippling increases in their rate bills in the last five years. For example, since 1979 the average domestic rate bill has gone up 202 per cent in Sheffield, 224 per cent in Lewisham, 231 per cent in Southwark, and 244 per cent in Greenwich compared with the average in England of 107 per cent.

Second, by putting limits on authorities which are contributing most to local government overspending, I am able to set fairer expenditure targets for the responsible low spenders. Until now even the lowest spenders have had to be asked for significant economies because of the behaviour of an irresponsible minority; last year for example even the lowest spenders were asked to make reductions of 2 per cent in real terms. But I am now able to set targets for most low spenders, below GRE, which should mean no further real terms cuts in 1985/86. This will be particularly welcome to the great majority of responsible local authorities which have already made considerable economies in the last few years.

But these realistic targets must be delivered. There will therefore be more severe grant penalties for authorities which exceed them. Along with realistic targets, therefore, I am proposing a much stiffer holdback tariff than last year. I am also further reducing the percentage of expenditure met by central government grant; this continues the downward trend of recent years.

This package is tough but right: the Government is playing fair by responsible authorities in 1985/86 and it is up to them to play fair by us. If they do not, the burden will fall on their ratepayers and the Councillors will have only themselves to blame for the ensuing unpopularity.

This year the average general rate increase was 5.5 per cent. This was the lowest for 10 years and lower than in any year of the last Labour Government.

If rate capping is complemented by the other councils spending within their target, the average rate increase in England should be lower than this year's average increase. This will be welcomed by hard-pressed ratepayers everywhere.

ABOLITION

Next week I will publish a Parliamentary Paper setting out in detail our proposals on the future of services currently provided by the GLC and the Metropolitan Counties. Rather than anticipate its contents now, I will write to you again before the House rises.

THE PAVING BILL

The Paving Bill is now in its final Parliamentary stages. Following amendments in the Lords the Bill now provides for the suspension of elections to the GLC and MCCs in May 1985 and for the extension of sitting councillors' terms of office up until abolition eleven months later on 1 April 1986. The Bill also contains a number of very necessary measures designed to counter obstructive or irresponsible actions by the outgoing councillors. The Bill also provides for the establishment of a staff commission to look after the interests of staff affected by abolition.

CONCLUSION

These are the points which need to be emphasised about our local government policies:

1. The policy is working. Average rate increase this year is the lowest for 10 years.
2. The Rates Act enables us to start fulfilling our pledges to help ratepayers in the high spending areas and to lift some of the pressure off the lowest spending councils.
3. Abolition of the unnecessary Metropolitan County Councils and the GLC is on course. Abolition will make metropolitan government cheaper and simpler and bring it closer to the people.

You are
Patrick

PATRICK JENKIN



25 JUL 1984

CONFIDENTIAL

CONFIDENTIAL

file

SAH



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ce MasterSet.
subject.

10 DOWNING STREET

From the Private Secretary

24 July, 1984

Abolition: Counter Obstruction

Your Secretary of State came to see the Prime Minister today at 12.45 p.m. to discuss the Government's response to reports that the GLC was intending to circumvent the provisions of the Paving Bill and to divest itself of assets and resources prior to abolition. The meeting had before it your letter of 24 July to Janet Lewis-Jones.

Your Secretary of State said he was particularly worried by the possibility that the GLC might transfer cash from its balances to the London Boroughs. To prevent this, and any similar action by MCCs, he proposed to announce in a PQ that afternoon that he would take powers in the main Abolition Bill, retrospective to today, to provide that such transfers or agency agreements with local authorities would need his consent and that if this was not secured, any sums transferred could be repayable. In addition, he was proposing to activate existing powers to require authorities to supply information about the transfer of assets. This would enable a judgement to be made on whether the activities of the authorities in question were contrary to the interests of ratepayers. District auditors already had powers to surcharge councillors if they transferred assets at less than their full value. Finally, he was intending to withdraw the general consents under which the GLC is able to dispose of housing land and vacant property.

He had considered whether these measures, coming on top of the counter obstruction measures introduced in the Lords, would be taken amiss by the Lords. After consulting the Lord President, he had concluded that it was possible to defend the introduction of such measures; they would be seen as a legitimate response to unacceptable behaviour by the GLC.

The Prime Minister noted that the effect of the GLC's

/action

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DFC

action would be to disadvantage the Outer London boroughs as the GLC was proposing to transfer money to sympathetic boroughs. This would leave a larger volume of debt to be paid for by the residual authority by a charge on all the boroughs. It was agreed that your Secretary of State should act as he proposed. His statement should, however, stress that these measures were being done to protect ratepayers and to maintain fairness between different boroughs and districts.

Copies of this letter go to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), John Graham (Scottish Office), Colin Jones (Welsh Office), David Morris (Lord Privy Seal's Office), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Dinah Nichols (Department of Transport), Mary Brown (Office of Arts and Libraries), Mike Bailey (Department of the Environment) and Michael Buckley (Cabinet Office).

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

CONFIDENTIAL



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

24 July 1984

Dear Janet

ABOLITION: COUNTER OBSTRUCTION

My Secretary of State had intended to write to the Lord President following reports over the weekend, from various sources, which appeared to suggest that the GLC intended to circumvent the provisions in the Paving Bill, to act in a profligate manner and to divest itself of assets and resources prior to abolition. He did however take the opportunity of a meeting already arranged for yesterday evening, with the Lord President, to refer to these issues and they agreed that, subject to the views of other members of Misc 95 and No 10, a statement should be made today, of action to be taken in the main Abolition Bill, that action to take effect from today.

I enclose a copy of the question and answer arising out of that agreement. I also enclose for background for the other recipients of this letter, a copy of the letter my Secretary of State had intended to send.

It is imperative that if action of this kind is to be taken that it is taken immediately. Consequently my Secretary of State will be grateful if other recipients of this letter could confirm by 1 pm that their Ministers are content with what is proposed.

Copy of this letter goes to: Hugh Taylor (Home Office), Elizabeth Hodgkinson (DES), John Taylor (Scottish Office), Colin Jones (Welsh Office), David Morris (Lord Privy Seal's Office), Steve Godber (DHSS), Callum McCarthy (DTI), John Gieve (Chief Secretary's Office), Dinah Nichols (Dept. of Tspt), Mary Brown (OAL), Mike Bailey (DOE), Andrew Turnbull (NO 10) and Michael Buckley (Cabinet Office)

John Ballard
J F BALLARD
Private Secretary

Janet Lewis Jones
Lord President's Office

Q. To ask the Secretary of State whether he intends to take further measures to prevent the GLC and MCCs from disposing of their resources in advance of the abolition of those authorities?

A. In the main Abolition Bill this autumn I will seek Parliament's restrospective approval to a measure whereby all provision of financial assistance by the GLC and the Metropolitan County Councils to the London Boroughs, to Metropolitan District Councils or to any other local authority will require my specific consent. Similarly any means whereby the GLC and Metropolitan County Councils propose to finance activities undertaken by other local authorities under agency arrangements will also require my consent. This control will apply to all such transactions or arrangements entered into with effect from today, 24 July 1984, other than payments made under Section 137 of the Local Government Act 1972 which were dealt with in my earlier statement of 28 June 1984.

In the event of any such transactions or arrangements being entered into by the GLC or MCCs without my consent in advance of the main Abolition Bill passing into law, that Bill will contain proposals enabling the Secretary of State to reserve the right to require the authorities which benefitted from these arrangements or transactions to repay the money, with interest, to the donor authority before 1 April 1986.

Measures already in the Local Government (Interim Provisions) Bill will require that any proposals by the GLC and MCCs to dispose of land, and to enter into contracts above a certain value, after the date of Royal Assent to the Bill must have my consent. Consent will also be required to expenditure under S.137 of the Local Government Act 1972 (the "2p rate") incurred after 1 April 1985.

I have decided to use the existing powers available to me under S.230 of the 1972 Act to require the authorities to supply me with full information about such activities with effect from the date

of announcement of the new measures, 12 July 1984. This will enable me to make available information about activities that might be seen by ratepayers to be contrary to their interests. In addition, ~~I am suspending with immediate effect, the present general consent to the disposal by the GLC of certain types of housing land.~~

I will continue to monitor the activities of the GLC and MCCs and will not hesitate to take whatever further steps are necessary to prevent irresponsible uses of ratepayer's resources.

* I am withdrawing with immediate effect the present general consents which commit the GLC to dispose of housing land + vacant property for improvement + a-sale. Right to buy sales + other sales to sitting tenants + intending owner-occupiers are not affected.

LETTER FROM SECRETARY OF STATE TO LORD PRESIDENT.

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL

You will be aware that, as a consequence of our fears that the GLC and the Metropolitan County Councils may use their remaining time in office to indulge in activities that are designed to frustrate abolition, the Bill now contains provisions that will require my consent to disposals of land and entering into major contracts with effect from the date of Royal Assent, and to expenditure under S.137, Local Government Act 1972 after 1 April 1985.

We have recently heard that the GLC are pressing ahead with a major programme of disposals and expenditure before the Bill's provisions came into effect. It must be assumed that such actions are of a nature that would cause me to refuse consent for them, and that might, therefore, be open to challenge as being prejudicial to ratepayers' interests. While recognising that it would not be possible to bring forward the date of effect of the new controls, I am now writing to suggest that our supporters would expect us to take such action as we can within the scope of the present law, to prevent or ^{such activities} delay, or otherwise to give the GLC cause to reconsider. I am therefore proposing to require the GLC and the Metropolitan County Councils under S. 230 of the 1972 Act to send me details of their activities since 12 July under the following headings:

- major contracts entered into;
- land disposals;
- S.137 expenditure ("2p rate")

- S. 142 expenditure ("publicity")

My intention in doing so would be to enable such information to be made available to ratepayers who might wish to challenge, through the ^{District Auditor} and ultimately the courts, the GLC's and MCC's actions on the grounds that they were contrary to ratepayers' interests. A

successful challenge would of course leave councillors open to sur-charge in the normal fashion.

In addition I am proposing to use immediately my existing powers under the 1957 Housing Act partially to withdraw the GLC's exemption from the need for my specific consent to the disposal of certain kinds of housing land. Disposals under Right to Buy and to individual sitting tenants and owner occupiers would continue unfettered under the existing general consent. // There have also been reports that the GLC are planning to transfer large amounts of money to selected London Boroughs in the current financial year, possibly representing a major proportion of their accumulated revenue balances. It would also be open to them under S.101 of the Local Government Act 1972 to enter into agency arrangements whereby their functions (including contracts entered into as a result) would be delegated to one or more sympathetic authorities. I have been forced, reluctantly, to the conclusion that we could not stand by and let proceed activities which were so clearly designed to frustrate abolition. Accordingly I propose, at the same time as announcing the new steps set out above, to announce my intention to seek Parliament's authority in the main Abolition Bill to require any such payments to be reimbursed to the GLC by Abolition Day, in the event that they proceed without my consent. ^{This} would have the effect of requiring my consent with immediate effect, but subject to sanctions which Parliament would be asked to agree before they took effect.

With colleagues' agreement I would propose to issue the attached statement on [~~Tuesday 24 July~~].

I am copying this to [MISC 95 + BUSINESS MANAGERS]

(2)
PRIME MINISTER

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RSG Statement

The reaction given to Mr. Jenkin's statement was mixed but on the whole it went rather better than he might have expected.

A considerable number of Government backbenchers welcomed the proposals and the hope they held out that the balance between low and high spenders would be improved. There was, however, a good deal of criticism led by the Privy Counsellor ramp (Pym, Rippon, Howell and Carlisle) that it was inconsistent for the Government to present itself as the ratepayer's friend while cutting AEG by three percentage points. A number of them also argued that the whole system of local authority finance was creaking and should be replaced by something better, though suggestions on this were predictably few. The most trenchant criticism, no doubt carefully phrased to catch the headlines, came from Geoffrey Rippon who described the proposals as "arbitrary, damaging, ineffective and ultimately costly". He argued that the Government was transferring the burden of financing local authority expenditure from taxes generally to the tax least able to bear it, i.e. rates.

Criticism from the Labour benches was predictable but largely without passion. The main argument was that local authorities would not be able to sustain vital services. As the merits of each authority was extolled, Mr. Jenkin was able to set out its record in relation to spending, employment, or the cost of providing particular services. When Portsmouth was raised by Peter Griffiths, Mr. Jenkin was able to justify its inclusion in the list of rate-capped authorities. He refuted strongly Dr. Cunningham's accusation that the Government had been considering gerrymandering the criteria to exclude Liverpool. The theme

of obstruction or even illegality came up but was not actively pursued.

My hunch is that over the next few days the proposals will get a more hostile reception than they did in the House. The Tory councils will realise that an increase of 4½ per cent is pretty tight, given the forecast of inflation and what can be expected from national pay deals. Threats from the Labour councils to obstruct the proposals will be more stringent but at least Mr. Jenkin got over one hurdle without too much damage.

AT

ANDREW TURNBULL

24 July, 1984

RATE SUPPORT GRANT SETTLEMENT AND RATE LIMITATION 1985/86

STATEMENT BY SECRETARY OF STATE FOR THE ENVIRONMENT: 24 JULY
1984

WITH PERMISSION MR SPEAKER I SHOULD LIKE TO MAKE A STATEMENT ABOUT LOCAL GOVERNMENT FINANCE FOR 1985/86. IT CONTAINS MY PROPOSALS FOR THE RATE SUPPORT GRANT SETTLEMENT IN ENGLAND, AND MY DECISIONS ON SELECTIVE RATE LIMITATION UNDER THE RATES ACT 1984.

I AM TODAY ISSUING TO LOCAL AUTHORITIES PROPOSALS FOR THE MAIN FEATURES OF THE RSG SETTLEMENT FOR NEXT YEAR. COPIES OF THE MATERIAL SENT TO THEM ARE IN THE LIBRARIES AND THE VOTE OFFICE. THIS EARLY ANNOUNCEMENT SHOULD GIVE AUTHORITIES PLENTY OF TIME TO BUDGET SENSIBLY IN 1985/86. IT IS THE FIRST TIME THAT I HAVE BEEN ABLE TO SET OUT SO MUCH OF THE FRAMEWORK OF THE SETTLEMENT SO EARLY IN THE YEAR. I HOPE THIS IS WELCOMED. IT IS ALSO THE FIRST TIME THAT THE RATES ACT PROVISIONS FOR CONSTRAINING THE RATES - AND HENCE THE EXPENDITURE - OF HIGH SPENDING AUTHORITIES HAVE BEEN AVAILABLE TO THE GOVERNMENT. THEY HAVE STRONGLY AFFECTED THE OVERALL SHAPE OF THE SETTLEMENT.

2

THIS YEAR'S BUDGETS SHOW A CONTINUING REAL TERMS INCREASE IN THE LEVEL OF LOCAL AUTHORITY CURRENT EXPENDITURE. THE GOVERNMENT REMAINS COMMITTED TO THE CONSTRAINT OF PUBLIC EXPENDITURE. THIS IS ESSENTIAL IF WE ARE TO PUT THE ECONOMY ON TO A SOUND FOOTING FOR THE LONGER TERM. WE MUST CONTINUE TO SEEK ECONOMIES.

FOR 1985/86, FOR THE FIRST TIME, THE RATES ACT ENABLES ME TO START CURBING THE WORST EXCESSES OF THE HIGHEST SPENDERS. UNTIL NOW, EVEN THE LOWEST SPENDERS HAVE HAD TO BE ASKED TO MAKE SIGNIFICANT SAVINGS BECAUSE OF THE IRRESPONSIBLE BEHAVIOUR OF THE MINORITY OF HIGH SPENDERS. THE RATES ACT MAKES IT POSSIBLE FOR ME TO BEGIN TO CHANGE THAT. AS I PROMISED AT LAST YEAR'S SETTLEMENT, IT GIVES ME THE SCOPE - WITHIN THE OVERALL CONTINUING NEED FOR RESTRAINT - TO SET FAIRER TARGETS FOR LOW SPENDERS. AT THE SAME TIME, THE GOVERNMENT IS DETERMINED TO ENSURE THAT THESE REALISTIC TARGETS ARE NOT OVERSPENT, AND THE HOLDBACK PROPOSALS REFLECT THAT DETERMINATION.

3

FIRST, RATE LIMITATION. THE NEW POWERS GIVEN ME BY THE RATES ACT, ENABLE ME TO SET RATE LIMITS FOR THE WORST OVERSPENDERS AND THUS PROTECT THEIR RATEPAYERS. I AM TODAY LAYING BEFORE THE HOUSE A REPORT DESCRIBING THE BASIS OF SELECTION OF AUTHORITIES FOR RATE LIMITATION. I WILL SELECT FOR RATE CAPPING THOSE AUTHORITIES SPENDING MORE THAN £10M WHOSE BUDGETS FOR THE CURRENT YEAR ARE MORE THAN 4% ABOVE THEIR TARGETS, AND MORE THAN 20% ABOVE THEIR GRANT RELATED EXPENDITURE ASSESSMENT. ON THE BASIS OF THESE CRITERIA THE FOLLOWING 18 AUTHORITIES ARE DESIGNATED: BASILDON, BRENT, CAMDEN, GLC, GREENWICH, HACKNEY, HARINGEY, ILEA, ISLINGTON, LAMBETH, LEICESTER, LEWISHAM, MERSEYSIDE, PORTSMOUTH, SHEFFIELD, SOUTHWARK, SOUTH YORKSHIRE, AND THAMESDOWN.

I AM SETTING EXPENDITURE LEVELS FOR THESE AUTHORITIES WHICH WILL FORM THE BASIS OF THEIR RATE LIMITS. IN MOST CASES THEY WILL HAVE TO CONTAIN THEIR EXPENDITURE AT THE SAME LEVEL IN CASH TERMS AS THEIR BUDGET FOR 1984/85. IN THE CASE OF THE THREE AUTHORITIES WHICH ARE BUDGETING TO SPEND MORE THAN 70% ABOVE GRE THIS YEAR AND WHICH HAVE INCREASED THEIR BUDGETS BY MORE THAN 30% SINCE 1981/82 I AM SETTING EXPENDITURE LEVELS 1½% BELOW THEIR EFFECTIVE 1984/85 BUDGETS. THESE AUTHORITIES ARE THE GREATER LONDON COUNCIL, THE INNER LONDON EDUCATION AUTHORITY AND THE LONDON BOROUGH OF GREENWICH. THE 18 DESIGNATED AUTHORITIES ARE BEING FORMALLY NOTIFIED OF THEIR EXPENDITURE LEVELS. I SHALL OF COURSE CONSIDER ANY REPRESENTATIONS WHICH THEY MAY WISH TO MAKE TO ME ASKING FOR A REDETERMINATION OF THEIR EXPENDITURE LEVEL.

THIS ANNOUNCEMENT IS GOOD NEWS FOR RATEPAYERS: THE 18 HIGHEST SPENDING AUTHORITIES WILL HAVE THEIR SPENDING LEVELS CONTROLLED, FURTHERMORE, AS I SAID DURING THE PASSAGE OF THE BILL, BECAUSE THE RATES ACT ENABLES ME TO CONTROL THE EXPENDITURE OF THE HIGHEST SPENDERS I CAN SET FAIRER TARGETS FOR THE LOW SPENDERS, AS I PROMISED EARLIER THIS YEAR. FOR THE CURRENT YEAR, THE MAXIMUM CASH INCREASE OVER 1983/84 BUDGET IS 3%. FOR NEXT YEAR I AM PROPOSING TO ALLOW MOST LOW SPENDERS TO INCREASE THEIR SPENDING BY 4½% OVER BUDGET THIS YEAR. ON THE BEST ESTIMATE OF THE RATE OF INFLATION OVER THE PERIOD - THE GDP DEFLATOR - THIS SHOULD REQUIRE NO FURTHER REAL TERMS CUTS FROM THOSE AUTHORITIES. THIS HAS ONLY BEEN MADE POSSIBLE BY THE HEADROOM PROVIDED BY RATE LIMITATION. HIGH SPENDERS WILL HAVE TOUGHER TARGETS BUT NO AUTHORITY IS ASKED FOR MORE THAN A 1½% CASH REDUCTION ON ITS 1984/85 BUDGET.

THESE TARGETS ADD UP TO ABOUT £21.8 BILLION, WHICH IMPLIES AN INCREASE IN CURRENT EXPENDITURE PROVISION IN EXCESS OF £800M. THIS TAKES ACCOUNT OF THE SETTING UP OF LONDON REGIONAL TRANSPORT: ON LAST YEAR'S BASIS THE INCREASE WOULD BE NEARER £900M. THE EQUIVALENT INCREASE FOR 1984/5 WAS SOME £500M. THE INCREASE IN THE 1985/86 PROVISION WILL BE CONTAINED WITHIN THE ESTABLISHED AGGREGATE PUBLIC EXPENDITURE PLANS.

5

THESE TARGETS ARE THEREFORE REALISTIC, AND MUST NOT BE SEEN AS AN INVITATION TO INCREASE SPENDING. FOR THAT REASON I AM PROPOSING A MUCH TOUGHER HOLDBACK TARIFF FOR THE FIRST PERCENTAGE POINTS OF OVERSPEND. THE TARIFF WILL ENTAIL REDUCTIONS IN BLOCK GRANT EQUIVALENT TO 7 PENCE AT RATEPAYER LEVEL FOR THE FIRST 1% OF OVERSPEND, ANOTHER 8 PENCE FOR THE SECOND % OVERSPEND AND ANOTHER 9 PENCE WILL BE ADDED FOR EACH 1% OF SPENDING AFTER THAT. THIS IS A STRONG DETERRENT TO OVERSPENDING. BUT I THINK THERE WILL BE A WIDE RECOGNITION - AT LEAST ON THIS SIDE OF THE HOUSE - OF THE FAIRNESS OF THIS PROPOSAL. I AM PROPOSING REASONABLE, REALISTIC TARGETS. IT IS ONLY FAIR IN RETURN TO EXPECT THAT THEY WILL BE MET; AND TO TAKE A FIRM LINE WITH ANYONE WHO SEES THIS AS AN OPPORTUNITY TO BOOST SPENDING.

THE EFFECT OF THESE PROPOSALS ON SERVICES PROVIDED BY LOCAL AUTHORITIES WILL DEPEND ON THEIR ABILITY TO USE RESOURCES EFFICIENTLY. THE GOVERNMENT LOOKS TO LOCAL AUTHORITIES TO DO THEIR UTMOST TO CONTAIN THEIR PAY AND OTHER COSTS AND TO MANAGE THEIR RESOURCES IN A WAY WHICH ENSURES THAT THE BEST POSSIBLE VALUE FOR MONEY IS OBTAINED.

FINALLY, AGGREGATE EXCHEQUER GRANT WILL BE £11.7 BILLION, ABOUT THE SAME AMOUNT AFTER ADJUSTMENTS AS THE CORRESPONDING FIGURE FOR 1984/85. THIS REPRESENTS A GRANT PERCENTAGE OF ABOUT 48.8% FOR 1985/86, COMPARED WITH 51.9% THIS YEAR. THIS CONTINUES THE TREND WE HAVE SET OVER RECENT YEARS OF SHIFTING THE BURDEN OF LOCAL AUTHORITY EXPENDITURE AWAY FROM THE TAXPAYER AND TOWARDS THE RATEPAYER, THEREBY INCREASING LOCAL AUTHORITIES' ACCOUNTABILITY TO THE LOCAL ELECTORATE.

I AM NOW CONSULTING LOCAL GOVERNMENT ON MY PROPOSALS FOR TARGETS, HOLDBACK AND AGGREGATE EXCHEQUER GRANT BEFORE PRESENTING A RATE SUPPORT GRANT SETTLEMENT TO PARLIAMENT AT THE END OF THE YEAR. CONSULTATION ON GRANT DISTRIBUTION WILL TAKE PLACE IN THE AUTUMN.

MR SPEAKER, THE GOVERNMENT REMAINS DETERMINED TO RESTRAIN THE LEVEL OF CURRENT EXPENDITURE OF LOCAL GOVERNMENT. WE ARE NOW SEEING THE BENEFITS OF THE RATES ACT, BECAUSE IT ALLOWS US AT LAST TO GET TO GRIPS WITH THE EXCESSES OF THE HIGHEST SPENDERS. RESPONSIBLE LOW SPENDING AUTHORITIES WILL NO LONGER HAVE TO CARRY THE CAN FOR THEM. AS I PROMISED I AM PROPOSING FAIRER TARGETS FOR THEM. MY PROPOSALS MEAN THAT IF AUTHORITIES SPEND WITHIN THEIR TARGETS - AND THE CAPPED AUTHORITIES WILL HAVE TO STAY BELOW THEIR SPENDING LEVELS - THE AVERAGE RATE INCREASE IN ENGLAND SHOULD BE LOWER THAN THIS YEAR'S AVERAGE INCREASE. THIS WILL BE WELCOMED BY HARD PRESSED RATEPAYERS EVERYWHERE. I COMMEND MY PROPOSALS TO THE HOUSE.

Heavenly!

With the Compliments
of the
Secretary of State

Scottish Office,
Dover House,
Whitehall,
London, S.W.1 A 2AU



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

20 July 1984

Your Chief Secretary

SCOTTISH LOCAL AUTHORITY EXPENDITURE 1985-86

As you know, on Tuesday 17 July I announced the abatement of rate support grant for Scottish local authorities for 1984-85. As I predicted, the level of the abatement has raised a storm among Scottish local authorities and has severely undermined our relations with them. It is against this background that I am now responding to the invitation from E(LA) to circulate my proposals for Scottish local authority expenditure in 1985-86. I would of course be glad to discuss these proposals with you and to explain to you more fully the real difficulties which are being created in Scotland by the very severe penalties we are imposing on authorities.

English local authority expenditure in 1985-86 is to be increased by £822 million. Since this represents an addition to comparable programmes in England, the formula applies and £97 million falls to be added to Scottish local authority expenditure in 1985-86. I understand that of the English enhancement of £822 million, £200 million is to be added to the unallocated margin, the remaining £622 million being allocated to services. Applying the same proportions, this gives an addition to the Scottish unallocated margin of £24 million, leaving £73 million to be allocated to services. I would be grateful for agreement to my announcing these figures before the House rises.

I appreciate of course that the English enhancement is part of a package of measures designed to achieve real reductions in local authority expenditure. I will ensure that my enhancement is seen as linked to measures designed to achieve the same result. But the Scottish system is different; and we must avoid the appearance of applying cuts and penalties which are not appropriate to it. It is the results which matter.

The policies which I have pursued for grant and expenditure control have met with considerable success. For both 1981-82 and 1982-83 I was faced with high budgeted overspends above 8%. I used my selective action powers in both of those years and this was reflected in significant falls to just over 5% at outturn

in both of those years and also in 1983-84 a much lower budgeted overspend of 4.6%. I again used my selective action powers in that year and this, coupled with a grant penalty of £45 million, brought the provisional excess at outturn down to 2.7%. For 1984-85, authorities are planning to spend above their guidelines by 4.2%. While this is not as much of an improvement as I had hoped, the figures are moving in the right direction and I would expect to see again this year significant improvement at outturn. I might add that the initial reaction of authorities in Scotland to the level of abatement has, as I feared, been that it is so high as to make it unattainable and therefore they are not going to try. While I believe that this reaction will mellow a little, it does underline the law of diminishing returns which can operate in dealings with local government as much as elsewhere. Be that as it may on a comparable basis the budgeted overspend by Scottish local authorities is slightly less than that of English local authorities.

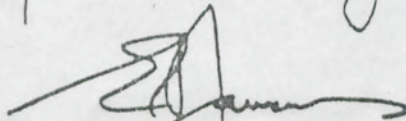
Selective action, operated under the separate Scottish legislation, has been able to deliver total savings of £80 million since I first used it in 1981-82. The Scottish legislation does not enable me to make decisions on selective action until after I have looked at the budgets of all authorities. Thus I will take decisions on selective action for 1985-86 in April 1985. While it is impossible for me to announce now that I will take selective action against particular authorities in 1985-86, authorities know that I will not hesitate to use the powers next year if any authorities appear to be planning excessive and unreasonable expenditure.

In my view, the most significant determinant of local authority expenditure is the amount of rate support grant. The figure for this is announced before authorities reach their decisions on rates and since it directly affects the level of rates which need to be charged for given levels of expenditure, it has a real influence on the expenditure planned by authorities. I am therefore prepared to freeze the level of aggregate Exchequer grant in Scotland for 1985-86 at its 1984-85 level before abatement. This would be seen as, and operate as, a very severe restraint on authorities. In 1984-85 Scottish grant scarcely went up at all (by only 0.2% in cash). A grant freeze in 1985-86 would mean that in cash Scottish grant would scarcely have increased for 2 years. Such a freeze would be a very clear message, and I have to recognise that because there will be special pressures arising from the general revaluation of property; in Scotland in 1985. There are already signs that this revaluation will change the relativities between areas and between types of property and if grant had been reduced in cash terms for whatever reason, it would be possible to blame the Government for all the increases in rates that will undoubtedly follow from the revaluation.

It is very important to issue my current expenditure guidelines in September. The starting point for the calculation of the guidelines are the client group assessments which in their turn are based on the total of relevant expenditure. I will not know the details of the guidelines until these calculations, on the basis of the enhanced levels of expenditure, have been carried out. I would however propose, having regard to what is proposed for England, and Wales that the guidelines should continue to be based on the client group assessments for 1985-86, subject to no authority receiving a guideline higher than 4.75% above their 1984-85 NIS adjusted budget. Once we have carried out the calculations, my officials will be in touch about the details of the guidelines.

The urgent issues are to settle the enhancement, the unallocated margin and the AEG. But there are wider issues about my relations with local authorities which I want to discuss with you. It is essential that I do not present the Scottish authorities with diktats which will unite them against me. I am not sure that you fully appreciate this problem and I want to talk to you about it before the Recess is over.

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

James Amery


E. S. GOWANS
Private Secretary
(Approved by the Secretary of State
and signed in his absence)

Local cut defects



23 AUG 1994



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AT 2317

Treasury Chambers, Parliament Street, SW1P 3AG

Colin Jones Esq
 Private Secretary to
 The Secretary of State for Wales
 Welsh Office
 Gwydyr House
 Whitehall
 LONDON
 SW1A 2ER

20 July 1984

Dear Sir:

WELSH RATE SUPPORT GRANT SETTLEMENT 1985-86

In E(LA)(84)13, your Secretary of State circulated proposals for the 1985-86 RSG settlement in Wales. The Chief Secretary was not willing to accept these as they stood but I am now writing to confirm his agreement to a compromise package negotiated by officials and endorsed by your Secretary of State. The agreed settlement will have the following features.

(a) **Targets** The targets will be constructed as in paragraphs 13 to 15 of your Secretary of State's paper subject to a "standard" maximum increase of 4% and a "reward" for target achievers of 0.25%. No authority, therefore, will be set a target allowing an increase over its 1984-85 NIS-adjusted Budget of more than 4½%.

(b) **Current Expenditure Provision** will be increased by £25m over baseline.

(c) Holdback and block grant mechanisms will be as proposed in the paper but aggregate exchequer will be £1016m before adjustments and £1013m after adjusting for the MSC - NAFE transfer. That will amount to 67.1% of relevant expenditure.

As in previous years, in view of the Welsh authorities' record on current expenditure, it has been agreed that there should also be an increase to the provision for capital expenditure

by local authorities. In 1985-86 this will be £15m, bringing the overall addition to the Welsh Local Authority block to £40m.

I am sending copies of this letter to the Private Secretaries to the PM, members of ELA, and Sir Robert Armstrong.

V. J. Gieve

J. Gieve

JOHN GIEVE
Private Secretary

23 JUL 1984

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RM

B/C: O. LETWIN



10 DOWNING STREET

From the Private Secretary

20 July 1984

English RSG Settlement 1985-86

The Prime Minister has seen the Lord President's minute of 19 July setting out the recommendations of E(LA) on the English RSG settlement for 1985-86. She accepts the recommendations on expenditure targets, holdback, Aggregate Exchequer Grants, the selection of local authorities for possible rate-capping and the expenditure limits to be set for those authorities, and on the unallocated margin.

The Prime Minister is extremely grateful to the Lord President and his colleagues on E(LA) for their efforts in putting together this most difficult agreement.

I am sending copies of this letter to Private Secretaries to members of the Cabinet, Murdo Maclean (Chief Whip's Office), Mary Brown (Lord Gowrie's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss Janet Lewis-Jones
Lord President's Office.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 July 1984

RSG SETTLEMENT 1985/86 AND RATE CAPPING

The Prime Minister has seen your draft of your Secretary of State's statement which was attached to your letter to me of 19 July. She is generally content but suggests that the peroration, in addition to stressing the advantages of the settlement to ratepayers, should stress its' merits in making a start in redressing the balance between high and low spending authorities.

I am copying this letter to the Private Secretaries to the Lord President, other members of E(LA), the Lord Privy Seal and Sir Robert Armstrong.

Andrew Turnbull

A H Davis Esq
Department of the Environment

CONFIDENTIAL



PRIME MINISTER

English RSG Settlement 1985-86

The Ministerial Sub-Committee on Local Authority Expenditure (E(LA)) has held a number of meetings under my chairmanship to consider the English Rate Support Grant settlement for 1985-86. Our conclusions cover expenditure targets: holdback; Aggregate Exchequer Grant; the selection of local authorities for possible rate-capping and the expenditure limits (known as 'expenditure levels') to be set for those authorities; and the 'unallocated margin' between total provision for local authority current expenditure and provision for expenditure on individual local authority services.

General background

2. There are two points which have greatly influenced the discussion in E(LA).

3. First, there is the effect of the introduction of rate-capping. In the past, we have used the local authority public expenditure figures as a 'signal' and kept them, and the expenditure targets derived from them, deliberately low to indicate the need for restraint. But the expenditure levels set for capped authorities must be realistically attainable. Otherwise they will be successfully challenged in the courts as unreasonable. Moreover, if the gap between expenditure levels and expenditure targets were too wide, capped authorities spending at their expenditure level would incur substantial holdback. In such authorities there could be large rate increases despite rate-capping. Although it could be argued that ratepayers were still better off than they would have been without rate-capping, the presentational difficulties would be enormous.



4. Secondly, there is the so-called 'Pym commitment'. During the debate on the Rate Support Grant Report 1984-85 on 23 January the Secretary of State for the Environment, with the agreement of the Chief Secretary, Treasury, said that he expected in 1985-86 and thereafter 'to be able to set targets which take greater account of GREs and thus recognize the efforts which low-spending authorities have made'. Although, on a literal interpretation, it does not go so far, this has been widely taken by our supporters in the shires to mean that, at the least, low-spending authorities should not be forced in 1985-86 to make cuts in real terms.

5. To recognize these points E(LA) agreed that it was necessary significantly to increase the expenditure targets, and thus the provision based on them in the public expenditure figures, to more realistic levels. To some extent, this is no more than making explicit the over-spending against targets which has happened in the past. But the Chief Secretary, Treasury has impressed on the Sub-Committee the difficulty of the public expenditure situation. E(LA) has been anxious to ensure that the targets do not reduce the downward pressure on local authority current spending. Moreover, to ensure that past over-spending against targets is not repeated against the new, more realistic targets, it is necessary to set a more severe holdback tariff than last year.

Target methodology

6. E(LA) agreed that expenditure targets for 1985-86 should be set as follows. For authorities with 1984-85 budgets at or below their grant-related expenditure assessment (GRE), the 1985-86 target would be 1984-85 GRE plus $3 \frac{3}{4}$ per cent: for authorities with 1984-85 budgets above GRE, the 1985-86 target would be 1984-85 target plus $3 \frac{3}{4}$ per cent. However, no target would be lower than 1984-85 budget minus $1 \frac{1}{2}$ per cent or higher than 1984-85 budget plus $4 \frac{1}{4}$ per cent.

ne-5 $3 \frac{3}{4}$



7. This methodology can be defended as consistent with the 'Pym commitment' since it explicitly distinguishes between authorities spending above and authorities spending below GRE and produces targets for low-spending shire authorities which require no cut in expenditure in real terms (as measured by the GDP deflator). But it may nonetheless be criticized by some of our supporters. Moreover, the methodology produces tough targets for some Conservative authorities, particularly in outer London.

8. After adjustment for the transfer of responsibility for public transport in London from the Greater London Council to London Regional Transport (LRT), the target methodology produces an increase of £822 million in the PES provision.

Holdback

9. E(LA) agreed that the holdback tariff should be as follows. (The figures show the reduction, in pence, in the grant poundage for each successive percentage point of overspend against target.)

7, 8, 9, 9 ...

The first two points of this schedule are considerably more severe than the 1984-85 tariff of

2, 4, 8, 9 ...

and will greatly strengthen the disincentive to over-spending of 1 or 2 per cent. It will be controversial in authorities which face tough targets.

Aggregate Exchequer Grant (AEG)

10. E(LA) agreed that AEG should be £11.737 billion before holdback, but after adjustments to take account of the transfer of responsibility for public transport in London and the Manpower Services Commission initiative in Further Education. This is expected to be about 48.8 per cent of relevant expenditure. The corresponding figures for 1984-85 were £11.9 billion and 51.8 per cent.



11. Estimates of rate increases are necessarily unreliable, particularly so far in advance. The best judgement that can be made is that if local authorities spend at target they will be able, on average, to keep rate increases in low single figures. But the reduction in the grant percentage will mean large losses of grant in certain authorities with high rateable values, such as East Sussex and Surrey. Assuming that such authorities spend at target, and ignoring the effect of possible changes in balances and increases in rateable values, they could face rate increases of around 7 or 8 per cent.

Rate-capped authorities

12. E(LA) agreed that the authorities selected for rate-capping should be those which are budgetting in 1984-85 to spend at least 20 per cent above GRE and at least 4 per cent above target. This produces the list of authorities in the Annex to this minute.

13. As you will see, the list includes Brent, Merseyside and Sheffield. Your Private Secretary's letter of 31 May expressed your concern about the presentational difficulties of bringing these councils, which are certain to need large rate increases in 1985-86, within the scope of rate-capping. E(LA) carefully considered the arguments for and against inclusion. On the one hand, because the calculation of final expenditure levels has to take account of any special circumstances raised by the authorities, such as transfers from special funds in 1984-85, whereas the targets are based on general principles only, the three authorities may well have to be allowed expenditure levels substantially over target; the consequence will be rate increases well into double figures, because of holdback. This might discredit rate-capping in its first year of operation. On the other hand, the three authorities are notorious over-spenders; and our supporters will not find it easy to understand why they should be excluded from rate-capping. Ratepayers will criticize us if we fail to take the steps which are open to us at least to limit rate increases. Finally, we must beware of appearing to set the criteria for selection for rate-capping on merely political or tactical grounds.



14. By a majority, and with some anxiety, E(LA) concluded in favour of including the three authorities. But they agreed that the decision would need careful presentation. It will be necessary to stress that without rate-capping, the increases in rates would have been still higher.

15. E(LA) also agreed that, in general, the expenditure levels for capped authorities should be equal to the authority's 1984-85 budget, adjusted for the abolition of the National Insurance Surcharge. Assuming inflation, as measured by the GDP deflator, of 4 1/4 per cent this means a real terms cut of that amount. On the basis of historical evidence, it would be difficult to defend requiring the generality of authorities to make real terms cuts larger than 5 per cent: to do so would therefore run a serious risk of successful legal challenge. E(LA) also took the view that it would be prudent to leave a small safety margin below 5 per cent. A cash freeze meets these requirements, and is easy to present.

16. However, E(LA) also took the view that it would be reasonable to set the expenditure levels for the Greater London Council, the Inner London Education Authority, and Greenwich, all of which are budgetting to spend more than 30 per cent above their 1981-82 minimum volume budgets, at 1 1/2 per cent less than their 1984-85 budgets. This distinction will increase the likelihood of successful legal challenge; but E(LA) agreed that the risk would have to be accepted.

17. It follows from these conclusions and the target methodology described above that for most capped authorities there will be a gap of 1 1/2 per cent between expenditure levels and expenditure targets. This should not of itself allow excessive rate increases by those authorities even with the severe holdback tariff favoured by E(LA). But rates may have to go up considerably in some capped authorities, because of particular local circumstances, such as abnormal use of balances or special funds in 1984-85. For the GLC, ILEA and Greenwich, expenditure levels and expenditure targets will coincide.



Unallocated margin and service distribution

18. The public expenditure figures include a gap, known as the 'unallocated margin', between the total provision for current expenditure on individual local authority services (which indicates what the Government believes local authorities need to spend) and the provision for total current expenditure (which indicates what the Government accepts that local authorities will spend). The 'unallocated margin' is £660 million in 1984-85. The White Paper on Public Expenditure provides for £400 million in 1985-86: the size of the margin declines over the PES period in the expectation that local authorities will conform more closely with the Government's plans. Now that the PES provision is being substantially increased in the interests of greater realism, there is a case for distributing all or most of that increase between individual services. Moreover, service Ministers argued strongly that unless this was done they would face very serious presentational difficulties in defending provisions which would imply real reductions in spending from 1984-85 budgets.

19. However, because the total of GREs is equal to the total of provision for individual services, to allocate too much of the increased provision to services would widen the gap between GREs and targets for the authorities covered by the 'Pym commitment'. It would also mean that some authorities, including some of our strongest supporters in outer London, would be set targets in 1985-86 requiring real terms reductions even though the targets were below GRE. This could generate pressures for favourable treatment in the 1986-87 settlement, and even for re-opening the 1985-86 settlement as well.

20. Balancing these considerations, E(LA) agreed that the unallocated margin in 1985-86 should be £600 million. The Chief Secretary made it clear that he could accept this only on the understanding that the agreement on targets for 1985-86 would be carried through



in the face of the inevitable pressures, and that the Secretary of State for the Environment would use his best endeavours to resist any extension to the 1986-87 settlement of the favourable treatment that is being given in 1985-86 to certain classes of authorities.

21. The Chief Secretary will be arranging a meeting of the Ministers concerned to consider the allocation of provision between services.

Announcements

22. It is highly desirable that an announcement should be made before Parliament rises for the Summer Recess. The Secretary of State for the Environment proposes to make an announcement on matters other than the unallocated margin and service distribution on Tuesday 24 July, as a basis for consultation both with the local authority associations and with individual local authorities which are being considered for rate-capping.

Scotland and Wales

23. The Secretaries of State for Scotland and Wales will pursue bilateral negotiations with the Chief Secretary, Treasury on the settlements for their countries, taking account of the conclusions of E(LA) on the English settlement. They too aim to make announcements early next week.

Conclusion

24. In conclusion, may I emphasise that, as last year, the agreement described in this minute was reached only after several meetings of E(LA) and exhaustive exchanges between the Secretary of State for the Environment and the Chief Secretary, Treasury. It presents difficulties for both of them - and indeed, for

CONFIDENTIAL



the Government as a whole. It will be attacked by the local authorities and many of our supporters as too severe: but it also entails an increase in public expenditure provision of over £800 million. I am satisfied that it is the best compromise between the various conflicting considerations.

25. I am sending copies of this minute to the members of the Cabinet, the Chief Whip, the Minister for the Arts, and Sir Robert Armstrong.

WOLW

Privy Council Office
19 July 1984

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ANNEX

AUTHORITIES PROVISIONALLY SELECTED FOR
RATE-CAPPING in 1985-86.

Greater London Council
Inner London Education Authority
Camden
Greenwich
Hackney
Islington
Lambeth
Lewisham
Southwark
Haringey
South Yorkshire
Basildon
Portsmouth
Leicester
Thamesdown
Brent
Merseyside
Sheffield.

19 JUL 1984

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CMO - CONFIDENTIAL



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10 DOWNING STREET

From the Private Secretary

19 July 1984

Dear John,

Abolition of GLC and MCCs: Presentation

The Prime Minister has seen your Secretary of State's minute of 17 July and recognises that it would be difficult to control advertising by the GLC and MCCs without appearing to stifle dissent or to interfere unreasonably in the day-to-day running of the councils. She accepts that the right response is for the Government to make greater efforts in putting its own case across. She would be grateful if the Lord President could take on the task of co-ordinating a Government campaign and of resolving such issues as the use that can properly be made of paid advertising and advice.

I am copying this letter to Janet Lewis-Jones (Lord President's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

John Ballard Esq
Department of the Environment

CMO - CONFIDENTIAL

PRIME MINISTER

① The position of Barnett is set out in Annex A of the Policy Unit note.

AT 19/7

CCB

[Handwritten signature]
ms

Rate Capping and the RSG Settlement 1985-86

The Lord President has reported on the result of his negotiations in E(LA). The package was achieved only with great difficulty and he regards it as being very nearly on a take it or leave it basis - amendment of any one component is likely to disturb the carefully stitched together agreement.

The Policy Unit urge support of the main RSG/targets/hold-back element. They do, however, recommend two amendments:

No net

i) Exclusion of three high spenders from rate capping in the coming year. If you were to follow this course there is a likelihood that the Treasury would press for the savings forgone to be recouped elsewhere.

ii) A larger unallocated margin so that for a given total of local authority expenditure GREs will be lower thereby reducing the sense of grievance of Shire counties and outer London boroughs who are spending below GRE.

Mr. Jenkin is asking for a decision overnight as to meet the deadline he has set himself of a statement by next Tuesday he needs to start tomorrow on the printing of the notices circulated to all local authorities.

Do you

i) accept the E(LA) package as recommended by Lord Whitelaw (in my view you will need to have strong grounds for amending any element of it);

Yes

ii) wish to make any adjustments?

No

ms

AT

19 July 1984

cepl. CCDF



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

19 July 1984

Dear Andrew

RSG SETTLEMENT 1985/6 AND RATE CAPPING

The Lord President has reported to the Prime Minister on the outcome of E(LA)'s consideration of the 1985/6 RSG Settlement, including the implementation of rate capping that year.

My Secretary of State is to make a statement on this next week - probably on Tuesday. I am, therefore, enclosing a draft, prepared on the assumption that the Prime Minister is content with E(LA)'s conclusions. I would be grateful for comments by 4pm tomorrow, so that my Secretary of State can finalise it over the weekend. I am sending copies of this letter and the draft statement to the Private Secretaries to the Lord President, other members of E(LA), the Lord Privy Seal and Sir Robert Armstrong.

Yours ever
Alan

A H DAVIS
Private Secretary

Prime Minister ①

My only suggestion is to include a reference to the better deal for low spenders in the re-orientation. Although the Government case on this is not too strong, it must be sold hard. We could also talk in terms of "redressing the balance between authorities" in order to make clear this is a process that will take a number of years.

Mud
not

AT
19/7

DRAFT

RATE SUPPORT GRANT SETTLEMENT AND RATE LIMITATION 1985/86

STATEMENT BY SECRETARY OF STATE FOR THE ENVIRONMENT: 24 JULY
1984

With permission Mr Speaker I should like to make a statement about local government finance for 1985/86. It contains my proposals for the Rate Support Grant Settlement in England, and my decisions on selective rate limitation under the Rates Act 1984.

I am today issuing to local authorities proposals for the main features of the RSG Settlement for next year. Copies of the material sent to them are in the Libraries and the Vote Office. This early announcement should give authorities plenty of time to budget sensibly in 1985/86. It is the first time that I have been able to set out so much of the framework of the settlement so early in the year. (I hope this is welcomed.) It is also the first time that the Rates Act provisions for constraining the rates - and hence the expenditure - of high spending authorities have been available to the Government. They have strongly affected the overall shape of the settlement.

This year's budgets show a continuing real terms increase in the level of local authority current expenditure. The Government remains committed to the constraint of public expenditure. This is essential if we are to put the economy on to a sound footing for the longer term. We must continue to seek economies.

For 1985/86, for the first time, the Rates Act enables me to curb the worst excesses of the highest spenders. Until now, even the lowest spenders have had to be asked to cut back because of the irresponsible behaviour of the minority of high spenders. The Rates Act makes it possible for me to begin to change that. As I promised at last year's settlement,

it gives me the scope - within the overall continuing need for restraint - to set fairer targets for low spenders. At the same time, the Government is determined to ensure that the more realistic targets are not overspent, and the holdback proposals reflect the determination.

First, rate limitation. The new powers given me by the Rates Act, enable me to set rate limits for the worst overspenders and thus protect their ratepayers. I am today laying before the House a report describing the basis of selection of authorities for rate limitation. I will select for rate capping those authorities spending more than £10m whose budgets for the current year are more than 4% above their targets, and more than 20% above their Grant Related Expenditure Assessment. On the basis of these criteria the following 18 authorities are designated: (list of names). No Welsh authorities are designated this year.

I am setting expenditure levels for these authorities which are realistic. In most cases they will have to contain their expenditure at the same level in cash terms as their budget for 1984/85. In the case of the three authorities which are budgeting to spend more than 70% above GRE this year and which have increased their budgets by more than 30% since 1981/82 I am setting expenditure levels 1½% below their effective 1984/85 budgets. These authorities are the Greater London Council, the Inner London Education Authority and the London Borough of Greenwich. The authorities concerned are being formally notified of their expenditure levels. I shall of course consider any representations which the selected authorities may wish to make to me asking for a redetermination of their expenditure level.

This announcement is good news for ratepayers: the 18 highest spending authorities will have their spending levels controlled. Furthermore, as I said during the passage of the Bill, the Rates Act enables me to control the expenditure of the highest spenders and thereby to issue fairer targets to the low spenders.

I promised earlier this year to give more favourable targets to low-spending authorities below GRE. This year the maximum cash increase over 1983/4 budgets is 3%. For next year I am proposing to allow these low spenders to increase their spending by 4½% over budget this year. On the best estimate of the rate of inflation over the period - the GDP deflator - this should require no further real terms cuts from those authorities. This has only been made possible by the headroom provided by rate limitation. High spenders will have tougher targets but no authority is asked for more than 1½% cash reduction on its 1984/85 budget.

These targets add up to about £21.8 billion, which implies an increase in current expenditure provision in excess of £800m. This takes account of the setting up of London Regional Transport: on last year's basis the increase would be nearer £900m. The equivalent increase for 1984/5 was some £500m.

These targets are therefore realistic, and must not be seen as an invitation to increase spending. For that reason I am proposing a much tougher holdback tariff for the first percentage points of overspend. The tariff will entail reductions in block grant equivalent to 7 pence at ratepayer level for the first 1% of overspend, another 8 pence for the second % overspend and another 9 pence will be added for each 1% of spending after that. This is a strong deterrent to overspending. But I think there will be a wide recognition - ~~at~~ at least on this side of the House - of the fairness of this proposal. I am proposing reasonable, realistic targets. It is only fair in return to expect that they will be met; and to take a firm line with anyone who sees this as an opportunity to boost spending.

Finally, Aggregate Exchequer Grant will be £11.7 billion, about the same amount after adjustments as the corresponding figure for 1984/85. This represents a grant percentage of about 48.8% for 1985/86, compared with 51.9% this year. This continues the trend we have set over recent years of shifting the burden of local authority expenditure away from the taxpayer and towards the ratepayer, thereby increasing local authorities' accountability to the local electorate.

I am now consulting local government on my proposals for targets, holdback and Aggregate Exchequer Grant before presenting a Rate Support Grant Settlement to Parliament at the end of the year. Consultation on grant distribution will take place in the autumn.

Mr Speaker, my proposals mean that if authorities spend within their targets - and the capped authorities will have to stay below their spending limits - the average rate increase in England should be lower than this year's average increase. This will be welcomed by hard pressed ratepayers everywhere. I commend my proposals to the House.

— and plant etc

18 JUL 1984





OFFICE OF ARTS AND LIBRARIES
 Great George Street
 London SW1P 3AL
 Telephone 01-233 8610

From the Minister for the Arts

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 amb
 24/7*

CF: pp. psc.

*Dmb
 25/7*

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

18 July 1984

Dear Secretary of State,

DRAFT RESPONSE TO SELECT COMMITTEE ON EDUCATION, SCIENCE AND THE ARTS ON GLC/MCC ABOLITION

You may remember that the Select Committee produced a report on the effect of GLC/MCC abolition on support for the Arts just after my own announcement on 11 April.

We owe the Committee a reply. Since there is not very much more to say, I think it better to send a letter to William van Straubenzee as Chairman of the Committee, rather than issue a further White Paper.

... I attach the draft of a letter. It incorporates three new decisions:

- (a) to turn the Merseyside Museum and Art Gallery Service into a statutory grant-aided body;
- (b) to fund the existing charitable trust for the Greater Manchester Museum of Science and Industry Directly via grant-in-aid;
- (c) to transfer responsibility for the London historic house museums (Kenwood, Marble Hill House and Rangers House) to the Historic Buildings and Monuments Commission.

have requested

I wrote to you about the first and second of these on 27 June, and the Prime Minister has indicated her provisional approval; the third has been discussed and agree with your officials.

I should like if possible to write to the Chairman before Parliament rises, and should be grateful if you could let me know whether you are content with the draft reply by 24 July.

Copies of this letter, with the same invitation, go to the Prime Minister, Willie Whitelaw, Quintin Hailsham, Peter Rees, Keith Joseph, George Younger, Nicholas Edwards, John Biffen and Sir Robert Armstrong.

Yours sincerely,

Mary Bowne (authorised by
Lord Gowrie and signed on
his behalf).

LORD GOWRIE

DRAFT LETTER FROM THE MINISTER FOR THE ARTS TO
THE CHAIRMAN OF THE SELECT COMMITTEE ON EDUCATION,
SCIENCE AND THE ARTS

I have carefully considered the recommendations of the First Report of the Select Committee on Education, Science and the Arts on the Effect of the Abolition of the Greater London Council and Metropolitan Counties upon Support for the Arts; and I am now writing to let you know the Government's response.

2. In addition to the Committee's own recommendations, some 600 representations were received from arts bodies, local authorities and Members of both Houses, following the publication in October 1983 of the Government's Consultative Document on this matter. These representations revealed two main areas of public concern. The first was the undesirability of linking museums and galleries with national institutions; the second was the prospect that the cost of replacing GLC and MCC support for the many regional arts activities which were located mainly in inner areas, would prove too great a burden for the district and borough councils directly concerned. The Government has sought to respond positively to these concerns.

THE OBJECTIVES

3. In its evidence to the Select Committee the Government again made clear its intention that the arrangements for public support for the arts in the GLC and MCC areas, after reorganisation, should permit the continuation of existing public expenditure plans in the field.

4. The Committee evidently shares this general approach, and I am glad that many of its comments and detailed

recommendations are broadly in line with the Government's thinking as set out in the announcement which I made on 11 April 1984 (a copy of that announcement is attached for ease of reference). There are, however, some differences between the Committee and the Government: some of these are matters of emphasis or scale, while others concern questions of practicability or the choice of appropriate machinery for achieving the objectives.

GENERAL AREAS OF BROAD AGREEMENT

5. I welcome the emphasis which the Committee have given to funding by the successor borough and district councils of essentially local and sub-regional arts facilities and activities; and I have also noted with satisfaction a similar emphasis in the Arts Council's recent Strategy Document for the 1980s, "The Glory of the Garden". I endorse much of what the Committee says about an enhanced role for the Regional Arts Associations and the value of "challenge grants" in stimulating local authority and private contributions - aspects again reflected in "The Glory of the Garden". We are also substantially in accord on the questions of providing extra central funding for the national companies and other major arts and museum bodies of national or international standing directly affected by the abolition of the GLC and MCCs; and, in the case of the performing arts, on doing so by an addition to the Arts Council's resources without reference to a "national list" of identified recipients.

ARRANGEMENTS ANNOUNCED BY GOVERNMENT

6. These points are accordingly reflected in my 11 April announcement of additional central funding of £34 million in 1986-87, and equivalent sums in

later years. In describing below how I envisage this money will be disbursed in each sector, I will deal also with the Committee's more detailed recommendations in these respects.

THE PERFORMING ARTS

7. £16 million is to be made available to the Arts Council of Great Britain to enable it to look after the needs of the bodies identified in the Consultative Document, including the South Bank, and other major performing bodies at present receiving grants from the GLC and Metropolitan Counties. There will be no national list of named bodies selected for this treatment. Instead, it will be for the Arts Council to decide, in consultation with such other bodies as it thinks fit, on the individual allocation of these funds, whether directly to the arts bodies concerned, or through the Regional and Greater London Arts Associations. The Government expects, however, that in order to ease the transition most of the £16 million will be spent, at least for the first few years, in the GLC and MCC areas. £1 million will similarly be provided to the British Film Institute for the support of film activities at present assisted by the GLC and Metropolitan Counties.

MUSEUMS AND GALLERIES

8. £17 million will be provided to meet the costs of the major museums and galleries. Unlike the performing arts, there is in the museums field at present no legally incorporated body with the power to make grants to museums and galleries. Discussions are in hand with the Museums and Galleries Commission on the preparation of a charter for that purpose, and also on its future

staffing needs, so that it may be able to play a part in the channelling of funds as appropriate.

9. The patterns of funding will necessarily differ between the museums and galleries affected, according to their particular circumstances, and in some cases the details have yet to be settled. I envisage that the Museums and Galleries Commission would, for example, be the channel for the recurrent central funding which I have announced will be made available to encourage the continuation of integrated local museum services through voluntary cooperation between (and largely financed by) successor district councils. It will be for those councils to decide whether to establish trust bodies for this purpose, as the Committee has recommended; the Office of Arts and Libraries and the Commission will be ready to advise them.

10. For the Manchester Museum and Whitworth Art Gallery, the University Grants Committee will make available via its grant to Manchester University sums equivalent to the present Greater Manchester Council's partial grants. The University will in turn be expected to channel these sums to the Museum and Gallery. For the first three years, the appropriate sums will be "earmarked" for the Gallery; thereafter allocation will be a matter for the university. This will be in line with the funding of other university museums. For the Greater Manchester Museum of Science and Industry, already constituted as an independent charitable Trust and wholly financed by the metropolitan county council, central funding will be provided as a grant-in-aid directly from the Office of Arts and Libraries. Appropriate adjustments will be sought to the Deed of Trust to reflect the change in the source of funding. For Merseyside, a statutory body corporate will be established, covering both the Museum

and Art Gallery Services, and broadly similar to existing national trustee museum bodies. It will be financed by grant-in-aid and thus be accountable to the Minister and Parliament. This reflects the Government's view that the Museum and Art Gallery Service on Merseyside is of a scale and character that merits such a status; and that significant local funding contributions, which the Committee had envisaged, are unlikely to be forthcoming.

11. I am particularly conscious of the careful thought that the Committee has given to the position of London's Museums and Galleries. I have already announced that arrangements will be made for the central funding of the London Historic House Museums (Kenwood, Marble Hill House, and Ranger's House): these, together with the GLC's Historic Buildings Division, will become the responsibility of the Historic Buildings and Monuments Commission, with appropriate financial arrangements. This is partly in line with the Committee's thinking; but it also embodies the Government's view that responsibility for these houses and for the Historic Buildings Division with which they are closely connected should go together, and that their scale is too small to justify separate trustee status and direct financing. In the case of the Museum of London, funding will as previously announced be shared between the Government and the Corporation of the City of London; the precise apportionment is under consideration. I have been impressed by the weight of representation in favour of maintaining the strong existing links between the Geffrye and Horniman Museums with the educational world, and I welcome the Committee's support of this principle. I have however come to the conclusion that this will be best achieved by devolving responsibility for these two institutions to the successor body to the

ILEA. I believe that the objections voiced during the consultations to the original proposal to link them to national trustee museums apply with equal force to the Committee's suggestion of a link with the Museum of London.

12. Some details of the funding arrangements for museums remain to be settled in discussion with the Museums and Galleries Commission and with other interested bodies. The Government will especially welcome the contribution of the Commission to any decisions that may be required in the near future to deal with any problems confronting individual institutions and to safeguard their longer term interests. Indeed, looking further ahead in the light of the Committee's own observations, I envisage an enhanced role for the Commission in relation both to the institutions directly affected by abolition and more widely in the museum field generally. I will be exploring possibilities with the Commission in the months ahead.

THE SOUTH BANK

13. I have, naturally, given very careful consideration to the Committee's recommendations concerning the future of the South Bank complex, the effect of which would be contrary to the Government's original proposals that the complex should be administered and funded as a single unit by an independent Board of Management, answerable to the Arts Council of Great Britain (ACGB).

14. The Royal Festival Hall and the associated concert halls on the South Bank are at present owned and operated by the GLC, which also owns the freehold of the adjacent buildings occupied by the National Theatre, the Hayward Gallery and the National Film Theatre. I have not been persuaded that it would be right to divide the complex

by transferring the freeholds to the constituent bodies, leaving only the concert halls to be managed by the ACGB or a Trust as suggested by the Committee.

15. The South Bank as a whole is a focus for a wide range of major arts activities and constitutes a recognised international venue, which benefits all those associated with it. It thus already has the character of a national arts centre, and I attach importance to developing it further in this way. It is, in the Government's view, essential to establish a satisfactory administrative framework for the future of the complex within which those developments can take place. The Government, therefore, sees no reason to alter its original proposal to transfer all these assets from the GLC to the ACGB, a proposal welcomed in principle by the latter. The OAL and the ACGB have now begun consideration of new management structures for the South Bank as a whole, which at the same time should safeguard the future position of constituent bodies such as the British Film Institute and the National Theatre.

OTHER MATTERS

16. I have noted the Committee's recommendation that the historic theatres at present owned by the GLC should be transferred to the Theatres Trust. I am aware that discussions are already under way between the GLC and the Theatres Trust to accomplish such a transfer. Provided that satisfactory financial and legal arrangements can be made, I would welcome such an outcome.

17. The Committee made a number of recommendations about the introduction of arts grants to successor authorities in the GLC and MCC areas; the imposition

of a statutory duty on those authorities to have regard to the spending levels and provision for arts responsibilities they inherit from upper tier authorities; and the refinement of grant-related expenditure assessments for the arts. On the first of these, the Government's view is that the announced central funding together with developments such as the Arts Council's regional strategy make it unnecessary to contemplate a scheme of specific grants to local authorities for arts purposes. Removal of the cost of major arts bodies from the successor authorities will leave them better placed to support essentially local activities or new initiatives. The proposal for a statutory duty should likewise be unnecessary; and it would be unworkable in the form put forward by the Committee, since the previous spending levels and broad patterns of provision would be hard to define in the naturally changing circumstances of the arts, and a requirement simply to "have regard" would be ineffective. Underlying its reaction to both these recommendations, moreover, is the Government's belief that the vitality of the arts will be better served if, apart from the major regional bodies already discussed, decisions on which local activities to fund and on what scale are taken at local level and not imposed from above. On the third recommendation, however, the Government will consider whether it is practicable to introduce greater clarity into the presentation of its public expenditure plans for the various sectors of local arts spending, and to refine the methodology of the grant-related expenditure assessments for the distribution of Rate Support Grant. As the Committee was told in evidence, grant distribution arrangements will in any event need to be adjusted when the upper tier's functions are transferred, and we are taking the opportunity to review the GRE methodologies for the arts. We hope to make progress on these matters

during the coming months, though it is important to bear in mind both the practical limitations in devising workable methodologies which equitably reflect objective needs to spend on the arts locally, and the fact that the arts form a relatively small proportion of total local authority expenditure and the Rate Support Grant is itself a block grant not earmarked for particular services. Greater refinement in RSG arrangements may not, therefore, necessarily lead to different patterns or levels of local arts spending.

CONCLUSION

18. In conclusion, I believe that after a long period of consultation and careful consideration of the mass of detailed evidence submitted by interested bodies and individuals on the funding of the Arts, to which the Select Committee has made an important contribution, a firm funding basis has been decided on by the Government which will allow the continuation of the high standards achieved over the years by the many forms of arts activities flourishing in this country. It is not the wish of the Government to bring about a rigid centralisation of funding or control of artistic activity. On the contrary we look for an appropriate balance of support, both public, and private and commercial, for their continuing development; and a flexible framework for channelling central funds which, in the words used by the Arts Council's Chairman to describe the Council's future policy, will encourage and respond to local initiative in helping to create new institutions and to strengthen old ones.

and of the other major performing bodies at present receiving grants from the GLC and Metropolitan Counties.

While individual funding decisions will be a matter for the Arts Council, the Government will expect that, in order to ease the transition, most of the £16 million will be spent in the GLC/MCC areas, at least for the first few years.

The arrangements originally proposed for the South Bank remain unchanged; the Government will make over the site and its buildings to the Arts Council for the complex to be administered as a single entity. Further discussions on the details will be held with the Arts Council and the bodies concerned.

£1 million will be provided to the British Film Institute for the support of film activities at present assisted by the GLC and Metropolitan Counties.

£17 million will be provided to meet the costs of the major museums and art galleries. The revised arrangements will be as follows:

- a. As originally proposed, the funding of the Museum of London will be shared between the Government and the Corporation of the City of London;
- b. The Geffrye and Horniman Museums will devolve to the successor body to ILEA;

- c. It is proposed that an amount equivalent to the present Greater Manchester Council's contributions to the Manchester Museum and the Whitworth Art Gallery should be channelled through the University Grants Committee and the University of Manchester;
- d. There will be central funding for the Greater Manchester Museum of Science and Industry; the London Historic House Museums - Kenwood, Marble Hill House and Rangers House; and for the Merseyside County Museum Service, the Walker Art Gallery and its outstations.
- e. For the other Metropolitan Counties such as Tyne and Wear, the Government hope that the district councils will co-operate to keep an integrated museum service where this has been established. In order to assist in this, some central funds will be made available.

Apart from (a), (b) and (c) above, where specific arrangements have been indicated, precise methods of funding will be discussed with the Museums and Galleries Commission and the parties concerned in the light of such views as may be expressed in the forthcoming Report of the Select Committee on Education, Science and the Arts.

The expenditure consequences will be contained within the Government's published plans for total public expenditure.

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20 JUL 1984

WRITTEN ANSWERS
11 APRIL 1984

Lord VAIZEY to ask Her Majesty's Government:

Whether the Government has yet decided on the arrangements for the future funding of the Arts following the abolition of the GLC and Metropolitan County Councils.

The EARL of GOWRIE:

The Government have taken decisions on the Arts which modify and extend the original proposals as set out in the White Paper "Streamlining the Cities" (Cmnd 9063) and detailed in its consultation paper published simultaneously last October.

The original proposals were to fund nine performing bodies centrally; to attach five major museums and art galleries to appropriate national institutions; to transfer the South Bank complex to the Arts Council; and to leave the remaining arts activities to be supported by the borough or district councils, either singly or in co-operation.

I have received over 600 representations on these proposals from arts bodies, local authorities and hon Members. Two main anxieties were expressed, and the Government have decided to meet them both. The first was the undesirability of linking museums and galleries with national institutions. This will not now be pursued. The second related to the large number of arts activities which are important to the life of their regions and are mostly located

in inner city areas. The view was strongly expressed that the cost of replacing GLC and Metropolitan County support for such activities would prove too great a burden for the district or borough councils concerned. The Government accepts that there is some substance in this.

I remain convinced of the value and importance of local funding. Boroughs and districts will be expected to make their contribution. This applies particularly to local activities within their own boundaries, but some will wish to go further. A lively arts environment brings economic as well as social and cultural benefits to the community, and each tier of government should recognise this with an appropriate level of support. However, the concentration within the Metropolitan areas of arts institutions of wider significance calls for special measures going beyond those announced in the White Paper.

The Government will therefore make available £34 million in additional central funding in 1986-7, and equivalent sums in later years, to be used in England in the following ways.

£16 million will be made available to the Arts Council. This will enable the Arts Council to look after the needs of the bodies identified in the consultation paper, including the South Bank,

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MR TURNBULL

18 July 1984

RATE-CAPPING AND THE RSG SETTLEMENT 1985/86

Ministers need to decide:

- (i) which authorities should be selected for rate-capping, and how the 'capping' should be operated;
- (ii) what levels of target and holdback should be set for local authority spending.

RATE CAPPING

1. Brent, Merseyside and Sheffield

As a result of accounting manoeuvres, Brent, Merseyside and Sheffield will suffer huge rate increases even if they are 'capped'. This will be very difficult to explain to the public: many will conclude that our rates legislation is a failure.

E(LA) concluded that this danger was less worrying than the yet larger rate increases which would occur if Brent, Merseyside and Sheffield were not 'capped'. Ministers also feared that it would be difficult to explain the exclusion of these extravagant authorities from the list. E(LA) therefore decided that they should be rate-capped.

We disagree. We believe that the Government would do better to incur the wrath of its own supporters for failing to 'cap' these extravagant authorities. This, at least, will be pressure in the right direction - and Ministers can always promise to 'cap' these councils the following year, by which time the perverse effects of their creative accounting will have worn off.

We therefore recommend that the Prime Minister should press colleagues to choose criteria for rate-capping that will exclude Brent, Merseyside and Sheffield this year in the expectation that these authorities will be 'capped' the following year.

2. Portsmouth

The Government will have political trouble if Portsmouth is 'capped'. But the whole policy will be ruined if it is not 'capped', for two reasons:

- (i) It is not possible to devise general criteria that

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DAUAAR

exclude Portsmouth without also excluding other authorities such as Haringey and Thamesdown. If these exclusions are added to Brent, Sheffield and Merseyside, we shall be left with only 11 'capped' authorities: too few to make a real impact.

- (ii) If the Government chooses criteria that exclude Portsmouth, it will be immediately apparent that the lists have been 'fiddled', because the wildly extravagant Haringey will also have to be excluded. Commentators will see that we have chosen figures specially designed to exempt Portsmouth, which will bring the policy into disrepute.

These are compelling reasons for including Portsmouth in the list of capped authorities, despite the political trouble that this will cause. And the political dangers can be overrated: we are reliably informed by David Smith at Central Office, (who was present throughout the by-election), that neither Norman Tebbit nor Patrick Rock ever committed the Government in any way to excluding Portsmouth. (The attached press cuttings bear this out.)

We therefore recommend that the Prime Minister should agree with E(LA) that Portsmouth should be included in the list of 'capped' authorities.

3. The GLC and ILEA

E(LA) has decided that the GLC and ILEA should be able to reduce their expenditure in 1985/6 by 1.5% in cash terms, or about 6% in real terms. This sounds right. GLC spending will be up by over 15% and ILEA by over 8% this year: they can therefore achieve significant reductions next year. (Because general principles have to be applied, action on the GLC and ILEA will have to be accompanied by similar action on the equally extravagant borough of Greenwich. This, too, should cause no problems.)

We therefore recommend that the Prime Minister should welcome E(LA)'s decision to impose especially tough expenditure limits on the GLC, ILEA and Greenwich

4. General Level of Expenditure Limits

Apart from the special cases of the GLC and ILEA, the E(LA) proposal is to set expenditure limits on 'capped' authorities that will force them to spend no more cash in 1985/6 than in 1984/5 once allowance is made for NIS

adjustments. The 'capped' councils will, in other words, have to reduce spending by about 4½% in real terms. This seems thoroughly reasonable.

We recommend that the Prime Minister should accept E(LA)'s proposed expenditure limits for 'capped' authorities other than the GLC, ILEA and Greenwich.

RSG SETTLEMENT: TARGETS AND HOLDBACK

Lord Whitelaw has, by a near-miracle, cajoled E(LA) into producing a thoroughly acceptable settlement. The essential features of the proposals are that:

- i. total ^{cash} provision for local authority current spending next year (allowing for NIS adjustments etc) will be 1.3% greater than current spending this year;
- ii. unprecedentedly tough penalties for overspending, combined with rate-capping for the most extravagant authorities, may keep actual spending much closer to our plans than in previous years;
- iii. shire counties that spend well below GRE will be given higher targets, allowing them to increase spending in line with inflation;
- iv. the Exchequer will in theory bear a smaller proportion of total spending than last year; though if councils keep to their targets because of tough penalties, the Exchequer will end up spending slightly more ^{money} than this year.

In other words, the settlement will probably achieve a real-terms cut in local authority spending and keep down the taxpayer's contribution without renegeing on Ministers' commitments to the shire counties. (Examples of effects on particular authorities are attached at Annex A).

We recommend that the Prime Minister should unhesitatingly accept this settlement, and that she should warmly congratulate Lord Whitelaw on a remarkable achievement.

Our one reservation is about the size of the 'unallocated margin'. This apparently technical problem will in fact be presentationally important.

Each authority's GRE equals the total amount allocated to its various services; the GRE takes no account of the

'unallocated amount' which the authority is in practice expected to spend.

In E(LA)'s proposed settlement, less money is left unallocated than this year. This means higher GREs all round. The shires, whose targets are now below GRE, will find their GREs rising sharply. As a result, their new (more generous) targets will still be below GRE, and they will complain vociferously.

The answer is to increase the unallocated margin. This manoeuvre will have no effect on actual expenditure, since local authorities attend only to their overall targets and pay no attention to the government's planned 'service distributions'. The presentational disadvantage of reducing apparent allocations for particular services will be more than outweighed by the advantage of avoiding an outcry from the shires.

We therefore recommend that the Prime Minister should urge Cabinet to press for a larger unallocated margin as the Chief Secretary would prefer.

SUMMARY

A. Rate Capping

We believe that the Cabinet should decide to:

1. exclude Brent, Merseyside and Sheffield from rate-capping this year, with the intention of including them next year;
2. include Portsmouth;
3. set especially tough expenditure limits for the GLC and ILEA;
4. set limits for selected authorities other than the GLC and ILEA at a cash standstill on 1984/5 budgets.

B. RSG Settlement

We believe that the Cabinet should:

1. in general, accept E(LA)'s ingenious settlement;
2. but express strong reservations about E(LA)'s proposed reduction of the 'unallocated margin'.

OLIVER LETWIN

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ANNEX A

E(LA)'s PROPOSED RSG SETTLEMENT FOR 1985/6: EFFECTS ON PARTICULAR LOCAL AUTHORITIES

The GLC will receive no grant; it will have to reduce its cash spending by 1.5%; and its rates should go down substantially.

Liverpool will be given a target that allows it to increase its cash spending by 0.5%. If it meets this target, it will receive £5 million more grant in 1985/6 than in 1984/5; and it should be able to reduce its rates by about 5%.

Barnet will be given a target that allows it to increase its cash spending by 3.64%. If it meets this target, it will receive about £2 million less grant in 1985/6 than in 1984/5 (because it suffered very little grant holdback this year); and it will have to fund the increased spending by raising its rates by about 5 or 6%.

Cambridgeshire will be given a target that allows it to increase its cash spending by 4.25%. If it meets this target, it will receive £1 million more grant in 1985/6 than in 1984/5; and it will have to fund the increased spending by raising its rates by about 4 or 5%.

ABOLITION OF THE GLC AND MCCs: PRESENTATION

Patrick Jenkin's minute is welcome: at last the government is thinking about the steps needed to improve its presentation of the abolition policy.

As Patrick Jenkin says, all the options are hazardous. Using public funds to mount a propaganda campaign will lead to accusations of impropriety. But taking powers to prohibit or censor GLC/MCC propaganda could be regarded as dictatorial.

We therefore accept that the government should confine its role to the provision of public information about abolition.

Nevertheless, the Prime Minister should recognise that this campaign will be inhibited by fears of over-stepping the mark, and will not by itself succeed in countering the other side's daring and clever propaganda. Patrick's campaign should therefore be supplemented by some or all of:

- i. an effective campaign by Conservative Central Office to alert the public to the activities of the hard-left in local authorities and to show that the opponents of abolition have quite another axe to grind;
- ii. a programme of speeches by Cabinet Ministers, junior Ministers and backbenchers coordinated by Lord Whitelaw;
- iii. a privately funded pro-abolition campaign, which has no connection with the government or the Conservative Party; (we have hopes that such a campaign may shortly be started, and will be discussing this with DoE Ministers in the near future);
- iv. a court case, in which a private individual takes the GLC and MCCs to court for misuse of ratepayers' money; (it would not matter if the case were lost; what counts is the publicity).

If Patrick Jenkin's efforts are supplemented in these ways, there is a real chance that the government will at last regain the initiative in presenting the abolition policy.

Oliver Letwin

OLIVER LETWIN

cc Press
cc TF.

ENGLAND

LOCAL AUTHORITY CAPITAL EXPENDITURE - ORAL STATEMENT FOR 13
JULY 1984

1. WITH PERMISSION, MR SPEAKER, I SHOULD LIKE TO MAKE A STATEMENT ON LOCAL AUTHORITY CAPITAL EXPENDITURE IN ENGLAND. MY HON FRIEND THE PARLIAMENTARY UNDER SECRETARY OF STATE FOR WALES WILL MAKE A SEPARATE STATEMENT AFTERWARDS.

2. LOCAL AUTHORITY CAPITAL EXPENDITURE, LIKE CAPITAL SPENDING BY CENTRAL GOVERNMENT DEPARTMENTS, IS SUBJECT TO A NATIONAL CASH LIMIT.

3. FOR LAST YEAR, 1983/84, LOCAL AUTHORITY RETURNS SUGGEST THAT THE CASH LIMIT WAS OVERSPENT BY AROUND 13%, THAT IS ABOUT £368m.

4. NORMALLY, AN EXCESS OVER THE CASH LIMIT WOULD BE DEDUCTED FROM THE RESOURCES AVAILABLE IN THE FOLLOWING YEAR. IN THIS CASE THE OVERSPEND WILL BE TAKEN INTO ACCOUNT WHEN SETTING THE LIMIT FOR 1985/86.

5. ALTHOUGH WE ARE ONLY 3½ MONTHS INTO THIS FINANCIAL YEAR, RETURNS FROM LOCAL AUTHORITIES SUGGEST THAT THE OVERSPEND WILL BE AT LEAST AS HIGH AS LAST YEAR'S; AND IT COULD WELL BE HIGHER.

6. THE ANTICIPATED OVERSPENDING ARISES BECAUSE EACH LOCAL AUTHORITY IS FREE TO SPEND FOR CAPITAL PURPOSES IN ANY YEAR THE SUM OF ITS ALLOCATIONS PLUS THE PRESCRIBED PROPORTION OF THE CAPITAL RECEIPTS ARISING IN THE CURRENT YEAR OR IN PREVIOUS YEARS. MANY AUTHORITIES HAVE SUBSTANTIAL UNSPENT CAPITAL RECEIPTS FROM PREVIOUS YEARS; THE HOUSE WILL REMEMBER THAT IN 1981/82 AND IN 1982/83 LOCAL AUTHORITIES UNDERSPENT THE RESOURCES AVAILABLE TO THEM. THE ABILITY TO SPEND RECEIPTS ACCUMULATED FROM PREVIOUS YEARS, AND OTHER ELEMENTS OF FLEXIBILITY IN THE CAPITAL CONTROL SYSTEM, MEAN THAT THE AGGREGATE OF ALL AUTHORITIES' CAPITAL EXPENDITURE CAN EXCEED THE NATIONAL CASH LIMIT ALLOWED FOR IN THE PUBLIC EXPENDITURE WHITE PAPER WITHOUT ANY INDIVIDUAL AUTHORITY EXCEEDING IT OWN CAPITAL PROVISION.

7. LOCAL AUTHORITY CAPITAL SPENDING MAKES A VALUABLE CONTRIBUTION TO THE DEVELOPMENT OF THE COUNTRY'S INFRASTRUCTURE. IT IS AN IMPORTANT PART OF THE WORKLOAD OF THE CONSTRUCTION INDUSTRY.

8. NEVERTHELESS THE GOVERNMENT MUST TAKE STEPS TO DEAL WITH THE PROSPECTIVE OVERSPEND. ON THE BASIS OF PRESENT INFORMATION I BELIEVE THAT IT WOULD BE WRONG TO ASK FOR A COMPLETE HALT TO ALL NEW CAPITAL SPENDING COMMITMENTS THIS YEAR. INSTEAD, AFTER DISCUSSIONS WITH THE LOCAL AUTHORITY ASSOCIATIONS YESTERDAY, I AM ASKING AUTHORITIES TO CO-OPERATE BY RESTRAINING THEIR CAPITAL SPENDING THIS YEAR TO THE LEVEL OF THE CAPITAL ALLOCATIONS MADE TO THEM FOR THIS YEAR PLUS THE PRESCRIBED PROPORTION OF NEW CAPITAL RECEIPTS ARISING THIS YEAR. IF THEY ARE ALREADY COMMITTED BY CONTRACT TO EXPENDITURE HIGHER THAN THAT, THEY OUGHT TO ENTER INTO NO FURTHER COMMITMENTS AT THIS STAGE.

9. THIS ARRANGEMENT LEAVES EVERY AUTHORITY WITH THE INCENTIVE TO CONTINUE TO MAKE SALES AND SO TO ADD TO THE PRESCRIBED PROPORTION OF RECEIPTS WHICH THEY WILL BE FREE TO SPEND. IN THIS WAY THEY CAN SPEND WITHOUT ADDING TO NET PUBLIC EXPENDITURE. PROVIDED WE HAVE THE CO-OPERATION OF LOCAL AUTHORITIES THIS WILL BE AN EFFECTIVE MEANS OF RESTRAINING EXPENDITURE WITH THE MINIMUM OF DISRUPTION. CAPITAL SPENDING WILL BE MONITORED IN THE COMING MONTHS; I SHALL BE KEEPING THE POSITION UNDER CLOSE REVIEW.

10. THE ARRANGEMENTS WHICH I HAVE ANNOUNCED REST ON THE VOLUNTARY CO-OPERATION OF LOCAL AUTHORITIES. HOWEVER, FOR 1985/86, I SHALL HAVE REGARD TO THE EXTENT TO WHICH AUTHORITIES HAVE RESPONDED TO MY REQUEST. IF NECESSARY I SHALL USE MY STATUTORY POWERS TO REDUCE THE TOTAL EXPENDITURE WHICH LOCAL AUTHORITIES COLLECTIVELY OR INDIVIDUALLY MAY INCUR IN THAT YEAR. I HOPE THAT THIS WILL NOT BE NECESSARY.

11. MR SPEAKER, THE GOVERNMENT IS COMMITTED TO FIRM CONTROL OF PUBLIC EXPENDITURE, LOWER GOVERNMENT BORROWING AND A PROPER MONETARY DISCIPLINE. CASH LIMITS ARE PART OF THAT DISCIPLINE. MY PROPOSALS ARE INTENDED TO HOLD EXPENDITURE IN LINE WITH THE CASH LIMIT, WHILE ALLOWING AUTHORITIES, PARTICULARLY IF THEY CAN INCREASE THEIR SALES OF ASSETS, A MEASURE OF FLEXIBILITY THIS YEAR.

①
PRIME MINISTER

ABOLITION OF GLC AND MCCs: PRESENTATION

Mr. Jenkin has examined controls on GLC/MCC advertising and concludes that the Government's ability to control it is limited. He suggests instead going on to the offensive in presenting the Government's case and has re-submitted the proposal for paid advertising and advice which you rejected earlier. Bernard has commented that the role of paid publicity should be examined in relation to the Rate Capping Bill though he is sceptical about its utility. He suggests that it is not sensible or reasonable to consider paid publicity in relation to the Paving Bill. Examination of the Government's publicity effort needs also to take in capital expenditure and the RSG as well as the White Paper on the allocation of functions following abolition which is scheduled for next week and about which Lord Whitelaw has reservations.

Bernard suggests the entire issue should be referred to Lord Whitehlaw for examination and decision. Agree? *Yes mt*

Agree also the change of emphasis suggested by Mr. Jenkin?

AS

18 July 1984

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CCNO
NBFM AF 18/7
QUEEN ANNE'S GATE LONDON SW1H 9AT

18 July 1984

LOCAL AUTHORITY EXPENDITURE CONTROLS AND FIRE SERVICE RESOURCES

I have seen your letter of 26 June to Patrick Jenkin about ELs for the GLC and ILEA. As you know, Patrick later wrote to me on 9 July commenting on my letter of 19 June to you about fire service resources.

I do not disagree with you that a stringent regime should be set for the GLC. By the same token I accept that no service, including the fire service, can be exempt from the search for economies. On the other hand, to further our cause effectively, we must be realistic. It would therefore be wholly counter-productive to rely on the difference between any fire authority's budgeted expenditure and the relevant component of its GRE. My Private Secretary pointed this out in the exchange to which you refer, and my letter of 19 June to you went fully into the background inter alia on this very point. It follows that the implication that the GLC might reasonably be expected to cut their fire budget by 24% in one year has no objective basis. Citing the possibility in public would be severely damaging not only to the credibility of rate-capping but also to that of the abolition strategy. It would mean reducing fire cover standards and closing fire stations to an extent that could only confirm the alarmist and irresponsible GLC propaganda we have been at such pains to discount.

Without wishing to prejudice the outcome of the study of fire cover in any way, I have to express some scepticism about whether GREs can be pressed into service for single purpose authorities quite in the way that is being assumed. GREs were designed for allocative rather than indicative purposes, and close examination in the context of local government reorganisation may show that we cannot continue to press into service old concepts in a new environment. There is a danger both of confusion and distortion. Evidence of the latter is, I think, already available in the tendency abroad to assume that spending above a particular GRE component is a sure indication of scope for saving.

I am copying this letter to the Prime Minister, Lord Whitelaw, members of E(LA) and Sir Robert Armstrong.

Leon B. ...

The Rt Hon Peter Rees, QC, MP

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local govt relats pt 21

18 JUL 1984



①
PRIME MINISTER

LOCAL AUTHORITY CAPITAL EXPENDITURE

Mr. Jenkins' statement is too long and too apologetic. It devotes too much time to explaining and hence implicitly condoning the local authorities' overspend and is not robust enough in projecting what the Government is doing. The Chief Secretary is talking to Mr. Jenkin about this tonight.

In particular the Chief Secretary will be seeking:

- i) Deletion of paragraph 2 which gives a flavour of a mini budget;
- ii) Dropping the suggestion in paragraphs 4 and 5 that last year's overspend will not be clawed back;
- iii) Deletion of paragraph 8;
- iv) Amendment of paragraph 9 to emphasise what the Government is doing, not what it is not doing.
- v) Amendment of the end of paragraph 12 to put greater emphasis on the need to keep to the cash limit.

In my view paragraph 7 could also go, as it appears to exonerate the local authorities.

Agree to await the outcome of the discussions between the Chief Secretary and Mr. Jenkin?

If there is still disagreement between them agree I record your view that the statement should be shorter and more positive?

M
AT

17 July 1984

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2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

17 July 1984

Dear John

LOCAL AUTHORITY CAPITAL EXPENDITURE

At the meeting yesterday between the Chief Secretary, the Secretary of State for Wales, my Secretary of State and the Minister for Housing, the outstanding points from the discussion at E(A) meeting on 10 July in respect of action to curb overspending in 1984/85 were resolved.

I now attach a draft of an oral statement reflecting that discussion which Mr Jenkin would propose to make in the House tomorrow.

I should be grateful for any urgent comments you may have on the draft.

I am copying this letter to the private secretaries to the Prime Minister, members of E(A) Committee, the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Chief Whip and the Captain of the Gentlemen at Arms and Sir Robert Armstrong.

Yours ever

Alan Davis

ALAN DAVIS
Private Secretary

DRAFT

LOCAL AUTHORITY CAPITAL EXPENDITURE - DRAFT ORAL STATEMENT FOR
18 JULY 1984

1. With permission, Mr Speaker, I should like to make a statement on local authority capital expenditure in England. My hon Friend, the Parliamentary Under Secretary of State for Wales, will make a separate oral statement afterwards.

2. On the Third Reading of the Finance Bill on 13 July (official report ^{col} 1401) ⁿ my Rt Hon Friend the Chancellor of the Exchequer said:

8 "The Government have a clear and consistent strategy based on firm control of public expenditure, lower Government borrowing and a proper monetary discipline".

3. Local authority capital expenditure, like capital spending by central Government Departments, is subject to a national cash limit. It is now clear that that cash limit was exceeded last year, and is likely to be exceeded again this year. The Government must therefore ask local authorities to ^{take steps} to deal with the overspend. This is necessary because any excess over the cash limit feeds through into additional local authority borrowing. This increases the local authority borrowing requirement which in turn is a significant element in the public sector borrowing requirement.

4. I deal first with last year, 1983/84. Local authority returns suggest that the cash limit for that year was overspent by around 13%, that is about £368m. Part of the explanation for this overspending lies in the successful campaign to boost home improvement grants, announced by the then Chancellor of the Exchequer in his Budget speech in 1982 and later extended to 1983/84. I estimate that the amount of extra expenditure on

home improvement grants generated by that initiative was about £400m, that is, more than the sum by which local authority capital expenditure exceeded the 1983/84 cash limit.

5. Normally, an excess over the cash limit would be deducted from the resources available in the following year. Such a procedure would clearly be inappropriate in this case.

6. For the current year, 1984/85, returns from local authorities indicate that the national cash limit will again be overspent. Although, at this point in the year, the extent of the excess is uncertain, the returns suggest that the overspend will be at least as great as last year's; it could be substantially higher.

7. The anticipated overspending arises because each local authority is free to spend for capital purposes in any year the sum of its allocations plus the prescribed proportion of the capital receipts arising in the year or in previous years. Many authorities have substantial unspent capital receipts from previous years; the House will remember that in 1981/82 and in 1982/83 local authorities substantially underspent the resources available to them. The ability to spend receipts accumulated from previous years, and other elements of flexibility in the capital control system, mean that the aggregate of all authorities' capital expenditure can exceed the national cash limit allowed for in the Public Expenditure White Paper (Cmd 9143), without any individual authority exceeding its capital provision.

8. Local authority capital spending makes a valuable contribution to the development of the country's infrastructure. It is an important part of the workload of the construction industry. To the extent that local authorities are selling assets and spending the proceeds on worthwhile capital projects, that is something which the Government has encouraged and will continue to encourage.

9. For these reasons, I have decided that it would be wrong to impose a moratorium on all new capital spending commitments this year. That would be very disruptive of local authorities' capital programmes and the effect would spill over into future years.

10. Instead, after talking to the local authority associations yesterday, I am asking authorities to co-operate by restraining their capital spending this year to the level indicated by the capital allocations made to them for the year plus the prescribed proportion of new capital receipts arising in the year. If they are already contractually committed to expenditure higher than that, then the limit will be the level of those commitments. It follows that if an authority's commitments already exceed allocations plus the prescribed proportion of this year's receipts, I have to ask them not to enter into any further contracts, or to incur any other capital expenditure to which they are not contractually committed, from midnight tonight until further notice.

11. This will of course constrain authorities' programmes, but it leaves every authority with the incentive to continue to make sales and so to add to the prescribed proportion of receipts which they will be free to spend. I believe that with local authorities' co-operation, this will be an effective means of restraining expenditure and at the same time will be less disruptive of local authority programmes in the longer term. This request will be reviewed in the light of further figures which I am seeking from the local authorities. I shall then consider whether tighter restraint is needed or, alternatively, whether there is scope for relaxation.

12. Mr Speaker, the arrangements I have announced are necessary in the national interest in order to keep spending and borrowing within general Government guidelines. They rest on the voluntary co-operation of local authorities. I have to say this however. For 1985/86, I shall be bound to have regard to the extent to which authorities, collectively and individually, have responded to my request. If necessary I shall be prepared to use my powers under Part VIII of the Local Government Planning and Land Act 1980 to reduce the total amounts of expenditure which local authorities collectively or individually may incur in that year. I hope that this will not be necessary. I hope that my proposals, which allow authorities a measure of flexibility this year, particularly if they can increase the sales of assets, will succeed in keeping the total close to the national cash limit.

13. At the same time it is clear that the system does not provide effectively for the control, year by year, of the level of aggregate capital expenditure. There *must* be a better way. I intend therefore to review the system in consultation with the local authority associations.



10 DOWNING STREET

BT

Advice please Dept of
Environment have returned
to the proposal to hire
professional advice. You
opposed this earlier; do you
feel the game has changed
sufficiently to warrant a
change in line?

BT

Mr FURNBULL

17/7

I think we can examine the role
of advertising in the late Capping Bill -
or other forms of explanatory paid
publicity. But I am sceptical about
their utility.

I do not think it is sensible or
reasonable to do so with the Paving
Act and we should not waste time
or effort on it.

(PTD)

We need however to look at
the whole problem of effort
again in the background of
capital expenditure and
RSC - and the utility of a
White Paper projected for next
week, about which Lord
Whitelaw has reservations.

I suggest that this entire issue
should be referred to Lord
Brendon by the Prime Minister
for decision, bearing in mind
its wide implications

J. P.

18
7



CC/00?

Prime Minister

ABOLITION OF THE GLC AND MCCs: PRESENTATION

On 6 June I minuted you about taking forward the presentation of our case for the abolition of the GLC and MCCs.

My main proposal was for the publication of a document before the summer recess setting out in detail the new arrangements for the services currently run by the authorities to be abolished. We are nearing completion of that document and intend to publish it next week.

But meanwhile, the propaganda campaigns of the abolition authorities steadily increase. The GLC for example virtually doubled its budget last month to £6 million. I have no doubt that the campaign was a contributory factor in the Lords' opposition to the electoral/transitional council provisions of the Paving Bill. Our supporters, both on the back benches and in local government, see these rate-funded campaigns as party political in effect (though not legally); I am under increasing pressure either to respond in kind or to take steps to curb the councils.

Curbing local authorities' powers to advertise

Many colleagues have expressed the view that we should prohibit 'political' advertising by authorities. I have looked very carefully into this, as I know Michael Heseltine did when he was in this seat. I have reached much the same conclusions as he did.



First, party political advertising is already illegal. What we are facing are campaigns allegedly 'on behalf of the authority' and not on behalf of one party or another. We would need to extend our prohibition beyond 'party political', therefore. But we would not want to prohibit all paid publicity by local authorities, because it helps improve accountability; it is, for example, an important part of the drive to improve value for money that local people should get information about the finances and costs of local authority services. Any new definition would, obviously, have to stand up in the courts. I have not found such a definition. I intend to consult one or two further people who may have ideas, but I have no expectation of finding a workable definition.

Second, it has become apparent that authorities are relying less on their "standard" powers to publicise information (sections 111 and 142 of the 1972 Local Government Act) and are using more and more a range of other powers related to individual services to provide "information" about those services. The GLC 'Working for London' slogan now appears on virtually all their vehicles, for example. We would not stop everything, therefore, even if we did stop the main things done under 111 and 142 - though we might limit the campaign a bit.

Third - and perhaps most important in the present circumstances - an attempt to prohibit advertising which opposed Government policies would, I think, be widely seen as stifling dissent and would attract charges that we were acting dictatorially. For all these reasons I do not think we can pursue this course. Of course, if we started down this road and failed to make our objective stick, we would be much worse off than before.

CONSENT POWERS

It has been suggested that we might take a power of consent whereby my approval would be required before expenditure on



information could be incurred. This would not work. First, any proposal to vet our opponents' campaigning material would be portrayed as Government censorship. Second, hostile abolition authorities would find no difficulty in flooding with trivia any unit set up to sift expenditure proposals. Third, there could be no effective defence against our approving an apparently innocuous item which could then be transformed into virulent propaganda, thus making us look foolish. I can see no case for taking this suggestion any further.

A campaign in reply

I intend to look again however at possible legislative or other changes which might help but this will take time, and we must decide now how to counter rate funded party political propaganda under existing legislation and conventions.

As you know the conventions about what Governments may do by way of paid publicity to promote their policies are tightly drawn. It is a cardinal rule that no money should be spent on such publicity until the policy has the approval of Parliament; and then the presumption has tended to be that the emphasis should be more on providing information or advice than on "selling" the merits of a policy. But the rules did allow my own Department to run a very successful campaign to publicise the Right to Buy provisions of the 1980 Housing Act and we will be running another campaign now that the Housing and Building Control Act is on the statute book.

As you know, in advance of the enactment of any legislation, I established in my Department last autumn a tiny information unit, staffed by civil servants, whose task has been to provide, within the conventions, factual information about the Government's policies, using non-paid means such as Ministerial speeches,



articles in newspapers and journals, and briefings of the press. This was quite effective over rate-capping, where our opponents initially used the same methods. But there is a limit to the effectiveness of such measures in the face of massive campaigns involving full-page advertisements in the national and local press, posters on the prominent hoardings, paid professional lobbyists, organised petitions, letter writing campaigns, widespread leafletting and so on. Now that the Rates Bill has been enacted and the Paving Bill should shortly receive Royal Assent, we must consider whether we should embark on some paid publicity ourselves. It could help to counter the misleading propaganda of our opponents simply by explaining what we are doing and why. Publicity about the Rates Act, for example, could explain the purpose of rate capping and how it will work. Advertisements could be placed in national and local newspapers and perhaps on local radio stations.

Publicity following enactment of the Paving Bill would be more difficult. Under the present rules, it would have to confine itself to Paving Bill issues - the suspension of elections and the extension of councillors' terms of office for a year; and the establishment of the staff commission. But in the public mind the distinction between the Paving Bill and abolition itself is, I think, far from clear. We could be criticised for appearing to argue the case for abolition itself but making a poor fist of it, because we could not do so explicitly. We would have to face that.

There would be unease - and I would share some of it - about pursuing such a course. This is because we have - quite rightly in my view - been openly and repeatedly very critical of the authorities' use of public money to fund their campaigns against the Government. If we were now seen to respond in kind we would be bound to be criticised for behaving in exactly the same way. It may be possible to construct a temperate and



informative campaign in such a way as to minimise criticism of this kind. But I would not be confident that we could avoid it since no campaign would do much good unless it was as professional as, and made comparable impact to, our opponents' campaigns.

It is therefore a matter of balancing what we think might be the benefits of such advertising against the difficulties I have outlined. My own view is that we should go ahead and that we should take professional advice on such a campaign, at least to explain the Rates Act. But I would be grateful to know your and Willie Whitelaw's reaction.

I am copying this minute only to Willie Whitelaw and Sir Robert Armstrong.

PJ

P J

17 July 1984



Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel: 01-233 3000 (Switsfwrdd)
01-233 7448 (Linell Union)

Oddi wrth yr Is-Ysgrifennydd Seneddol

WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel: 01-233 3000 (Switchboard)
01-233 7448 (Direct Line)

From The Parliamentary Under-Secretary

17 July 1984

Dear Private Secretary,

LOCAL GOVERNMENT CAPITAL SPENDING: WALES

Following a discussion in E(A) on 10 July, and subsequent Ministerial discussions between the Secretary of State for Wales, the Secretary of State for the Environment and the Chief Secretary, arrangements have been made for a Parliamentary Statement tomorrow.

A copy of the text of the final draft is attached. The statement is to be made by Mr Wyn Roberts, Parliamentary Under Secretary of State, in the unavoidable absence of the Secretary of State.

I would be grateful for urgent clearance of the terms of the attached draft.

Copies of this letter go to the Private Secretaries of the Leader of the House of Commons, the Government Chief Whip, House of Commons, the Government Chief Whip, House of Lords, Lord President of the Council, the Chief Press Secretary (No 10), the Secretary to the Cabinet, the Secretaries of State for Scotland and Environment and the Chief Secretary.

Yours Sincerely

Simon Morris

SIMON MORRIS
Private Secretary

Private Secretary to
The Prime Minister
10 Downing Street
London SW 1



DRAFT PARLIAMENTARY STATEMENT

LOCAL GOVERNMENT CAPITAL SPENDING: WALES

With permission, Mr Speaker, I should like to make a Statement on local government **capital** expenditure in Wales.

[My Right Hon Friend cannot be here today to make this statement because he is in Wales presenting an honorary OBE to an American Industrialist on behalf of Her Majesty The Queen.]

On the basis of local authorities' own forecasts the 1984-85 capital cash limit (WO/LA 1) is on course to be exceeded by £88 million or 33 per cent; discussions with Welsh local authority associations in the framework of the Welsh Consultative Council on Local Government Finance indicate that the excess is likely to be within the range of £40 million to £50 million. We cannot accept the damaging economic impact of overspending on this scale. Accordingly, following the consultations to which I have referred, we are seeking the co-operation of all local authorities in holding expenditure to a more acceptable level, with the aims of preserving the cash limit.

In doing so, my Right Hon Friend has not for the present employed any of the statutory measures which are available. As in 1983-84 we prefer to rely on voluntary co-operation, trusting that each authority will

/play its ...



play its part. Nonetheless, when considering the allocation of resources available for 1985-86 my Right Hon Friend will have regard to the extent to which authorities both collectively and individually have complied with our request for restraint.

Taking action at this relatively early stage of the year enables us to be far more selective in our request for restraint than in 1983-84. Thus county councils, whose aggregate spending is not currently projected to give rise to pressure on the cash limit, are asked only to contain their spending to the levels forecast in April. It is the district tier which will therefore have to trim its spending. District authorities are being asked to restrict their spending in the current year to their capital allocations plus the prescribed portion of receipts accruing in the year or the amount actually committed as at midnight tonight, whichever is larger, apart from limited areas which are of particular local and national priority, namely the Urban Programme (including Urban Development Grants), Welsh Development Agency derelict land clearance, and spending covered by the special allocations made in respect of Enterprise Zones and Priority Estate Projects.

We are asking local authorities to supply us with more precise information to allow monitoring of the course of their capital spending. This material will enable us to urgently review the

/impact of ...



impact of our measures, and whether there is any scope for allowing authorities to enter into some additional commitments. Alternatively, if our action is judged unlikely to have an adequate restraining effect further measures might be necessary.

A copy of the text of the letter which is being sent to Councils has been placed in the Library.

STATEMENT
TUESDAY 17 JULY 1984

HOUSE OF COMMONS

RATE SUPPORT GRANT (SCOTLAND)
STATEMENT BY SECRETARY OF STATE FOR SCOTLAND
(MR GEORGE YOUNGER)

WITH PERMISSION, MR SPEAKER, I SHALL MAKE AN ANNOUNCEMENT ABOUT LOCAL AUTHORITY EXPENDITURE AND RATE SUPPORT GRANT IN SCOTLAND.

SCOTTISH LOCAL AUTHORITIES ARE PLANNING EXPENDITURE IN 1984-85 WHICH IS SOME £114 MILLION OR 4.2% ABOVE THE CURRENT EXPENDITURE GUIDELINES THAT I ISSUED TO THEM. WHEN I MET THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES ON 22 JUNE, I SAID THAT I WAS DISAPPOINTED THAT AUTHORITIES WERE NOT MUCH CLOSER TO THE EXPENDITURE PROVISION MADE IN THE RATE SUPPORT GRANT SETTLEMENT. HAVING CONSIDERED THE BUDGET RETURNS OF AUTHORITIES I SAID THAT I HAD DECIDED NOT TO TAKE SELECTIVE ACTION TO REDUCE THE RATES OF ANY INDIVIDUAL LOCAL AUTHORITY THIS YEAR ALTHOUGH I WILL NOT HESITATE TO USE THE POWER AGAIN IF AN INDIVIDUAL AUTHORITY PLANS EXCESSIVE AND UNREASONABLE EXPENDITURE.

HOWEVER SINCE THERE WAS ONLY MARGINAL IMPROVEMENT ON LAST YEAR IN THE GENERAL LEVEL OF EXPENDITURE I MADE IT CLEAR THAT THERE WOULD HAVE TO BE A SUBSTANTIAL GENERAL ABATEMENT OF RATE SUPPORT GRANT. IT IS APPARENT THAT THE ABATEMENT WHICH I IMPOSED LAST YEAR WAS NOT SUFFICIENT TO IMPRESS UPON AUTHORITIES THE VERY REAL NEED TO BRING THEIR SPENDING INTO LINE WITH GOVERNMENT GUIDELINES.

IN MY CONSIDERATION OF THE LEVEL OF ABATEMENT REQUIRED I WAS VERY AWARE OF TWO ARGUMENTS WHICH THE CONVENTION AND INDIVIDUAL AUTHORITIES HAD RAISED WITH ME.

FIRSTLY, THE DISTRIBUTION OF THE ABATEMENT. PREVIOUSLY GRANT REDUCTIONS FOR EXCESS OVER GUIDELINES BORE NO RELATION TO THE LEVEL OF EXCESS OVER GUIDELINE. AUTHORITIES WERE PENALISED IN PROPORTION TO THEIR SHARE OF GRANT RATHER THAN ON THE BASIS OF THEIR DEGREE OF OVERSPEND. THIS, I ACKNOWLEDGE WAS NOT FAIR. DURING THE PARLIAMENTARY PROCEEDINGS ON THE RATING AND VALUATION (AMENDMENT) (SCOTLAND) ACT 1984 IT WAS MADE CLEAR THAT I INTENDED TO USE MY POWERS UNDER THE ACT TO ENSURE THAT THE AMOUNT OF REDUCTION FOR EACH AUTHORITY WAS DIRECTLY RELATED TO THE EXTENT OF ITS OVERSPEND.

SECONDLY, COSLA HAS FOR A NUMBER OF YEARS REPRESENTED TO ME THE UNFAIRNESS OF A SYSTEM WHICH DID NOT RECOGNISE REDUCTIONS IN OVERSPEND AT OUT-TURN AND THUS GAVE NO INCENTIVE TO RESPOND TO AN ABATEMENT BY ECONOMIES IN THE CURRENT YEAR. THIS YEAR, I HAVE DECIDED THAT THE AMOUNT OF THE GRANT REDUCTION WILL BE ADJUSTED WHEN INFORMATION IS AVAILABLE ABOUT ACTUAL EXPENDITURE IN 1984-85. ANY AUTHORITY WHOSE EXPENDITURE AT OUTTURN IS BELOW GUIDELINES WILL HAVE ITS GRANT PENALTY CANCELLED. AN AUTHORITY WHICH WHILE STILL ABOVE GUIDELINE REDUCES ITS EXPENDITURE AT OUTTURN WILL HAVE ITS PENALTY REDUCED. CONVERSELY OF COURSE, AN AUTHORITY WHICH INCREASES ITS EXCESS WILL FIND ITS PENALTY ON OUTTURN INCREASED.

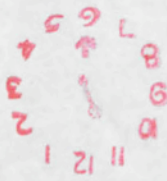
IN THE LIGHT OF THESE TWO SIGNIFICANT IMPROVEMENTS TO THE SYSTEM WHICH HAVE REMOVED THE BASIC UNFAIRNESSES WHICH HAVE PREVIOUSLY EXISTED, I HAVE HAD TO CONSIDER WHETHER TO SEEK A GRANT REDUCTION EQUAL TO THE FULL AMOUNT OF THE OVERSPENDING OF £114M.

I HAVE DECIDED HOWEVER THAT A PENALTY OF THIS SCALE WOULD BE TOO STEEP AN INCREASE ON LAST YEAR'S TOTAL PENALTY OF £64M. I HAVE DECIDED THAT FOR 1984/85 THE APPROPRIATE REDUCTION WOULD BE £90M. I WILL LAY THE NECESSARY RATE SUPPORT GRANT

ORDER SHORTLY AND GRANT REDUCTIONS WILL START ON 1ST AUGUST. I HAVE TODAY PLACED IN THE LIBRARY A PAPER SHOWING HOW THE ABATEMENT WILL AFFECT EACH LOCAL AUTHORITY, AND LETTERS OF NOTIFICATION TO THEM ARE BEING POSTED TODAY.

I ACCEPT THAT THIS PENALTY WILL BE REGARDED AS SEVERE. AT THE SAME TIME THE NEW SYSTEM WILL ALLOW AUTHORITIES TO REDUCE THEIR PENALTY IN PART OR IN ENTIRETY BY TAKING POSITIVE ACTION NOW TO BRING THEIR SPENDING DOWN. THE SOLUTION LIES IN THEIR HANDS. IN THE INTERESTS OF THEIR RATE PAYERS AND OF THE ECONOMY AS A WHOLE I HOPE THAT THIS OPPORTUNITY WILL NOT BE MISSED.

SCOTTISH OFFICE



17 JUL 1984



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON
SW1

[Handwritten initials]
16 July 1984

Dear Tim,

STATEMENT ON SCOTTISH LOCAL AUTHORITY EXPENDITURE

Provisional arrangements have been made with Charles Marshall for my Secretary of State to make a statement about Scottish local authority expenditure and rate support grant in 1984-85, tomorrow Tuesday 17 July. The statement is confined to my Secretary of State's proposed reduction in rate support grant which will shortly be the subject of a variation order. I attach a draft of the statement and would be grateful for your clearance.

I am copying this letter to John Ballard (Environment), Colin Jones (Welsh Office), John Gieve (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Charles Marshall (Office of the Leader of the House), Richard Hatfield (Cabinet Office) and to the No 10 Press Office. I am also sending a copy to David Beamish (Office of the Leader of the House of Lords) to consider whether a parallel statement should be made in the Lords.

Yours sincerely

EDDIE GOWANS
Private Secretary

DRAFT STATEMENT FOR SECRETARY OF STATE
RATE SUPPORT GRANT (SCOTLAND)

With permission, Mr Speaker, I shall make an announcement about local authority expenditure and rate support grant in Scotland.

Scottish local authorities are planning expenditure in 1984-85 which is some £114 million or 4.2% above the current expenditure guidelines that I issued to them. When I met the Convention of Scottish Local Authorities on 22 June, I said that I was disappointed that authorities were not much closer to the expenditure provision made in the rate support grant settlement. Having considered the budget returns of authorities I said that I had decided not to take selective action to reduce the rates of any individual local authority this year although I will not hesitate to use the power again if an individual authority plans excessive and unreasonable expenditure.

However since there was only marginal improvement on last year in the general level of expenditure I made it clear that there would have to be a substantial general abatement of rate support grant. It is apparent that the abatement which I imposed last year was not sufficient to impress upon authorities the very real need to bring their spending into line with Government guidelines.

In my consideration of the level of abatement required I was very aware of two arguments which the Convention and individual authorities had raised with me.

Firstly, the distribution of the abatement. Previously grant reductions for excess over guidelines bore no relation to the level of excess over guideline. Authorities were penalised in proportion to their share of grant rather than on the basis of their degree of overspend. This, I acknowledge was not fair. During the Parliamentary proceedings on the Rating and Valuation (Amendment) (Scotland) Act 1984 it was made clear that I intended to use my powers under the Act to ensure that the amount of reduction for each authority was directly related to the extent of its overspend.

Secondly, COSLA has for a number of years represented to me the unfairness of a system which did not recognise reductions in overspend at out-turn and thus

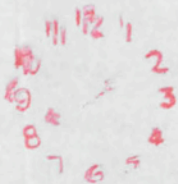
gave no incentive to respond to an abatement by economies in the current year. This year, I have decided that the amount of the grant reduction will be adjusted when information is available about actual expenditure in 1984-85. Any authority whose expenditure at outturn is below guidelines will have its grant penalty cancelled. An authority which while still above guideline reduces its expenditure at outturn will have its penalty reduced. Conversely of course, an authority which increases its excess will find its penalty on outturn increased.

In the light of these two significant improvements to the system which have removed the basic unfairnesses which have previously existed, I have had to consider whether to seek a grant reduction equal to the full amount of the overspending of £114m.

I have decided however that a penalty of this scale would be too steep an increase on last year's total penalty of £64m. I have decided that for 1984/85 the appropriate reduction would be £90m. I will lay the necessary Rate Support Grant Order shortly and grant reductions will start on 1st August. I have today placed in the Library a paper showing how the abatement will affect each local authority, and letters of notification to them are being posted today.

I accept that this penalty will be regarded as severe. At the same time the new system will allow authorities to reduce their penalty in part or in entirety by taking positive action now to bring their spending down. The solution lies in their hands. In the interests of their rate payers and of the economy as a whole I hope that this opportunity will not be missed.

6 JUL 1984



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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

13 July 1984

Dear Andrew,

Rate Support Grant

I thought you might find it helpful to see this. This provisional settlement was reached only with the utmost difficulty in a series of private meetings outside E(LA); it is devoutly hoped that nothing will now happen to upset it. If you think the Prime Minister is likely to have any objections, it would be very helpful if you could have a word with Michael Buckley

before taking the matter any
further.

Yours ever,

Saml Lewis Jones.

Andrew Trobuck Esq.

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File

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

12 July 1984

Dear John,

As you know the Lord President has held a number of meetings with your Secretary of State, the Chief Secretary and the Secretary of State for Education to discuss the English Rate Support Grant settlement 1985-86. I am now writing to record the main elements of the provisional settlement which was agreed yesterday and which is of course subject to ratification by the Ministerial Sub-Committee on Local Authority Expenditure (E(LA)).

The proposed settlement is as follows.

Target Methodology

For authorities with 1984-85 budgets at or below GRE, the 1985-86 target would be 1984-85 GRE + 3 3/4 per cent: for authorities with 1984-85 budget above GRE, the 1985-86 target would be 1984-85 target + 3 3/4 per cent. However no target would be lower than 1984-85 budget minus 1 1/2 per cent or higher than 1984-85 budget plus 4 1/4 per cent.

Your Secretary of State agreed that this target methodology could be defended as consistent with the 'Pym commitment' in as much as the targets for low-spending shire authorities, would require no cut in expenditure in real terms (as measured by the GDP deflator). On the basis that has been used in previous E(LA) papers, the methodology leads to an increase of £917 million in the PES division.

However, this figure will require adjustment for the reasons noted below.

John Ballard Esq
Private Secretary to the
Secretary of State for the Environment

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Expenditure Limits and Expenditure Targets

It follows from this target methodology and the earlier decision in E(LA) that expenditure levels for rate-capped authorities should generally be set at a cash freeze on 1984-85 budgets, that the gap between expenditure levels and expenditure targets in 1985-86 would in general be 1 1/2 per cent. But it was agreed that for the GLC, ILEA and Greenwich, all of which are budgetting to spend more than 30 per cent above 1981-82 minimum volume budgets, expenditure levels should be set at 1 1/2 per cent below their 1984-85 budgets; for these three authorities, expenditure levels will therefore be the same as their expenditure targets. This does not affect the total of targets; but it will reduce the likely overspend against target by rate-capped authorities.

Your Secretary of State pointed out that any distinction between the expenditure levels set for different rate-capped authorities would increase the likelihood of successful legal challenge; but it was agreed that this risk would have to be accepted.

Holdback

The proposed holdback tariff is 7, 8, 9, 9, 9.

Aggregate Exchequer Grant (AEG)

It is proposed that AEG should be £11.9 billion, subject to certain adjustments to be agreed between DOE and Treasury officials.

Your Secretary of State agreed to circulate exemplifications to E(LA) of the proposed settlement. At the meeting it was recognised that some adjustments would be necessary to the figures for public expenditure provision and grant to take account of, inter alia, the Liverpool City Council budget for 1984-85. If possible, the basis of all necessary adjustments to the figures should be agreed with Treasury officials and described in these exemplifications.

The questions of the unallocated margin within the total provision for local authority current expenditure, and the service distribution of the allocated provision are still to be resolved.

The Secretary of State for Education and Science has proposed that to enable adequate provision to be made for the Government's policies for education and other services, the unallocated margin should be £400 million, the figure in the Public Expenditure White Paper (Cmd 9143), and that the service distribution should be made pro rata to baselines; he has also made it

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clear that his agreement to the proposed settlement outlined above is conditional upon a satisfactory resolution of the unallocated margin and service distribution issues. The size of the unallocated margin will be discussed further, before the next meeting of E(LA), by the Chief Secretary, your Secretary of state and the Secretary of State for Education. But the question of the service distribution cannot be settled without the participation of other service Ministers. In the meantime, it was agreed that DOE and Treasury should make arrangements to circulate further figures showing service distributions on the basis of working assumptions about the unallocated margin and pro rata adjustments to the baseline. A point that emerged in discussion was that if, as would be entailed by the proposal of the Secretary of State for Education and Science, the whole of the agreed increase in PES provision is allocated to services, the total of GRES in 1985-86 will be correspondingly increased. There is a danger that this could create a fresh 'Pym' problem. It would be helpful if the circulated material could set out this problem more fully.

Now that the outline of the settlement has emerged, the way is clear for the Secretaries of State for Scotland and Wales to circulate for information papers to colleagues on E(LA) setting out their respective proposals for RSG in Scotland and Wales in 1985-86 and to pursue bilateral negotiations with the Chief Secretary in the usual way, keeping your Secretary of State informed.

I am sending copies of this letter to the Private Secretaries of the members of E(LA) and Lord Gowrie, and to Sir Robert Armstrong.

*Yours ever,
Janet Lewis-Jones*

JANET A LEWIS-JONES
Private Secretary

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PARLIAMENTARY STATEMENT

LOCAL GOVERNMENT CAPITAL SPENDING : WALES

With permission, Mr Speaker, I should like to make a Statement on local government capital expenditure in Wales.

On the basis of local authorities' own forecasts, the 1984-85 capital cash limit (WO/LA 1) is on course to be exceeded by £88 million. Discussions with Welsh local authority associations, in the framework of the Welsh Consultative Council on Local Government Finance, indicate that the excess is likely to be within the range of £40 million to £50 million. We cannot accept the damaging economic impact of overspending on this scale. Accordingly, following the consultations to which I have referred, we are seeking the co-operation of all local authorities in holding expenditure to a more acceptable level, with the aim of preserving the cash limit.

In doing so, my Right Hon Friend has not for the present employed any of the statutory measures which are available. As in 1983-84 we prefer to rely on voluntary co-operation, trusting that each authority will

/play its ...



play its part. Nonetheless, when considering the allocation of resources available for 1985-86 my Right Hon Friend will have regard to the extent to which authorities both collectively and individually have complied with our request for restraint.

Taking action at this relatively early stage of the year enables us to be far more selective in our request for restraint than in 1983-84. Thus county councils, whose aggregate spending is not currently projected to give rise to pressure on the cash limit, are asked only to contain their spending to the levels forecast in April. It is the district tier which will therefore have to trim its spending. District authorities are being asked to restrict their spending in the current year to their capital allocations plus the prescribed portion of receipts accruing in the year or the amount actually committed as at midnight tonight, whichever is larger, apart from limited areas which are of particular local and national priority, namely the Urban Programme (including Urban Development Grants), Welsh Development Agency derelict land clearance, and spending covered by the special allocations made in respect of Enterprise Zones and Priority Estate Projects.

We are asking local authorities to supply us with more precise information to allow monitoring of the course of their capital spending. This material will enable us to review the

/impact of ...



impact of our measures, and see whether there is any scope for allowing authorities to enter into some additional commitments, or whether further restraint is required.

The revised cash limit for 1983-84 was overspent by some £7 million. Normally, an excess over the cash limit would be deducted from the resources available in the following year. Given the circumstances, such a procedure would clearly be inappropriate in this case; the overspend will be taken into account when setting the limit in 1985-86.

A copy of the text of the letter which is being sent to Councils has been placed in the Library.

Subject as marked

CONFIDENTIAL

bcc: N Owen FRS

SA



cc: HO
DES
LPSO
DHSS
DTI

D/Emp.
CS, HMT
D/Transp.
M/S, DoE
(Local Govt)
(Lord Callin)

10 DOWNING STREET

MAFF
CO

From the Private Secretary

12 July, 1984

Abolition: Trading Standards and Related Functions
in Metropolitan Counties

The Prime Minister held a meeting at the House today to discuss your Secretary of State's minute of 10 July. Present were the Secretaries of State for the Environment, Trade and Industry, Employment, and Transport and the Minister of of Agriculture.

Your Secretary of State said there was a clear conflict between the best way to organise the trading standards service in isolation and the organisation which was consistent with the general structure of local government which was being sought. The Government's policy was to limit as far as possible the number of joint boards and devolve as much as possible to the districts. He believed the districts were capable of administering the trading standards service. The environmental health function was already successfully devolved. The CBI and other professional organisations opposed devolution to the districts on the ground that this would produce a lack of consistency in the enforcement of the criminal law. This, however, was an argument for a national service. He believed that to attach trading standards to an existing joint board or to create a new joint board or a "statutory joint committee", which in his view amounted more or less to the same thing, would undermine the Government's stance and would create great pressure for the reduction of other services at county level.

Your Secretary of State said he was prepared to consider the establishment of joint technical committees under which responsibility for trading standards would formally be devolved to the districts but the latter would be required to co-operate with neighbouring councils in a number of areas.

/The

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BRK

The Secretary of State for Trade and Industry, supported by the Minister for Agriculture, argued in favour of retaining trading standards at county level. He said experience in London, where trading standards had been devolved to the boroughs, indicated that a fragmented service would be less efficient and more costly with insufficient standards of enforcement. Originally, the London boroughs had organised themselves in consortia but over time these had broken down leaving a service costing substantially more than in the rest of the country. He believed trading standards could be attached to fire boards in most shire counties. The committee dealing with the fire service was also responsible for trading standards.

The Home Secretary supported devolution to the districts. He did not believe that attaching trade standards to the fire joint boards was a correct analogy with having the trading standards dealt with by the same committee of the county council.

Summing up the discussion, the Prime Minister said that on balance trading standards should be devolved to the districts but that the Secretary of State for the Environment should discuss with the Secretary of State for Trade and Industry and the Minister of Agriculture whether establishment of a joint technical committee would provide a way of improving the consistency and quality of the technical standards service.

I am copying this letter to the Private Secretaries to the other members of MISC 95, to the Minister of Agriculture and to Sir Robert Armstrong.

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

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Prime Minister (1)

CONFIDENTIAL

Prime Minister

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL - COUNTER-OBSTRUCTION MEASURES

Lord President shared your concerns about making package too draconian but he has reached agreement with the Jenkins on what should be introduced in the Lords. Policy Unit feel controls on advertising and movement of money into special funds may still need to be considered - see attached papers.

AT 11/7
ms

You asked me to settle with the Lord President the outstanding issues arising on the amendments to the above-named Bill that are to be tabled to morrow. We reached agreement last night about the appropriate way to proceed. I am writing to let you know the outcome.

On penalties, we decided that in the interests of ensuring a speedy passage of the Bill, we should accept the risk of abandoning the monetary sanctions we originally had in mind. Instead we will rely for a sanction solely on the threat of disqualification. Clearly for most politically-ambitious councillors disqualification will be a sufficient deterrent. But there are others - councillors with no future in local government, coopted members and politically motivated officers - for whom a disqualification will hold no terrors. Equally, however, I accept that we cannot be certain in advance that such individuals would act in irresponsible ways, and that it would be difficult to persuade Parliament that we expected them so to act. Therefore, we agreed that - should our own supporters press us on the adequacy of the proposed penalty - I should indicate that the Government would keep the situation closely under review and would not hesitate to strengthen the sanctions should experience show this to be necessary.

On the question of the thresholds at which the contract controls should begin to apply, we agreed that the figure proposed for works of new construction - £250,000 - is both realistic and necessary. We know from published information required by EEC legislation that a construction threshold of £590,000 would have caught only very few GLC and MCC contracts over the last year. We need to have a tighter mesh than that if the control is to be seen to be biting - as it must be seen. Letters now reaching us daily from our supporters in the lower-tier authorities are expressing very great anxiety about the

steps which the abolition authorities are contemplating. However we agreed that we could relax the thresholds for the four other types of contract to £100,000 instead of the £50,000 we originally had in mind.

Amendments incorporating these changes will be tabled at 5.30 today. We decided that, apart from an explanatory letter to the local authorities concerned (which will issue on Thursday at official level) we should take no further steps to draw attention to the amendments.

Copies of this minute have been sent to Willie Whitelaw, Leon Brittan, Keith Joseph, Peter Rees, John Biffen, John Wakeham, Bertie Denham, Irwin Bellwin and Sir Robert Armstrong.

AS

11. P J
July 1984

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020 402
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NBM AS 12/7



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

12 July 1984

Dear Richard

The Lord Chancellor, the Home Secretary and my Secretary of State discussed yesterday, 11 July, the future arrangements for the probation service following the abolition of the GLC and Met Counties.

The Home Secretary explained that the proposals, in the White Paper, Streamlining the Cities, that the boroughs/districts in each area should collectively take over the role of the GLC and MCC was strongly opposed by the probation service. The Home Secretary was confident that the alternative that he proposed while not arousing any tremendous enthusiasm among the probation service was unlikely to be opposed. Probation committees existed at present for each of the Met Counties and for the 5 probation areas in London. They were made up of magistrates, judges and co-opted members. He proposed that each of these committees should be required to co-opt a prescribed proportion of members appointed by the boroughs/districts. Given that the local authorities would then be directly represented on the Committee the requirement to consult constituent local authorities about expenditure in support services could be removed. The requirement to inform them of the proposed budget and of the right of the constituent authorities to appeal to him would remain.

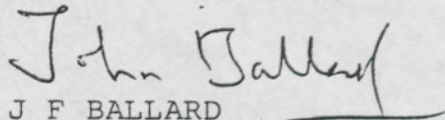
The Lord Chancellor was concerned that these arrangements constitute a change in sovereignty, if some members of the Committee were appointed by local authorities. There was also the danger that local authority appointments would lead to the political polarisation of probation committees.

It was agreed that the way forward was for the existing committees to continue in the area covered by the GLC and Met Counties but that each committee should continue; that local authorities should be represented but that the magistrates should have a say on who those representatives should be. There should be a requirement that an appropriate proportion of the Committee should be made up of local authority councillors, but with the magistrates having the power to appoint, after consultation with the local authorities concerned. Officials would need to work out the details. My Secretary of State undertook to report this conclusion to the Prime Minister in his forthcoming report, as Chairman of MISC 95, on outstanding abolition issues.

CONFIDENTIAL

A copy of this letter goes to Nigel Pantling (Home Office)
and Andrew Turnbull at No.10.

Yours sincerely


J F BALLARD
Private Secretary

Richard Stoate Esq



10 DOWNING STREET

MR TURNBULL

I think that the Prime Minister should see this. It is an example of the effective propaganda that the GLC is funding on the rates.

If the government fails to respond quickly, and with something as effective, the millions of pounds that have been set aside to placate the Arts lobby in London will have been squandered.

Oliver Letwin

11 July 1984

**A FEW OF THE 400
ARTS AND SPORTS ORGANISATIONS
FUNDED BY THE GLC IN 1983-84,
and now threatened by the Government.**

COMMUNITY ARTS

Cinema of Women is a major independent distributor of film and video. Its films cover such topics as sexual harassment at work, battered women, education and black women and it aims to enable films made by women to be shown at women's groups, community organisations, trade unions and many other outlets.

West London Women's Music Project has created rehearsal space for women and girls in West London where they can learn to play instruments, form bands and practice together.

Bow/Old Ford November 5th Group is a collective of local community arts groups who join together with local people to celebrate festivals and incorporating on the way painting, costume making, dance, circus skills, puppets, mask making, publishing and a variety of other arts forms.

North Paddington Community Darkroom was granted £4,952 to help with the group darkroom facilities. The group runs photography courses for local groups and helps mount exhibitions and tape/slide shows. It maintains a local picture library and takes photographs for community organisations.

Age Exchange Theatre Company (£31,150) works with pensioners devising programmes around their reminiscences and their history. The group produces illustrated booklets of the research material supplied to it by pensioners.

Common Lore - storytelling for children. International Stories for children told with music background.

Centerprise Bookshop: runs writers workshops and publishes books written by working people in London.

The Lewisham Academy of Music gives musical tuition of all types to children and adults and receives 50% of funding from the GLC. It regularly presents its work at the Albany Empire, Deptford which is a major community arts venue receiving substantial funding from the GLC.

Tower Hamlets Senior Citizens Film Association (£10,681) Provides film and videos for pensioners' clubs, day centres and hospitals. Pensioners choose the films and discussions are organised to extend the educational potential of the scheme.

ETHNIC ARTS

Asian Women's Art Group
Based in Greenwich it acts as a focus for Asian Women's drama, dance and music making. It relies extensively on the GLC for support.

Carnival and Arts Committee
The main organiser of the famous Notting Hill Carnival is encouraged and supported by the GLC.

Academy of Indian Dance (£19,348)
Founded in 1979 with the aim of promoting the practice and appreciation of Indian dance in Britain. Provides teaching in the main classical styles of a standard as high as is obtainable in India. Puts great emphasis on its support of British based artists, in the belief that it is through their development that real growth in Indian Dance can occur in this country.

Amora Ko Jona (£3,317) for instruments and running costs. Provides training for singers, musicians, actors and dancers from the Bengali community. The group writes and performs its compositions in community venues around London. Composed of ten musicians and singers.

Sankofa (Rev. £13,000. Cap. £22,396)
Sankofa which means looking into the past to make a better future aims to use film/video to tackle institutionalised racism and to use this medium as a channel through which people of Afro-Caribbean and Asian descent can express their experience of racist practice and ideology. Sankofa feel that it is important to record and document these struggles and make them known to a wider community.

Sankofa Film and Video is an organisation of young black people interested in making films about the black experience in Britain.

Zion Music Workshop Project
The Z.M.W.P. is a recording studio and rehearsal facility in West London (Hammersmith) for local youth. The project offers tuition in music theory and practice.

Theatro Technis (illustrated in this leaflet)
The Cypriot community started this theatre group 25 years ago. In that time it has grown to a valuable cultural and social movement. Theatro Technis also started the Cypriot Advisory Service helping Cypriots experiencing language and other social and cultural problems.

Tara Arts Group
A major Asian cultural centre in Wandsworth is substantially funded by the GLC. Not only is it community based, its projects are widely toured.

SPORTS

Provision for the Disabled
In conjunction with the Greater London Association for the Disabled and Southwark Disablement Association the GLC has wholly funded a pilot project aimed at increasing participation by the disabled in Sport in Greater London. Cost - £6,235.

Sports Scholarships
The GLC is making a grant to the Sports Aid Foundation to set up a Sports Scholarship scheme to help people re-enter education and train for a career in recreational management.

Goan Association
A grant of £12,200 was given to Goan (UK) to help with the purchase of a sports ground in Bromley. Financial assistance was not forthcoming from the local borough as the organisation provided a London-wide service.

Foundation for Afro-Asians in Sport
The group was founded in 1983 to represent the views of Ethnic Minority groups in Greater London in all sporting matters. The Sports Council was unable to make a grant towards salaries and running costs and without GLC support of £21,600 this group would never have got off the ground.

Fulham Football Club
The GLC is keen to make the resources of professional clubs available to a wider public and its first initiative in this field is a grant of £140,000 to Fulham FC to provide a new intensive use cell system pitch in return for 500 hours of community use per year.

Ormond Road Workshop (illustrated in this leaflet)
One of a number of unique combined arts and sports projects: this one combines motor-bike scrambling with photography and involves up to 60 unemployed young people.

A few of the numerous regional facilities which receive a substantial part of their funding from the GLC.

Feltham Arena
The London Borough of Hounslow is undertaking the development of a major sports complex at Feltham Arena which when completed will become a major regional facility. The total cost is £1.2 million and this scheme has only been able to proceed with a contribution of £500,000 from the GLC.

Riverside Studios
The studios were in deep trouble following withdrawal of funding by Hammersmith Borough Council. Timely grants by the GLC have saved this major arts centre and enabled it to continue with the type of programme that has brought it international renown. GLC support: £400,000.

SHAPE and Artsline
These are bodies that help disabled and disadvantaged Londoners on a London-wide basis. SHAPE with its shows in institutions and ticket scheme for the disabled to visit a variety of London Theatres; and Artsline with its telephone advice service for disabled people who wish to participate in London's arts activities. Because neither of these bodies serves one borough exclusively, both have been unsuccessful in obtaining funding from the boroughs. Both are therefore heavily dependent on the GLC.

**The GLC Arts and Sports policy reaches parts of the community that the Government hasn't even heard of
FIGHT BACK: Contact the GLC Campaign on 633 4400**

**HERE ARE YOUR MPs
WRITE TO THEM NOW**

**Members' Lobby
House of Commons SW1**

Barking and Dagenham

Barking - *Jo Richardson (Lab)*
Dagenham - *B. C. Gould (Lab)*

Barnet

Chipping Barnet - *Sydney Chapman (Con)*
Finchley - *Margaret Thatcher (Con)*
Hendon North - *John Gorst (Con)*
Hendon South - *Peter Thomas (Con)*

Bexley

Bexleyheath - *Cyril Townsend (Con)*
Erith Crayford - *D. A. Evennett (Con)*
Old Bexley Sidcup - *Edward Heath (Con)*

Brent

Brent East - *Reginald Freeson (Lab)*
Brent North - *Dr Rhodes Boyson (Con)*
Brent South - *Laurie Pavitt (Lab)*

Bromley

Beckenham - *Sir Philip Goodhart (Con)*
Chislehurst - *Roger Sims (Con)*
Orpington - *Ivor Stanbrook (Con)*
Ravensbourne - *John Hunt (Con)*

Camden

Hampstead Highgate - *G. Finberg (Con)*
Holborn St Pancras - *Frank Dobson (Lab)*

Croydon

Croydon Central - *John Moore (Con)*
Croydon N.E. - *Bernard Weatherill (Con)*
Croydon N.W. - *H. J. Mallins (Con)*
Croydon South - *Sir William Clark (Con)*

Ealing

Ealing Acton - *Sir George Young (Con)*
Ealing North - *Harry Greenway (Con)*
Ealing Southall - *Sydney Bidwell (Lab)*

Enfield

Edmonton - *I. D. Twinn (Con)*
Enfield North - *Tim Eggar (Con)*
Enfield Southgate - *Anthony Berry (Con)*

Greenwich

Greenwich - *Guy Barnett (Lab)*
Eltham - *Peter Bottomley (Con)*
Woolwich - *John Cartwright (SDP)*

Hackney

Hackney N. Stoke Newington - *E. Roberts (Lab)*
Hackney Shoreditch - *B. Sedgemore (Lab)*

Hammersmith and Fulham

Hammersmith - *Clive Soley (Lab)*
Fulham - *Martin Stevens (Con)*

Haringey

Tottenham - *Norman Atkinson (Lab)*
Hornsey Wood Green - *Hugh Rossi (Con)*

Harrow

Harrow East - *Hugh Dykes (Con)*
Harrow West - *A. J. Page (Con)*

Havering

Hornchurch - *Robin Squire (Con)*
Romford - *Michael Neubert (Con)*
Upminster - *Sir Nicholas Bonsor (Con)*

Hillingdon

Hayes Harlington - *Terry Dicks (Con)*
Ruislip Northwood - *J. Wilkinson (Con)*
Uxbridge - *Michael Sheresby (Con)*

Hounslow

Brentford/Isleworth - *B. Hayhoe (Con)*
Feltham/Heston - *R. P. Ground (Con)*

Islington

Islington N. - *J. Corbyn (Lab)*
Islington S./Finsbury - *C. Smith (Lab)*

Kensington and Chelsea

Chelsea - *Nicholas Scott (Con)*
Kensington - *Sir Brandon R. Williams (Con)*

Kingston

Kingston - *Norman Lamont (Con)*
Surrey - *R. Tracey (Con)*

Lambeth

Streatham - *W. J. M. Shelton (Con)*
Norwood - *John Fraser (Lab)*
Vauxhall - *Stuart Holland (Lab)*

Lewisham

Lewisham Deptford - *John Silkin (Lab)*
Lewisham East - *C. B. Moynihan (Con)*
Lewisham West - *J. C. Maples (Con)*

Merton

Mitcham Morden - *Angela Rumbold (Con)*
Wimbledon - *Sir Michael Havers (Con)*

Newham

Newham N.C. - *Ronald Leighton (Lab)*
Newham S.W. - *Tony Banks (Lab)*
Newham South - *Nigel Spearing (Lab)*

Redbridge

Ilford North - *Vivian Bendall (Con)*
Ilford South - *Neil Thorne (Con)*
Wanstead/Woodford - *Patrick Jenkin (Con)*

Richmond upon Thames

Richmond and Barnes - *J. Hanley (Con)*
Twickenham - *Toby Jessel (Con)*

Southwark

Southwark/Bermondsey - *Simon Hughes (Lib)*
Dulwich - *G. F. Bowden (Con)*
Peckham - *Harnet Harman (Lab)*

Sutton

Sutton and Cheam - *Neil MacFarlane (Con)*
Carshalton/Wallington - *Nigel Forman (Con)*

Tower Hamlets

Bethnal Grn/Stepney - *Peter Shore (Lab)*
Bow and Poplar - *Ian Mikardo (Lab)*

Waltham Forest

Chingford - *Norman Tebbit (Con)*
Leyton - *H. Cohen (Lab)*
Walthamstow - *Eric Deakins (Lab)*

Wandsworth

Battersea - *Allred Dubs (Lab)*
Putney - *David Mellor (Con)*
Tooting - *Tom Cox (Lab)*

City of Westminster

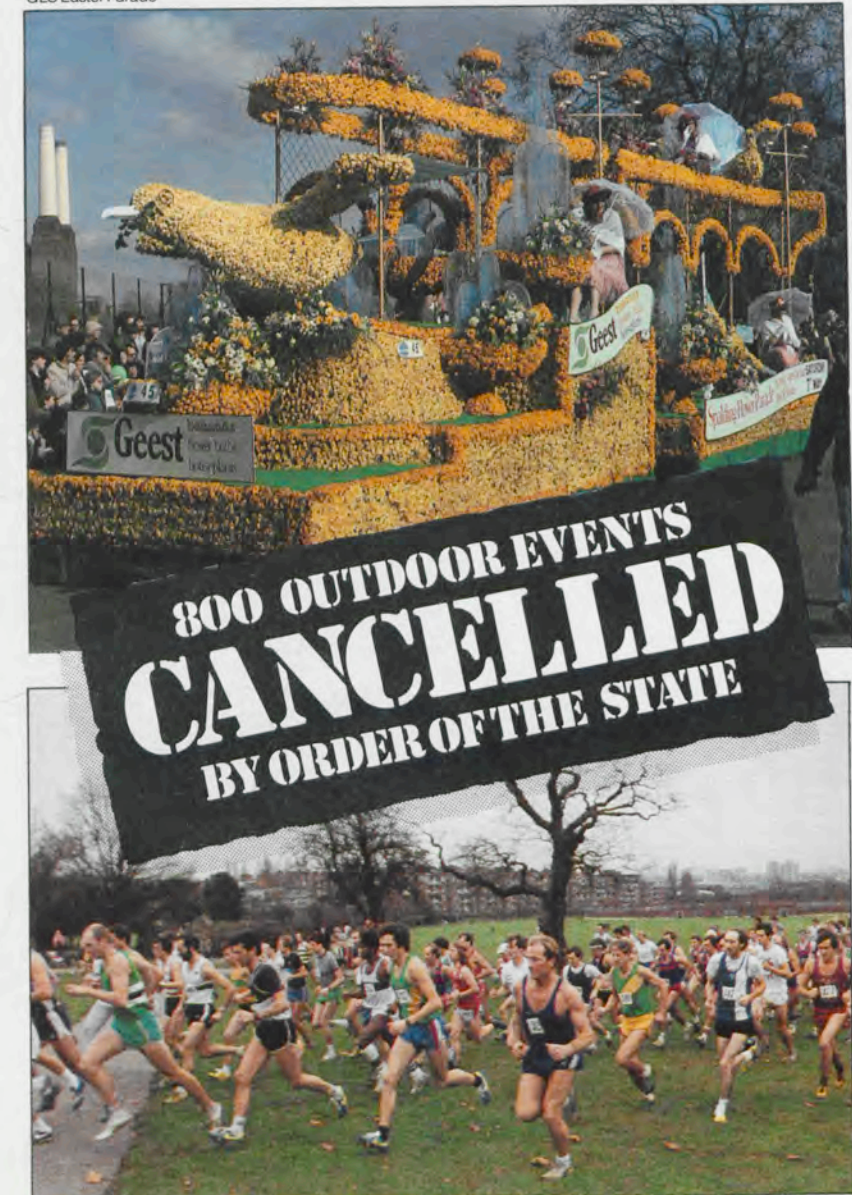
Westminster North - *John Wheeler (Con)*

City of London

City and Westminster S. - *Peter Brooke (Con)*

**Maybe
it's
because
I'm a
Londoner?**

GLC Easter Parade



GLC Cross Country Championships

**keep
GLC**

Working for the Arts & Recreation in London

The Government's proposals to nationalise and control the cultural life of London.

Introduction



Choosing the title of the popular song, "Maybe It's Because I'm a Londoner" for this leaflet is significant, because the very idea of 'London' and being a 'Londoner' has been built up particularly in the last 100 years by such popular songs and by other popular forms, which we all enjoy.

A METROPOLITAN CULTURE

A wide range of activities including nursery rhymes, the post-war London novels, Ealing Film Comedies, Painting, Football, Greyhound Racing and Reggae have all helped give London its identity today. Most of the community arts, ethnic arts and sports activities which the GLC funds maintain these traditions: pub theatre, estate based projects, local publishing, music workshops, sports projects with the unemployed training schemes for women and ethnic minorities, arts policies for the elderly.

LONDON'S CIVIC PRIDE

Just as the National Government stages major events from the State Opening of Parliament to the £21 million Liverpool Garden Festival, so the GLC is the Regional Government for the capital city and celebrates its CIVIC PRIDE in London and Londoners through over 800 outdoor events, including Thamesday, South Bank Day, the Easter Parade, African Music Village, the London Marathon and the opening of the Thames Barrier.

These events bring together millions of Londoners, from the 32 boroughs, to celebrate London's identity and civic pride. The Government's plan to abolish the GLC will destroy over a century of civic traditions and leave London as the only major capital city in Western Europe without an overall elected council: without any regional identity.

LONDON'S HERITAGE NATIONALISED



GLC Kenwood House



GLC Record Office



Museum of London

LONDON'S HERITAGE

As a London-wide authority the GLC has always been able to balance out funding of the arts, sport and recreation across the whole of London. This strategic role not only involves the support of major regional facilities such as the Crystal Palace Sports Centre or Riverside Studios, but crucially protecting London's history. The GLC has responsibility for over 30,000 listed buildings, for theatres, cinemas and museums, for the Green Belt, and owns on behalf of Londoners historic houses such as Kenwood, Marble Hill and Rangers House. It protects the archives of the history of London by running the Greater London Record Office. The Government has decided that Londoners should have no say in who protects their history. They don't care that the paintings in Kenwood were given to the people of London, held in trust by the GLC. They belong to Londoners not Whitehall bureaucrats. They don't mind handing over the Museum of London—the museum of Greater London—to the City of London Corporation. But Londoners do mind, they don't want the Government to nationalise or more bluntly steal London's history and heritage.

JOBS

In times of recession, spending on arts and sports seems a natural target. And yet that expenditure is vital not only to the 300,000 jobs in this area, but through tourism and other cultural industries such as publishing, film and television to the economic health of the capital. The largest and fastest growth industries in London are now sports and other leisure activities. At a time of over four million unemployed people the Government wants to destroy the GLC's arts and recreation training courses and job creation in the major economic sector of the capital. It is sheer madness. The Government proposals on 'rate capping' and the proposed abolition of the GLC will increase the power of the National State to control the cultural identity of London: more Government power, less democracy.

1984, has arrived with a vengeance!

Yours Peter Pitt

SPECIALIST SERVICES SCATTERED

Entertainments Licensing	Checking safety in premises.
Legal Branch	Legal requirements and advice.
Valuation and Estates Dept.	Sites for new arts and sports centres, workshops etc.
Finance Dept.	Arts & Recreation Capital and Revenue Budget, financial advice for Arts & Sports bodies.
Supplies Dept.	Equipment ordering facility for Arts & Sports bodies.
Industry & Employment & Greater London Enterprise Board.	Policy development, employment & investment in the Cultural industries.
Planning and Transport	Greater London Development Plan 1% levy for the Arts on new buildings Planning advice on major leisure services, open spaces, the river etc.
Dept. of Architecture and Civic Design including...	Arts & Sports centres, design, construction, maintenance, legislation, enforcement, archaeology.
a) Theatres Division	
b) Historic Buildings Division	
c) Archaeological Services	
Central Computer Service	Software design advice to Arts & Sports Centres with £1/2m turnover.
Public Relations Branch	General publicity for over 800 GLC outdoor events and the South Bank Arts Complex.
Arts & Recreation Policy Unit	Research & Statistics on Arts, Sports, Media etc policy development.
Tourism	Tourist Developments.
Ethnic Minorities Unit Women's Committee Support Unit	Equal opportunities: Advice on Sports & Community & Ethnic Arts policies.
Arts & Recreation Grants Section	Advice to over 400 Community Arts, Ethnic Arts & Sports groups.
Greater London Training Board	Youth training scheme, training schemes for women and ethnic minorities.
Entertainments Branch	800 outdoor GLC Arts & Sports Promotions arranged per year.

The Elected, GLC Arts & Recreation Committee.

Dept. of Recreation and the Arts. (The largest Arts and Recreation body in the UK)

Can this be another loony idea from the GLC?

The Government finds it convenient to pick on 1 or 2 groups who they disagree with, whilst failing to mention the 100s of community and voluntary organisations whose work is welcomed by the vast majority of Londoners.

The GLC has one of the largest Arts, Sports and Recreation structures in Britain. In recent years major innovations have been made in the areas of Community Arts, Ethnic Arts, and Sports provision (a small number of examples are given on the back page of this leaflet). The GLC has developed unique policies such as: An Arts and Recreation policy specifically for the 1½ million elderly in London; Sports scholarships for young people and the unemployed; Arts and Recreation training courses for women and Ethnic minorities; The only Ethnic Arts committee in the UK with unique policies on black theatre, film and literature etc, and major innovations at the GLC Festival Hall and in London's Parks and Historic Houses.

In such depressing times it's important to fight for the pleasures which Londoners have voted for and enjoy.

400 COMMUNITY & ETHNIC ARTS GROUPS FINANCIALLY RUINED



Theatro Technis Greek Cypriot Theatre funded by the GLC Ethnic Arts Sub Committee



Illtyd Harrington, GLC Deputy Leader opening a festival and exhibition for the elderly at the Royal Festival Hall (Part of the GLC's unique Arts and the Elderly Policy)

The money goes to a wide range of activities which happen with:

- Unemployed young people.
 - Pensioners' organisations and the elderly.
 - Tenants' associations.
 - Housing associations.
 - Local history archives.
 - Women's groups.
 - Peace groups.
 - The mentally handicapped and disabled.
 - Ethnic minorities: Irish, Jewish, Chinese etc.
 - Black organisations: Afro-Caribbean and Asian.
- And many other disadvantaged groups.

TRAINING SCHEMES SMASHED 1000'S OF JOBS DESTROYED



Ormond Road Workshop (Joint Arts and Sports project involves up to 60 unemployed young people.)

CONFIDENTIAL

MR TURNBULL

11 July 1984

PAVING BILL: COUNTER-OBSTRUCTION MEASURES

At present, Patrick Jenkin proposes to counter obstruction from the GLC and MCCs by taking powers to control:

- i. expenditure under section 137 of the Local Government Act 1972 - (the 'twopenny rate');
- ii. disposal of property;
- iii. new contracts for building (above £250,000) and other services (above £100,000).

The first of these was already in the Bill; (ii) and (iii) are in amendments tabled today.

Such amendments will not be sufficient to prevent a huge explosion of anti-abolition propaganda funded by the ratepayer. The GLC alone has millions of pounds salted away in the GLEB and special funds of various sorts. This money will not come within the scope of rate-capping; it can be used to mount a propaganda campaign on an unprecedented scale, by making a plethora of grants and small contracts that will not be caught by Patrick Jenkin's net.

The DoE have promised to provide a minute on other means of controlling rate-funded propaganda. We understand that this minute is likely to arrive on Friday. That is probably too late to be of any use. The last opportunity for introducing amendments in the House of Lords is at 3rd Reading on 23 July; and any changes introduced at that stage would probably have to be signalled during the Report Stage next Monday. Decisions would therefore have to be made on Monday morning at the latest.

Two further amendments to the Paving Bill might also help to control the explosion:

- i. a clause, giving the Secretary of State power to require the GLC and the MCCs to submit any item of information or proposed entertainment for vetting before commitment of cash.
- ii. a more restricted clause, giving the Secretary of State power to control any transfer into or out of special funds, or into GLEB.

This may be going too far. Can we target more accurately on abolition advertising

AT

In addition it would be sensible for the DoE to investigate the possibility of imposing controls on GLEB expenditure in the Paving Bill.

Could Patrick Jenkin also make an order under Section 137 of the 1972 Act, reducing the "twopenny rate" for the GLC and the MCCs to a "halfpenny rate"? Such an order would help to make the other controls more effective by limiting the amounts of money left at the councils' discretion. It would be subject only to negative resolution.

DoE still appear to be operating on a fairly relaxed time-scale, and we have not yet been able to discover what technical difficulties would have to be overcome in making such changes.

We do know that Lord Whitelaw and others believe it would be perilous to introduce such changes at Report or 3rd Reading. No doubt they are right. But it would also be perilous not to do so. Our contacts at Boase, Massimi and Pollitt (Ken Livingstone's advertising agency) tell us that 'we have seen nothing yet'.

The government should expect a campaign of almost daily television advertisements, funded by obscure bodies who have no ostensible connection with the GLC and MCCs - save that they receive funds from GLEB and other such sources. Activity in the press, at schools and colleges, and on bill-boards will be stepped up. And efforts to isolate Patrick Jenkin and to destroy his reputation will be intensified.

A campaign on these lines may well undermine the faith of the government's supporters so far that the Abolition Bill itself is called into question. And there is no evidence that the DoE is able or willing to defend itself in public against such threats.

We recommend that the Prime Minister should urgently reconsider whether the Abolition policy will be jeopardised by the failure to take additional powers beyond those at present proposed.

Oliver Letwin

OLIVER LETWIN

- 2 -

JMHAAG

CONFIDENTIAL



10 DOWNING STREET

Prime Minister ①

Policy Unit feel that the anti obstruction controls devised by Mr Jenkin and agreed with the Lord President will not be strong enough to stop a major advertising campaign, not so much by the GLC itself, as from money transferred to special funds and agencies.

Agree last DoE whether they can produce proposals, agreed with Lord President, which can be announced on Monday?

Note Discussed last night PM
who felt a part Government too
much in position of controlling day to day
running of outgoing committees, which
would prejudice passage in Lords.
She felt it was not possible to stop all
advertising. It was an excessive Govt
should use it as evidence of extravagance. JT, 2/7

CONFIDENTIAL



EW ✓
HS ✓
TI ✓
MAFF ✓
TSP ✓
Emp ✓

CC/NO

PRIME MINISTER

ABOLITION: TRADING STANDARDS AND RELATED FUNCTIONS IN METROPOLITAN COUNTIES

In my report of 3 April on the work of MISC 95, I indicated that allocation of some GLC/MCC services was still under consideration. The main service on which there is still disagreement is trading standards in the metropolitan counties. Neither MISC 95 nor the Ministers directly concerned have been able to reach a compromise. The attached note by officials sets out the background and possible approaches. (Trading Standards in London already lie with the Boroughs).

The Secretary of State for Trade and Industry and the Minister for Agriculture, Fisheries and Food believe that in order to secure consistency, quality and cost-effectiveness of enforcement of the criminal law on this subject, and the economic use of staff, trading standards should be administered on not less than a county-wide basis as a common service with a unified staff structure. They consider that the best way to achieve this is through joint boards shared with one of the services already to be covered by such arrangements. They have suggested that joint boards covering fire services and trading standards would be the most appropriate arrangement.

In my view this approach is incompatible with our abolition strategy of maximum devolution to the boroughs and districts. If we accept the case for joint boards for trading standards, we shall find it very difficult to resist it for waste disposal, planning and highways; all the significant MCC services would then be in the hands of joint boards, and there would be strong arguments for moving to multi-purpose joint boards - which would virtually re-create the upper-tier authorities. The Home Secretary agrees with my view, and, in particular, would oppose giving the function to the Fire Joint Boards.

The officials' paper suggests two other possible solutions.



The first is based on the establishment of joint technical committees. I would reluctantly accept this, given the concern about uniform standards of enforcement. However, it is not acceptable to the Secretary of State for Trade and Industry and the Minister of Agriculture, Fisheries and Food because it would not guarantee the standards of consistency, quality and cost-effectiveness which they regard as desirable.

The second is based on "statutory joint committees." The Secretary of State for Trade and Industry and the Minister of Agriculture, Fisheries and Food would reluctantly accept this. However, this option would involve giving responsibility for the functions to the committees which would employ staff and operate on a county-wide basis. Such committees would be indistinguishable from our proposed joint boards. For that reason I oppose this solution - as I would any solution which would give these functions to a body other than the districts.

I am planning to issue a detailed statement on the reallocation of GLC/MCC functions before the Recess and we must include in it a clear indication of our intentions on trading standards. It would therefore be helpful if you would convene a meeting of the Ministers most closely concerned to resolve this issue.

I am sending copies of this minute to the other members of MISC 95, to the Minister of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

PJ.

P J

10 July 1984

ABOLITION : TRADING STANDARDS AND RELATED FUNCTIONS

1. This note considers the arrangements for trading standards, and related functions, following the abolition of the metropolitan county councils. It does not deal with the situation in London, where responsibility already rests with the boroughs.

2. A list of the legislation enforced by the trading standards service (Approx. 1,000 staff and 1% of MCC expenditure) is at Annex A. For the majority of these, DTI are the sponsoring department; for the rest (representing about 25% of the activities of the trading standards departments), responsibility rests with MAFF, DTp and DEM.

BACKGROUND

3. "Streamlining the Cities" proposed that trading standards and related functions should be devolved to the districts, but recognised the need for them to take steps to ensure consistent standards of enforcement and to make appropriate arrangements for sharing equipment and specialist staff. This was one of the functions on which the White Paper indicated there would be direct consultations on the proposals. No detailed consultation paper was issued on this service. The large majority of the responses to this part of the White Paper proposals were against devolution to the districts. Broadly :

- (a) bodies representative of industry, commerce and consumers (including the CBI and the British Retailers Association) argued that some means should be found of administering these services on a county-wide basis. Professional bodies also followed this line;

(b) those district councils opposing abolition in principle naturally opposed this aspect of devolution to the districts;

(c) other district councils were in favour.

4. MISC 95 considered the matter again in March. The Secretary of State for Trade and Industry's paper (MISC 95 (84)11) proposed giving the functions to the fire joint boards to avoid increasing the number of joint boards. The Minister for Agriculture supported this view. DOE and Home Office Ministers were opposed to it as contrary to abolition strategy and because the functions were unrelated to those of the fire joint boards. It was agreed that the Ministers concerned should consider urgently other options.

VIEWS OF DEPARTMENTS

5. DTI and MAFF (supported by the CBI and British Retailers Association) believe these services should be administered on a county-wide basis as a common service with a unified staff structure because:

- (a) the core function which trading standards departments carry out is enforcement of criminal law; industry and commerce need as much consistency in interpretation of the law and enforcement policy as is possible;
- (b) industry and commerce also have a strong interest in the quality of law enforcement in this area; and
- (c) the necessary expertise of staff and the provision of appropriate equipment and facilities can be provided

more cost-effectively in wider groupings.

6. DOE take the view that these requirements are incompatible with abolition strategy. They believe that the proposals in the White Paper should stand and the functions should be devolved to the districts, although they would be content to see some statutory backing for arrangements for voluntary cooperation between districts. The main reasons adduced by DOE for not having these functions administered by a county-level body are:-

- (i) it would involve an increase in the number of functions which are not being devolved to districts;
- (ii) if the case for doing this for trading standards were accepted it would be very difficult to avoid conceding other similar treatment for three substantial functions which are going to the districts - waste disposal (albeit with a reserve power to establish statutory joint arrangements), planning and highways - where arguments for a single county-wide body have been advanced (also by the CBI); and
- (iii) the argument about the costs is not decisive. The case for abolition rests on the overall effect of removing a whole tier of local government rather than on a service-by-service analysis of cost-effectiveness.

POSSIBLE APPROACHES

8. At the Ministerial meeting on 22 May it was agreed that, without prejudice to the previously expressed preferences of the Secretary of State for Trade and Industry and of the Secretary of State for the Environment, officials should explore whether a satisfactory solution could be found by including in the Abolition Bill a statutory obligation to establish joint technical committees for consultation between districts.

9. A possible solution based on joint technical committees in each metropolitan county is set out at annex B. DOE consider that this is the maximum which could be conceded to joint committees consistent with devolution to the districts. They acknowledge however, that such arrangements would not guarantee a county-wide service with unified staffing. DOE point out that it would be open to DTI to build up the role of such committees by using them as a channel of communication on matters within their terms of reference, but DTI consider this would not be practicable, while the statutory responsibility rests with districts. They and MAFF consider that these arrangements amount to little more than relying on voluntary agreements which experience in London has already shown do not last.

10. The minimum arrangements which DTI and MAFF are prepared to accept are set out at annex C. DOE consider that the "statutory joint committees" contain all the essential elements of joint boards and are therefore indistinguishable from that option. In particular, the "statutory joint committees" would:

- be corporate bodies and they (not the districts) would be responsible for the functions;
- employ staff and own property;
- have power to require the districts to provide finance.

DOE therefore oppose the proposal for "statutory joint committees".

CONCLUSION

11. There are four main options for trading standards and related functions:

- devolution to districts, as proposed in Cmnd 9063 and favoured by DOE;
- devolution to districts, but with joint technical committees along the lines set out at annex B;
- county-wide "statutory joint committees" as set out at annex C;
- shared joint board arrangements with the Fire Services, as favoured by DTI and MAFF.

12. Ministers are invited to consider these options.

LEGISLATION ENFORCED BY TRADING STANDARDS DEPARTMENTS

WEIGHTS AND MEASURES ACTS 1963, 1976 AND 1979

AGRICULTURAL PRODUCE (GRADING AND MARKING) ACTS 1928 AND 1931

FOOD AND DRUGS ACT 1955

FARM AND GARDEN CHEMICALS ACT 1967

MEDICINES ACT 1968

AGRICULTURE ACT 1970

FABRICS MISDESCRIPTION ACT 1913

TRADING REPRESENTATIONS (DISABLED PERSONS) ACTS 1958 AND 1972

MOCK AUCTIONS ACT 1961

TRADING STAMPS ACT 1964

TRADE DESCRIPTIONS ACTS 1968 AND 1972

DEVELOPMENT OF TOURISM ACT 1969

UNSOLICITED GOODS AND SERVICES ACTS 1971 AND 1975

FAIR TRADING ACT 1973

HALLMARKING ACT 1973

CONSUMER CREDIT ACT 1974

ADVERTISEMENT (HIRE PURCHASE) ACT 1967

PRICES ACT 1974 AND 1975

ESTATE AGENTS ACT 1979

BRITISH TELECOMMUNICATIONS ACT 1981

ENERGY CONSERVATION ACT 1981

CONSUMER PROTECTION ACTS 1961 AND 1971

CONSUMER SAFETY ACT 1978

ROAD TRAFFIC ACTS 1972 AND 1974

ROAD TRAFFIC (FOREIGN VEHICLES) ACT 1972

CONTROL OF POLLUTION ACT 1974

HEALTH AND SAFETY AT WORK ACT 1974

ANIMAL HEALTH ACT 1981

GREATER MANCHESTER COUNCIL AND 20 SHIRE COUNTIES ALSO ENFORCE:

PETROLEUM (CONSOLIDATION) ACT 1928

PETROLEUM (TRANSFER OF LICENCES) ACT 1936

PUBLIC HEALTH ACT 1961

A STATUTORY JOINT TECHNICAL COMMITTEE ARRANGEMENT FOR TRADING STANDARDS
ADMINISTRATION

CONSTITUTION

1. The Bill would give the trading standards and related functions to the districts and require the districts in each metropolitan county to set up a joint committee.

2. The Bill would specify that these joint committees would have responsibility for seeking:

(a) to ensure that all district councils within their area adopted common levels of enforcement activity, and common interpretation of statutes for both advice and prosecution work;

(b) the maintenance or development of physical facilities (such as testing stations and laboratory services) for trading standards activities on a shared basis for the district councils within their area;

(c) a co-ordinated approach to the staffing of the service within their area; and

(d) arrangements for the costs of the facilities at (b) and the staff at (c) to be met by the districts and for those costs to be shared equitably.

3. The Bill would provide for the joint committees to comprise members nominated by the district councils in their area. Following the general requirement for local authority committees and joint committees at least two-thirds of the members would have to be elected representatives.

COVERAGE

4. The legislation which would be covered by these arrangements would be that shown in Annex A which includes responsibilities of DTI, MAFF and, to some extent DTp and DEm.

5. The formal "weights and measures authority", "food and drugs authority"

etc referred to in the legislation would become the district councils.

6. The formal transfer of existing land, premises and equipment would be to the district council in which they are currently located.

7. In exercising their functions and in organising and using facilities districts would be bound by any joint arrangements agreed between them, following the carrying out by the joint committee of its functions, as long as those arrangements subsisted.

STATUTORY JOINT COMMITTEE ARRANGEMENT FOR TRADING STANDARDS

CONSTITUTION

1. The Bill would require a joint committee to be set up within each metropolitan area to be the statutory authority responsible for trading standards in the area.

2. The Bill would specify that each joint committee:-
 - (a) would be a legal entity and would be vested with the powers to appoint staff and to hold property

 - (b) would comprise members nominated by the district councils in the area from their elected representatives

 - (c) would be responsible for arranging for its costs to be met by pro-rata contributions from district councils in its area.

COVERAGE

3. The legislation which would be covered by these arrangements would be that shown in Annex A which includes responsibilities of DTI, MAFF and, to some extent DTp and DEu. The formal "weights and measures authority", "food and drugs authority" etc referred to in the listed legislation would become the joint committee.

4. Formal transfer of existing land, premises and equipment would be to the joint committee.



10 DOWNING STREET

Prime Minister^①

There is a straight conflict between what makes sense from point of view of efficiency and what ~~is~~ is consistent with policy or local govt. structure.

Are you welcoming to arbitrate between Env, TI, Home Sec, MAFF (and possibly Tsp and Emp)?

Or do you want to invite Lord President to see if he can sort it out?


AT

I will do it - 10/7

and anything else
still unresolved



10 DOWNING STREET

Prime Minister 

To note that Mr Jenkin is
avoiding any commitment
to generalise the 2p rate
(S.137) control from GLC/MCCs
to all authorities; meanwhile
he continues to amass
evidence

AT

10/7

MB



JF6888

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

10 July 1984

The Earl of Gowrie
Minister for the Arts
Office of Arts and Libraries
Great George Street
LONDON
SW1P 3AL

nbpm
2/13
1/7

D. Gowrie

FUTURE ARRANGEMENTS FOR THE COUNTY MUSEUM SERVICE AND WALKER
ART GALLERY, MERSEYSIDE

Thank you for copying to me your letter of 27 June to
Patrick Jenkin.

2 I welcomed your announcement of public funding for the
County Museum Service and the Walker Art Gallery, which are
substantial elements of tourism in Merseyside. Given the
scale of the funding, my view is that there must be the due
level of accountability which would be provided by the
implementation of Option (c) in the annex to your letter.

3 I am copying this letter to the Prime Minister,
colleagues on MISC 95, and to Sir Robert Armstrong.

Norman Tebbit

NORMAN TEBBIT

Local Govt : Relations #21

11 JUL 1984

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



ceol

10 DOWNING STREET

From the Private Secretary

10 July 1984

Dear John,

Local Government (Interim Provisions) Bill

The Prime Minister has seen your Secretary of State's minute of 9 July. Subject to the views of colleagues, she agrees with his proposals on the scope of the controls and has noted that he wishes to make as much use as possible of general consents. She assumes that paragraph 2(d) of the attached note will cover expenditure on advertising. While she recognises that Lord Bellwin is still considering the size of the limits for different categories of expenditure she wonders whether, even using general consents, a limit of £50,000 is too low.

The Prime Minister agrees with the view that the controls should take effect from Royal Assent rather than from the tabling of the amendments. She is concerned that basing the penalties on the full value of an unauthorised transaction may be too draconian.

The Prime Minister would be grateful if your Secretary of State could finalise the details of this package with the Lord President, taking account of views expressed above and any other points put forward by colleagues.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), John Gieve (Chief Secretary's Office), David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Government Whips, H/L), Mike Bailey (Lord Bellwin's Office, DOE), and Richard Hatfield (Cabinet Office).

Your sincerely
Andrew Turnbull

Andrew Turnbull

John Ballard Esq
Department of the Environment.

CONFIDENTIAL - CMO



PRIME MINISTER

Pt 20
B

My minute of 6 April to you, endorsed in your Private Secretary's reply of 9 April (copies of both attached) brought out that we awaited the findings of a Conservative Central Office research exercise before reaching a definitive view on local authority abuses. Although Central Office have not managed to report by the end of June as they hoped, George Young tells me that they do plan to put their findings to me before the Recess.

In the meantime, as you know, we have taken a control power in the Paving Bill to prevent the GLC and the metropolitan county councils in their last year of existence from using their discretionary power of expenditure (section 137 of the Local Government Act 1972) to frustrate abolition. When the provision was debated in the House of Lords Committee on 3 July this gave rise to queries about whether we plan to extend the power so as to control authorities other than the GLC and the metropolitan counties. I have set out our present stance on this point in answering a Question from Peter Lloyd about our view of the Reading University study of section 137 uses which the Chartered Institute of Public Finance and Accountancy (CIPFA) published last autumn. My Answer (copy enclosed), agreed with George Younger and Nicholas Edwards, brings out that we have reached no firm conclusion but warns that we do not exclude legislation if necessary.

A

I aim, with George Younger and Nicholas Edwards, to take forward the whole question of local authority abuses once we have the Central Office findings. I am aware that pressure for a decision is mounting.

I am copying this minute to Cabinet colleagues, John Gummer and Sir Robert Armstrong.

Armstrong

for P J
9 July 1984

(Agreed by the Secretary of State & signed in his absence)

HOUSE OF COMMONS

Mr Peter Lloyd (Con - Fareham):

99 To ask the Secretary of State for the Environment, whether he has completed his consideration of the study carried out by the University of Reading and published by the Chartered Institute of Public Finance and Accountancy under the title, *The Free Two Pence*, in October 1983.

MR PATRICK JENKIN

My rt hon Friends the Secretaries of State for Wales and for Scotland and I have examined this study with interest. The study analyses local authorities' exercise of their powers under Section 137 of the Local Government Act 1972 and under Section 83 of the Local Government (Scotland) Act 1973.

The report provides, for the first time, an overall idea of the use which local authorities make of this discretionary spending power. The main analysis, however, concentrates on spending in 1981/82. The supplementary survey of spending in 1982/83 carried out by the authors appears to show an increasing use of the power.

The report draws attention to a number of controversial uses of the power. Although the authors express the opinion that these are not significant, the Government is very well aware of the mounting public concern about the way in which some authorities are now using the powers.

I am accordingly seeking power, in the Local Government (Interim Provisions) Bill, to control payments made under Section 137 by the Greater London Council and the 6 English metropolitan counties. My proposals were set out in the statement I made on 26 June 1984 (Vol 62: Col 393-4).

It must be for other authorities, in the first instance, to justify their spending to their local electorates. We shall, however, keep these matters under observation and shall not hesitate to introduce general legislative constraints if we conclude that these are justified.

In the meantime, local authorities in England and Wales are already required to keep a separate account of their expenditure under Section 137 available for public inspection. A similar requirement has now been included in the Rating and Valuation (Amendment) (Scotland) Act 1984. In the course of consultations on the Codes of Practice governing local authority reporting and on new accounts and audit regulation my rt hon Friend the Secretary of State for Wales and I shall make proposals for securing that local authorities expenditure under Section 137 of the 1972 Act is adequately disclosed. My rt hon Friend the Secretary of State for Scotland is considering whether similar steps might be taken in relation to expenditure under Section 83 of the 1973 Act.

Monday 9 July 1984 for
Tuesday 13 March 1984 (No 99)
Department of the Environment

2634/83/84
(19B)

CONFIDENTIAL



10 DOWNING STREET

RECEIVED IN

10 APR 1984

PRIVATE OFFICE

From the Principal Private Secretary

9 April 1984

Dear John,

The Prime Minister was grateful for your Secretary of State's minute of 6 April covering a speaking note on malpractices in local government, which she has read and noted.

I am copying this letter to Sir Robert Armstrong only.

Yours sincerely,

Robin Butler

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL



PRIME MINISTER

Your Private Secretary's letter of 21 December 1983 to my Private Secretary in confirming that you were content with the action we are taking to collect information about malpractices in local government in England - work that is still in hand - looked forward to the production of a factual speaking note on this subject for use by Ministers.

I now enclose such a note which outlines, with particular examples where these can be safely cited, the kind of abuses which need to be exposed. I have already circulated to Ministerial colleagues on the political network a fuller catalogue of abuses and shall update this at periodic intervals. The items in the fuller list, however, reach us from a wide number of sources and tend to be more anecdotal than those on which the Speaking Note has been based.

I hope that colleagues, in any use they make of the note, will bear in mind the following points. First, the abuses we describe are probably not, as the law stands, illegal. It would, therefore, be wrong to imply that there is at present any basis for direct Government intervention; and equally wrong to encourage our supporters to contemplate themselves mounting a legal challenge.

Second, it seems to me essential that we should avoid saying anything that might be interpreted as a commitment to legislate. We are still in the process of building up, via Central Office, a better picture of what is happening. Once we have established the facts, we can then decide how best to carry matters forward.

For the time being our aim should be to expose abuses in labour authorities, turning the publicity to our own advantage,



and making it clear that the initiative for remedial action lies with the local electorates. I strongly agree with the points which Nicholas Ridley made to me in his letter of 12 January and trust that - as a complement to the Central Office gathering of evidence - we can show up the cases which do come to light as examples of wholly unacceptable behaviour.

I am copying this letter and enclosure to Cabinet colleagues, John Gummer and Sir Robert Armstrong.

John Gummer

P J

6 April 1984

*Approved by the Secretary of State +
signed in his absence.*

MALPRACTICES IN LOCAL GOVERNMENT: SPEAKING NOTE

The Legal Framework

Local authorities act at all times within a legal framework determined by Parliament.

That framework consists of laws specifying the duties and powers of authorities but leaves councils considerable room for the exercise of local judgment and discretion. That is as it should be.

In this country there are over 400 locally-elected authorities taking decisions in widely differing geographical, economic and social circumstances. It is right that councils should be able, within the law, to exercise their discretion as they think best.

But power and discretion carry with them responsibility. Local authorities are expected to act reasonably and in the interests of their local people as a whole. This has been the assumption on which Parliament has enacted local government legislation.

This framework has served both local government and local people well for many years.

But in the past few years there have been signs that an increasing number of councils are beginning systematically to abuse these discretionary powers.

In such councils - happily still only a small minority - we have seen the use of spending powers to fund eccentric schemes and projects; the production of propaganda of a blatantly political nature;

the manipulation of council procedures to stifle debate; the politicisation of officers; and gratuitous pontification about national issues which are not the concern of local government.

Spending abuses

The power for councils to spend the product of a 2p rate on matters which are in the interests of their area is long-established. It has been used - and still is by many councils - to support projects which most people would regard as valuable and worthwhile - projects in our deprived inner cities for example.

But it was never intended to fund the kind of lunacies for which it is now being used by some authorities, most notably the GLC.

Few London ratepayers, for example, are likely to agree that spending £35,000 of their money on the Karl Marx centenary celebrations or £20,000 on a space-invaders video game about racism is either sensible or in the general public interest.

There are many other examples of such spending - and not just by the GLC. More often than not, they appear simply to satisfy the political eccentricities of the party in control of the council; but - more sinister for the democratic process - they sometimes look like straightforward political bribes. Either way, the use of public money in this way is quite intolerable.

Propaganda

Local authorities are right to keep local people informed about their activities - it's an important part of the local democratic process. But it's not an important part of the democratic process to subject local people, at their own expense, to naked political

propaganda of the kind that is now circulated by, for example, the GLC, Lambeth, Hackney, Haringey, Sheffield and Newcastle-upon-Tyne.

Much of the material that authorities like these are producing can hardly be said to be the proper provision of information to local people. What it really amounts to is the local arm of a national political party using local government (and local people's money) as a platform to attack its political opponents in national government. This is a grotesque abuse of the powers and finances of local councils.

Procedural abuses

The theory of local government is that all councillors - regardless of political affiliation - are involved in the decision-making process of their council.

In practice, of course, party groupings dictate the decisions which emerge - but after the due processes of debate and argument in committees or in the Council Chamber itself. That is the time-honoured practice which ensures that the views of local people are properly aired by their elected representatives before decisions are reached.

But in some councils all this is changing. Standing orders and procedures are being manipulated to muzzle opposition to the majority party view. Minority party councillors are excluded from committees and their place taken by co-opted people politically acceptable to the majority party. Or committees are by-passed altogether, with decisions being taken by majority party caucuses in secret conclave.

The Labour Party on the London Borough of Brent was an adept practitioner of such wiles until it was unseated at the end of last year.

Politicisation of officers

Political manipulation is not confined to the procedures of the council itself. The majority party politicians who adopt these practices are often so unsure of the wisdom or propriety of their policies that they feel it necessary to start interfering in the appointment of officials whose duty it is to serve the council as a whole - not any one party.

In such councils professional expertise and individual merit are seen at best as insufficient qualifications or at worst as irrelevant.

Some councils have virtually made it clear that would-be applicants for official posts need not bother unless they are politically sympathetic to the views of the majority party. [And one or two appointments by some London councils recently have given rise to undesirable speculation about political preference.] What price an impartial local government service if these practices become widespread?

National issues

Not content with the squandering of money on bizarre schemes and political propaganda, some councils have taken it upon themselves to express views about national issues which, however the councillors may feel about the matters as private individuals, cannot in any way be a proper concern of local government - defence and foreign affairs and Irish matters for example.

Not content with words alone, some councils have gone so far as to apply their prejudices on national issues directly to council affairs. Public contracts are seen as largesse to be distributed to firms which are politically acceptable to the council. The GLC has its own contracts compliance unit which actually employs officials to ensure that this particular approach is rigorously maintained. The London Borough of Southwark went so far as to black a contractor because the firm had worked on defence projects at Greenham Common. Such political authoritarianism is overweening and repugnant to the local democratic traditions of this country - and seriously harms the reputation of local government as a whole.

Conclusion

These various abuses are all of a piece. They represent a brash political sectarianism; a determination by political activists to distort the machinery of local government to promote a particular point of view. And because there is usually little or no popular support for their policies, the councillors concerned do not hesitate to take exceptional steps to enforce them, no matter how devious or petty or ruthless these might be.

We can be sure that those who pursue this path are scrupulously careful to cover their tracks.

Nine times out of ten they have taken careful legal advice to ensure that their actions are within the law. But such abuses of discretionary power all too often observe only the letter of the law - the spirit of it is cast contemptuously to the wind, along with the true needs and interest of local people and ratepayers. Such councils are testing the system to destruction.

ortunately such abuses are confined to a relatively small number of councils. The Government is monitoring the situation closely.

But in the first instance it must be for those involved in and concerned with local government matters to eradicate this canker in the soul of local democracy.

Local government must put its own house in order. The responsible majority of councils and councillors - of all parties - must speak up for the defence of responsible local government.

The local press and local opinion formers must be prepared to expose and condemn such practices wherever they occur.

And above all, local electors must exercise their votes to remove councillors who encourage and pursue such practices.

The future of healthy democratic local government is at stake.



CONFIDENTIAL

P.01336

PRIME MINISTER

Local Authority Capital Expenditure:

E(A)(84)39 and 40

BACKGROUND

FLAG A

On 20 June the Secretary of State for Wales wrote to the Chief Secretary, Treasury reporting a probable small overspend (£6 million) on the cash limit for capital expenditure by Welsh local authorities in 1983-84. He also reported that, on the basis of necessarily tentative estimates, there could be an excess in 1984-85 of the order of £50 million. The main source of the excess appeared to be housing grants, which central Government had encouraged local authorities to give freely.

FLAG B

2. Shortly afterwards, the Secretary of State for the Environment reported (letter of 22 June) that there was a substantial prospective overspend, now estimated to be £368 million, on the English cash limit for 1983-84; and that provisional analysis of returns from English local authorities pointed to an overspend, now estimated at between £350 million and £1250 million, on the 1984-85 cash limit of £2453 million. Again, housing improvement grants and other central Government initiatives to encourage local authority capital spending were blamed.

FLAG C

3. The Secretary of State for Scotland (letter of 5 July) has reported that the position in Scotland is substantially different, and that he sees no reason to expect significant overspending against the relevant cash limits.

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The control system in England and Wales

4. To see how the problem has arisen, and what might be done about it, it is necessary to set out the system for controlling local authority capital expenditure in England and Wales (the Scottish system is quite different). What scores as public expenditure is net capital expenditure: that is, capital spending (including grants and lending) during the year in question, less receipts during the year from sales of assets and loan repayments. The cash limit is similarly set in net terms. The public expenditure figures, collected in Table 2.18 of Cmnd 9143, of which I attach a copy, are all on this basis.

5. Individual local authorities are given allocations, which are legally binding limits on their capital expenditure, subject to certain flexibilities. The allocations are given in gross terms; and under present rules a local authority may supplement its allocation by using one half of any capital receipts during the year. In order to deliver the net cash limit, gross allocations are given totalling the net figures plus one half of expected capital receipts during the year.

6. The working of the system is illustrated in the table attached to the letter of 6 July from the Chief Secretary's Private Secretary to Mr Turnbull. The gross allocations total £3.5 billion. (Net cash limit of £2.5 billion plus £1 billion representing half of assumed capital receipts of £2 billion). The theoretical spending power is however much greater, as follows:

£1 billion (remaining half of capital receipts)
£3-4 billion (accumulated capital receipts from earlier years)
£0.5 billion (end-year flexibility)

The effect is to increase £3.5 billion to a theoretical maximum of £8-£9 billion.

The proposals

7. The Chief Secretary, Treasury, in his memorandum E(A)(84)40, proposes that in order to avert or reduce the threatened overspend in England and Wales in 1984-85, local authorities should be requested not to enter into further commitments to capital expenditure for the time being. For a combination of legal and practical reasons, the request has to be a request, not an instruction; but

FLAG D

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the Chief Secretary proposes to back it with a threat that local authorities who do not comply will receive smaller allocations for next year. Mr Rees also proposes that officials should bring forward proposals for improved monitoring and control systems.

8. The Secretary of State for the Environment, in his memorandum E(A)(84)39, does not disagree in principle with the proposal that officials should make recommendations on improving existing systems. However, he argues that it would be wrong to ask local authorities to curb their capital spending in 1984-85. The size of the prospective overspend is uncertain; it is largely attributable to past Government initiatives; and action to curb spending would be criticised as a return to 'stop-go' policies and have damaging effects on the construction industry and employment.

MAIN ISSUES

9. The main issues before the Sub-Committee are as follows.

(i) Should the Government ask local authorities in England and Wales to curb capital spending in 1984-85?

(ii) If so, on what basis?

There is unlikely to be any dissent in principle from the proposal that officials should be instructed to bring forward proposals for improved monitoring and control systems; but it may be useful to discuss whether there are any particular points which officials should be told to take into account.

Request to curb capital spending

10. The main arguments for and against action are set out in E(A)(84)39 and 40. On the one hand, as you know,

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the public expenditure situation for the current year is very tight: the reserve, even without the prospective overspend on local authority capital expenditure, is already fully committed. On the other hand, there is no doubt that local authorities could plausibly argue that a good deal of the blame for present difficulties rests with central Government, both because of past initiatives, such as that on housing improvement grants, to increase capital spending and because the control system which central Government has set up is so tenuously related to what it is intended to deliver.

Basis of any request

11. The present system of control rests on the Local Government Finance Act 1980. I understand that Environment officials have legal advice to the effect that it would not be possible to reduce allocations once they have been given. It would be possible to withdraw them entirely; but this would have a very drastic effect indeed, even if, as would presumably have to be the case, some form of exemption was given for contracts already entered into. For this reason, any action must take the form of a request: that is common ground between the Chief Secretary and the Secretary of State for the Environment. Past experience suggests that an appeal to let no more contracts and enter into no new commitments from a given date would be fairly effective, though the present strained relations between central and local government may make this more doubtful.

12. In the letter of 6 July from the Chief Secretary's Private Secretary, there is a discussion of various options falling short of a request to enter into no new commitments. They are in effect requests to forgo one or more of the flexibilities available for increasing spending over the allocation, which are summarised in paragraph 6 above. The problem is that existing commitments are already thought to be close to the total cash limit (£4.1 billion less assumed capital receipts of £2 billion, making £2.1 billion, equivalent to the net cash limit which is reduced from £2.5 billion to £2.1 billion because of the 1983-84 overrun).

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13. If the Sub-Committee wants to keep as close as possible to the cash limit, the only route would be to ask for no new commitments. A less drastic option would be to ask them not to use accumulated capital receipts from earlier years or end-year flexibility. This would reduce total theoretical spending from £8-9 billion to £4.5 billion, leaving only a small but perhaps psychologically important margin over assumed existing commitments of £4.1 billion. The incentive to maximise capital receipts in the current year would remain.

14. The Chief Secretary's proposal that any request should be backed up by threats about allocations next year may run the risk of challenge in the courts, for example on the grounds that the Secretary of State was taking account of extraneous factors in next year's allocations.

15. If the Sub-Committee in principle favour requesting local authorities to curb capital spending they will probably wish to invite the Secretary of State for the Environment, the Secretary of State for Wales, and the Chief Secretary, Treasury to work out the details before an announcement is made.

Coverage

16. The discussion in E(LA)(84)39 and 40 is in terms of all local authority capital expenditure in England and Wales, However, the cash limits threatened by overspend in 1984-85 (known as DoE/LA1 and WO/LA1) do not cover capital expenditure by local authorities on police, the courts, or probation. This is covered by a third cash limit, known as HO/LA1 and controlled by the Home Office. So far as we know, it has not been suggested that this is likely to be overspent. The Lord Chancellor and the Home Secretary can be expected to argue that any action that may be taken to curb spending should not extend to the services covered by HO/LA1. I understand that the Chief Secretary is likely to accept this point if it is raised.

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Announcement

17. There would clearly have to be a public announcement of any decision to take action. The sooner it is made, the sooner it can take effect; but, for the reasons touched on above, the Sub-Committee will probably think it wise to allow a few days for working out details.

Improving the system

18. It seems unlikely that there will be much dispute that monitoring and control systems in England and Wales stand in need of improvement. However, there are some points of caution that the Sub-Committee will wish to note.

(a) Radical changes would require legislation to amend the Local Government Finance Act 1980. They could hardly take effect before 1986-87.

(b) There are various changes that could be made under the existing system. For example, it would be possible to reduce the proportion of capital receipts that may be used to supplement the basic allocation; it would also be possible to prevent accumulated capital receipts from before a certain date being used. It would however be necessary to take account of previous Ministerial statements encouraging local authorities to sell assets, especially council housing, in order to fund capital spending.

HANDLING

19. You may wish to invite the Chief Secretary, Treasury to open the discussion. The Secretary of State for the Environment might be invited to reply, followed by the Secretary of State for Wales and the Secretary of State for Scotland. Ministers with substantial responsibilities for local authority capital programmes (Lord Chancellor, Home Secretary, Secretaries of State



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for Education and Science, Social Services and Transport) will no doubt wish to comment. The Chancellor of the Exchequer may wish to comment from the standpoint of the borrowing requirement in 1984-85.

CONCLUSIONS

20. You will wish the Sub-Committee to reach conclusions on the following.

i. Should the Government request local authorities in England and Wales to curb capital spending in the current year?

ii. If so -

a. on what basis should this be done?

b. When should the necessary public announcement be made?

iii. What guidance should be given to officials for work on improving existing systems of monitoring and controlling local authority capital expenditure in England and Wales?

PLG

P L GREGSON

9 July 1984

CONFIDENTIAL

ccor

PRIME MINISTER

Mr. Jenkin has put forward his proposals for anti-obstruction measures. I understand that the package has been agreed with the Lord President who has given an undertaking to table them in the Lords on Wednesday.

Subject to the views of colleagues, do you agree:-

(i) with the proposed scope of the controls? (paragraph 2.d should cover advertising).
Yes

(ii) With the tough penalties, i.e. surcharges based on the whole of the amount of an unauthorised transaction not just the loss involved? *I think they are too high. We shall have managers.*

(iii) With the Lord President's view that the control should take effect from Royal Assent rather than from the tabling of the amendment despite the extra three weeks this gives for monkey business?
Yes

Departmental Ministers may be concerned over the size of the limits which Lord Bellwin is still considering. They may feel the limits are so low as to impede the normal operation of services for which they have responsibility - one cannot get much of a fire engine for £50,000. DOE hope to deal with this problem by issuing general consents for many categories of transaction.

I think £50,000 too low. mt

Andy Clerk

p.p. ANDREW TURNBULL

cc 100



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ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

9 July 1984

Dear David

EA DISCUSSION ON LOCAL AUTHORITY CAPITAL SPENDING

EA Committee is to discuss local authority capital spending on Tuesday. My Secretary of State thinks members of EA who have not previously been party to the correspondence would find it helpful to see his letter of 20 June to the Chief Secretary, which set out the position in Wales and exposed the broad issues which are to be discussed in the Committee on Tuesday. A copy of that letter is accordingly attached to this one.

Mr Edwards has asked me to point out that as regards 1983-84 overspending he and the Chief Secretary agreed a carefully constructed package with very substantial off-sets from Welsh planned provision in that and future years. It is the 1984-85 and subsequent years' position which is his principal concern at the present time, and which he thinks needs to be examined by colleagues in the political context.

I am copying this letter and its attachments to all members of EA Committee and to Sir Robert Armstrong.

*Yours ever
C L Jones*

C L JONES

David Barclay Esq
Private Secretary
10 Downing Street
London
SW1

CT/6058/84

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Oddi wrth Ysgrifennydd Gwladol Cymru

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

- P/maes
- B/Puss
- B/Perm Sec
- Mr Lloyd Jones
- Mr Lightman
- Mr Potter
- Mr J. Davies
- Mr Terminal

20 June 1984

Jan *Pete*

LOCAL AUTHORITY CAPITAL SPENDING IN WALES

My officials have now completed their analysis of the capital expenditure out-turn data for 1983/84 and the forecasts we asked local authorities to submit in respect of the present financial year. While the figures for 1984/85 need to be interpreted with considerable care, the picture which emerges is an interesting one and potentially very damaging from a political point of view.

The data for 1983/84 indicates that the cash limit (WO/LA1) will be overspent by £6 million or so in that year. Under the usual convention this amount will have to be deducted from the 1984/85 cash limit.

For 1984/85, our local authorities forecast gross expenditure in the year of £396 million, approximately £50 million higher than the level which would be consistent with the revised cash limit. The problem is, however, compounded by the fact that their initial forecast of capital receipts, at £71 million falls short of the PES allowance by £38 million. Thus, on the basis of the local authorities' own figures, forecast net expenditure is £325 million, £94 million above the local authority element of the revised cash limit.

Our experience in Wales indicates that local authorities' early forecasts of spending are highly optimistic, and of receipts, pessimistic. We have therefore carefully examined the elements of the local authority forecast in the light of previous years' data and our knowledge of what is happening at the individual authority level. We have also discussed the figures with the local authority association representatives on the joint Working Party on Capital of the WCCLGF. Following all this our best estimate is that if no action is taken the excess over the cash limit will be of the order of £50 million (18%).

/The source ...

The Rt Hon Peter Rees QC MP
HM Treasury
Parliament Street
London SW1P 3AG



The source of the excess appears to lie in the district tier, where we seem to have a problem with both Housing and "Other Services". The major part of it is Housing. You will remember that I warned you last autumn that the 90 per cent renovation grant initiative launched by Treasury Ministers was likely to leave us with a very large overhang when the scheme ended on 31 March. In fact, at that point, Welsh districts had 71,000 applications on hand. Allowing for withdrawals at the historic rate the cost of eliminating this backlog will be of the order of £200 million. This puts us in an extraordinarily difficult political position. Authorities friendly to the renovation grant policy will seek to eliminate their backlog by effectively using accumulated receipts which puts inevitable pressure on the cash limit (I return to this below). Unfriendly authorities will do little or nothing to tackle their backlog, putting the blame squarely on the Government for not making available the resources necessary to honour the consequences of its actions. There is simply no room to augment the Housing capital provision from within my own block which is under severe pressure, and so I am faced with the choice between honouring our policy commitment with the consequence of a cash limit breach or renegeing on our commitment in the interests of preserving the cash limit.

It is important to note that the use of accumulated receipts to augment allocations is entirely permissible within the control system. The only limitation is the "prescribed proportion" which we specify in Regulations before the start of each financial year. In Wales we have already reduced this proportion to 25 per cent in the case of Housing (which accounts for the bulk of la receipts in Wales). That leaves our authorities free to apply about £100 million each year if they so wish.

I think we need to ask ourselves precisely what are our policy priorities. If it is the case that the level of the PSBR (and thus the LABR as a major component of it) is a paramount consideration we have to recognise that our policies (most immediately the renovation grant one) must be aborted if they are successful beyond our initial expectation. It is also essential, in my view, that we should further restrict the freedom of authorities to use their accumulated receipts. For my part I would prefer that action to be coupled with a more balanced approach to the continuation of policies to which we are all otherwise committed.

Unhappily our 1984/85 Housing problem is made worse by a forecast shortfall in housing receipts. The £98 million included within the cash limit for these receipts was based upon the assumption that the Housing and Building Control Bill would come into force at the start of the present financial year, and that it would generate 1,500 additional RTB sales during the course of the year. The Bill will not now, of course, come into effect until the end of July at the earliest, and will not have as significant an impact on the level of RTB activity in 1984/85 as we had expected. In addition, a recent detailed survey by my Department has revealed an over-estimation by the local authorities of the number of 'live' RTB applications outstanding at the beginning of the present financial year by about 2,500. When combined these two factors reduce the potential level of receipts in the year by over £20 million. An off-set against next year's cash limit of this magnitude would again raise the question of precisely what it is we are about, for it would necessitate deliberate and highly visible cuts in my programme.

/Any action ...



Any action in the current year to counter the danger of an overspend should in equity be aimed at the district tier, and make use again of the device of a voluntary limitation backed by the sanction of reduced allocations in the following year for those authorities who do not co-operate. Such action would not be without its own political difficulties: if we are right in our estimate of the £50 million excess, the resulting out-turn would mean that gross spending would be in cost terms some 14 per cent below the level of last year and 2 per cent below the level in 1982/83. We would have to present that as still being excessive expenditure, at a time when our opponents have a fair idea of the renovation grants overhang.

I do not have any estimates of the 1984/85 position of local authority capital spending in England or Scotland. However, I understand that in England there is a prospect of a very substantial overspend which could be at least as serious, in terms of the percentage over-spend against the cash limit, as that in Wales. Against this background I think we have to discuss with colleagues collectively the issues I have raised in this letter. It may be that H Committee would be a suitable forum. We must know where we are going and be satisfied that our actions are consistent. It is clearly essential that we should all take equivalent action if overspends do emerge elsewhere and so I would like Patrick Jenkin and George Younger to subscribe to a common approach.

We shall need to clear our minds quickly. If action is to be effective it will have to be taken by mid-July; data in respect of Wales clearly indicates that leaving the decision any later could well mean that commitments would have accumulated to the level of the present cash limit.

I am copying this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, George Younger and Sir Robert Armstrong.

✓ Jen over
Nick



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PRIME MINISTER

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL: ELECTIONS

At your meeting on 4 July it was agreed that I should report back to colleagues on the amendments needed to give effect to the decision to extend the lives of the present upper-tier councils in time to enable those amendments to be tabled for Report Stage in the Lords on 16 July.

The amendments will be tabled on 11 July as promised by the Lord President. I attach the draft of a press notice which might be made by the Lord President - or if he prefers, by Lord Bellwin - describing the controls we envisage: these are a fleshing out of the proposals in my memorandum of 3 July. The press notice would be issued at the time when the amendments are published.

There are three main issues which arise and which you and colleagues will wish to bear in mind in considering the controls.

Spelt out
in para
2 of
attached

The first is the scope of the controls. The approach we have adopted is to draw the controls broadly, enabling us, through the issue of general consent, to ensure that they bite only on transactions which could seriously prejudice successor authorities. The basis for this is that although our supporters have expressed fears about what the abolition authorities may do, and this is given fresh point as belligerent statements issue almost daily from the GLC, it is difficult to anticipate the forms which obstruction could take.

The second issue concerns penalties. Although the penalty provisions are modelled on the audit/surcharge/disqualification provisions of the Local Government Finance Act 1982, there is necessarily a significant difference. Whether or not there is a loss on the transaction as such, the court may order



the person or persons responsible for the disposal/contract to repay to the council up to the whole of the consideration for the disposal/contract (or a sum equal to the market value of the land). This will be widely seen as a fine, akin to a criminal sanction, on those contravening the Act.

My first reaction was to consider that this provision is draconian. But I have concluded that it is necessary in the context of what is essentially a "deterrent" exercise. If we are to persuade the abolition authorities - and reassure our supporters - that we are serious about obstruction, the penalties need to be of sufficient weight. They need not of course hold any terrors for councils which act responsibly and sensibly. But they will discourage the dissipation of the authorities' resources which might otherwise occur. The courts will have discretion in applying the Act: they may for example order a repayment which is far less than the consideration, or, indeed, impose no penalty at all if there are sufficient mitigating circumstances. But in addition, and particularly to protect the position of officers acting under delegated powers, the Bill will provide that the court shall not make an order if it is satisfied that the person responsible for the disposal or contract neither knew nor could reasonably have known that consent was required. This should ensure that only those who know (or ought to have known) what they are about would, should they fail to obtain consent, fall foul of the legislation.

The Lord President, however, has advised that to follow this course could undermine the House of Lords' support for the Government's balanced response to the Elwyn-Jones amendment (ie the extension of the present GLC/MCC memberships to 1 April 1986 coupled with the two necessary consequential controls outlined above.) He considers that to introduce these controls with their associated penalties as from 12 July would again be seen as anticipating Parliamentary approval of the Bill. he would, therefore prefer the controls to take effect only from Royal Assent.



My reason for proposing in my memorandum of 3 July the earliest possible implementation date for the controls was that any delay even for a few days, between the date on which our amendments became public and their taking effect would offer too big a loophole for the GLC and others to embarrass us by rushing through disposals and contracts. We have to bear in mind that since we first considered the need for controls the nature of the game has changed significantly. The whole context is now much more adversarial. Our supporters in the boroughs and districts have been urging us with increasing vigour to take steps to block attempts which they are certain will be made to frustrate the process of abolition. Hitherto we have taken the view that, other than controlling Section

(X) The final issue is the date from which the controls will take effect. In my memorandum I proposed that the controls should bite from the date of announcing them, that is, in practice, the day after that on which they are tabled.

(X) But in view of the Lord President's advice I am prepared to accept the risk of delaying the implementation of the new controls by some three weeks if this is the price which he judges to be necessary to secure Parliamentary approval of the revised provisions. It would also ease Parliamentary consideration of the Bill if we were able to issue as many contents as possible by the time of Royal Assent. Finally, I should say that we retain an open mind for the next twenty four hours on the question of the contract thresholds, on which Irwin Bellwin is taking further soundings.

is £50,000
rather low?

When we discussed this on 4 July, there was a general view that the provisions giving effect to the controls should not be too extensive. I have borne this carefully in mind in considering what is required. I am satisfied that what is envisaged is the minimum necessary if the controls are to



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But in view of the Lord President's advice I am prepared to accept the risk of delaying the implementation of the new controls by some three weeks if this is the price which he judges to be necessary to secure Parliamentary approval of the revised provisions. It would also ease Parliamentary consideration of the Bill if we were able to issue as many contents as possible by the time of Royal Assent. Finally, I should say that we retain an open mind for the next twenty four hours on the question of the contract thresholds, on which Irwin Bellwin is taking further soundings.

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rather low?

When we discussed this on 4 July, there was a general view that the provisions giving effect to the controls should not be too extensive. I have borne this carefully in mind in considering what is required. I am satisfied that what is envisaged is the minimum necessary if the controls are to



be a credible counter to any obstructive or irresponsible disposals or contracts which these authorities may be minded to make.

A copy of this minute has gone to Willie Whitelaw, Leon Brittan, Keith Joseph, Peter Rees, John Biffen, John Wakeham, Bertie Denham, Irwin Bellwin and Sir Robert Armstrong.

W. J. G. G. G.

for P J
9 July 1984

Approved by the Secretary of State
and signed on his behalf.

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL

MEASURES TO PREVENT UNREASONABLE ACTIONS BY THE OUTGOING
AUTHORITIES

1. Local Government (Interim Provisions) Bill will require the abolition authorities to obtain the consent of the Secretary of State before disposing of any interest in land. The requirement will have effect notwithstanding Section 123 of the Local Government Act 1972 or any other provision of that or any other Act. It will apply in addition to any consent required for any disposals of land under any other enactment. It will operate in relation to any disposal after Royal Assent to the Bill other than a disposal in pursuance of a contract entered into on or before that date. The Secretary of State will be empowered to give general or specific consents for any disposal. As many consents as possible will be issued on Royal Assent.

2. The Bill will also require the abolition authorities to obtain the consent of the Secretary of State before entering into any contracts which provide for or include:

- (a) The carrying out of any building or engineering works where the consideration for the contract exceeds £250,000
- (b) The carrying out of any maintenance works where the consideration for the contract exceeds £250,000
- (c) The supply by the authority to any person, or the purchase by the authority from any person, of any goods or materials, where the consideration for the contract exceeds £50,000
- (d) The provision by the authority for any person, or the provision by any person for the authority, of any administrative, professional or technical services where the consideration for the contract exceeds £50,000 and

(e) The use by any person of any vehicle, plant or apparatus of the authority, or the use by the authority of any vehicle, plant or apparatus where the consideration for the contract exceeds £50,000.

The requirement will operate in relation to any contract entered into after Royal Assent to the Bill.

Anti splitting provision

For the purpose of determining whether the value of any contract exceeds the amounts specified in the provision, a contract and any other contract entered into after Royal Assent will be treated as a single contract if each contract is made within a period of twelve months and relates either to work of a similar description to be performed on the same land or on any adjacent piece or pieces of land or to the supply of goods or services of a similar description. Once again, the Secretary of State will be empowered to give general or specific consents, and as many consents as possible will be issued on Royal Assent.

Penalties

If it appears to any local government elector for the area of the council concerned, or to any successor authority, that consents were required under these provisions and had not been granted at the time of the disposal or the letting of the contract, the elector or authority will be able to apply to the Court.

If the Court is satisfied that a disposal has taken place which required consent, and that consent had not been obtained then it may

- (1) order the person or persons responsible to pay the the council which made the disposal or entered into the contract an amount not exceeding the amount or value of the consideration for the disposal or contract. Liability for the payment will be joint and several if more than one person was responsible;

- (2) order the person or persons responsible for authorising the disposal or the letting of the contract to be permanently disqualified from being a member of the council concerned and to be disqualified from being a member of any other local authority for a period specified by the Court.

The court will have discretion to not make an order if it is satisfied that the person or persons responsible did not know and could not reasonably have known that consent was required for the disposal or the letting of the contract.

Failure to comply with the requirement for consent will not affect the validity of the purchaser's title to any land disposed of or the validity of any contract entered into. In other words, the rights of third parties will be unaffected by any failure to comply with the consent requirements.

3. The Bill will be amended so as to empower the Secretary of State, if he considers it necessary for the transaction of business, to prescribe, by order, for meetings of any of the abolition authorities a quorum smaller than that specified by the Local Government Act 1972. This is intended to enable council business to be carried on even if substantial numbers of councillors resign or fail to attend.

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MR TURNBULL

6 July 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE

1. The political effects of imposing a moratorium on local authority capital spending for the rest of 1984/5 would be unfortunate. But the economic consequences of allowing a billion pounds to escape the net would be disastrous. And George Younger's success in Scotland shows that it is possible to sustain a moratorium, despite severe political opposition.

2. Balancing the political arguments against the economic, we conclude that the extent of central government action should depend on the extent of the overspend. The figures provided by DoE are extremely vague: if local authorities are likely to exceed the limit by £1250 million, then action must be taken to prevent them doing so, despite the political difficulties; if, however, their overspending is likely to be only £350 million, it may be better to allow them to continue this year, and to reform the system so that this fiasco cannot be repeated next year.

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3. We recommend that the Prime Minister should urge Patrick Jenkin to impose a six week moratorium and to explain that he is doing this so that his officials have time to collect proper information. A decision about further action can then be made in the light of that information.

4. We also recommend that the Prime Minister should stress the absolute inadequacy of the present system, and the urgent need for reform. The Treasury and DoE should be asked to prepare (within the next month) a paper explaining how they will ensure that the government is equipped next year with:

(i) up-to-date and precise information about local authority capital spending; and

(ii) a cash limit that really is a cash limit.

We could, of course, cooperate with officials in preparing such a paper if the Prime Minister asks us to do so.

Oliver Letwin

OLIVER LETWIN

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

6 July 1984

Dear Andrew

LOCAL AUTHORITY CAPITAL OVERSPENDING

The Chief Secretary is circulating a paper to E(A) for Tuesday's meeting on the subject. It argues for a halt to new commitments by local authorities in England and Wales. He has not cluttered the paper by spelling out alternative approaches which he considered but rejected. However he thought the Prime Minister would wish to know some of the background.

I attach a table illustrating the effect of different measures on the gross spending power of authorities. The amount any individual authority is permitted to spend under existing rules is the sum of its 1984-85 allocation, 50% of its receipts in 1984-85 (mainly from sales of council houses), the sum of receipts from previous years which have not already been spent, and sums available under the end-year flexibility rules which allow an authority to carry forward unused allocations from 1983-84 or to anticipate 1985-86 provision up to a limit of 10% of its capital budget.

The first line of the table shows that, in aggregate, authorities have authority to spend £8-9 billion in 1984-85. Line 2 illustrates the effect of asking the local authorities to limit their spending so as not to call on accumulated past receipts. Line 3 shows the effect of, asking them in addition not to take advantage of end-year flexibility. Finally, line 4 asks them not to use their 1984-85 receipts.

All these limits, of course, would apply only to the extent that authorities had not already committed themselves to contracts. We believe that total commitments may already be near the total cash limit (after adjusting for the 1983-84 overspend) of £4.1 billion gross (£2.1 billion net of receipts). So the savings from introducing limits at this point in the year would not reduce actual spending by as much as indicated in the final column of the table.

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The Chief Secretary considered these options carefully. In view of the size of the prospective overspend and the acute pressure on the Reserve this year, he takes the view that only a halt to new commitments would be an adequate response. That might hold spending to the cash limit, the options in the table would not.

The Chief Secretary considered also whether he should propose some form of statutory restraint. Without primary legislation, a halt to new commitments cannot be imposed by statutory action nor can allocations be reduced. However it might be possible by Order to reduce the proportion of 1984-85 receipts which could be used by individual authorities (from the present 50%) or to take away the power to use receipts accumulated before the current year. Both would be extremely difficult to introduce in mid-year and both, of course, would require Parliamentary approval and would be difficult to present as a normal adjustment in order to hold to existing plans.

I am sending a copy of this to Richard Hakfeld.

Yours sincerely

J. Gieve

JOHN GIEVE

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	1984-85 Allocations	50% receipts in 1984-85	Accumulated receipts	End-year flexibility	Theoretical spending power
1. Present gross spending power	3.5	1	3-4	0.5	8-9
2. Remove power to use accumulated receipts	3.5	1	-	0.5	5
3. Ask authorities not to use <u>end-year</u> flexibility either	3.5	1	-	-	4.5
4. Ask authorities not to use current receipts either	3.5	-	-	-	3.5

local gov.

NAPM

MR TURNBULL

6 July 1984

I suggested to DoE yesterday a Clause for the Paving Bill along the following lines:

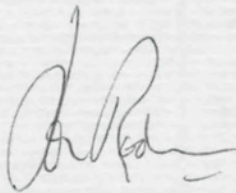
"Any movement of monies from the general fund into special funds, and the publication of any information leaflet, advertisement, or magazine, should be approved by the Secretary of State."

Parliamentary Counsel has said that something properly drafted along these lines would be feasible. The main objection against it would be the volume of work involved in monitoring the flow of propaganda. However, it would seem eminently worthwhile to employ one full-time person to sift the material and to alert the Secretary of State to anything unreasonable, rather than to allow several million pounds' worth of campaign literature to be issued under the powers the GLC have through Section 142, Section 111 and other Clauses of the 1972 Local Government Act.

Includes
leaflets a
rights a
measures
and be GLC
House show

Dealing with Section 137 will not tackle the problem of propaganda on the rates, and the Government will still be open to the manoeuvring of monies between different funds which could lead to sharp rate increases in the first year of the new authorities.

Patrick is now considering this amongst the other
submissions for the anti-mischief amendment to the Paving
Bill.

A handwritten signature in dark ink, appearing to read 'John Redwood', written in a cursive style.

JOHN REDWOOD



C NDPM 25/17 CENO.
NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

5 July 1984

Dear Peter,

LOCAL AUTHORITY CAPITAL SPENDING IN SCOTLAND

I have now seen your reply of 29 June to Nicholas Edwards' and Patrick Jenkin's letters to you of 20 June and 22 June respectively.

The position in Scotland differs very substantially from that apparently existing in England and Wales. There are two cash blocks involved in Scotland. On the first (SO/LA1) we managed to contain expenditure in 1983-84 within the cash limit and see no problem for 1984-85. On the other cash limit (SO/LA2) you will recall that after protracted and difficult negotiations in the late autumn last year, we agreed arrangements for minimising the damage done to our cash limit as a result of the open-ended commitment which we gave, at Treasury behest, in respect of house improvement and repair grants. Despite this, (SO/LA2) looks like being overspent by about £17.1m in 1983-84 and, according to the normal rules, I expect that cash limit to be abated by a like amount in 1984-85.

In anticipation of the need for abatement I retained a reserve of about £21m when completing my final allocations. Capital allocations to housing authorities will thus, even with the £17m abatement, be a few fm less than my cash limit. The other factors creating uncontrollable problems in England and Wales do not apply in Scotland. We do not allow the use of accumulated receipts, allocations are 100% net, and we have strictly limited carry over provision which we in any case allow for in our allocations within the cash limit. The net effect of all of this is that unless local authorities act 'ultra vires' I will not overspend on my SO/LA2 cash limit for this year. Given the very harsh, unpopular and politically difficult decisions which I took last autumn and earlier this year to achieve this position, I was pleased to note that you apparently see no reason to include Scotland in your proposed moratorium. I, of course, wholeheartedly agree that this would be unnecessary.

Nevertheless, I am anxious that you should not because of this position, under-estimate the very high cost at which I have secured this position in Scotland. The tremendous surge in improvement grant expenditure last year, and the reimposition of cash limit controls on it, meant that I had to impose an effective 18 month moratorium on such expenditure by telling local authorities that their consent for 1984-85 would allow for expenditure only on commitments entered into on or before 20 October 1983. On local authorities own housing capital expenditure I was only able to allow, in my allocations, sufficient to cover commitments of authorities as at 31 March. The effect of this has been virtually to stop new house build in the public sector, provision being sufficient only for essential modernisation and improvements. The pressures which these draconian measures are creating are of the utmost severity, and are giving rise to a position vis a vis housing authorities which is becoming increasingly difficult to sustain.

I am copying this letter to the Prime Minister, Willie Whitelaw, Leon Brittan, Keith Joseph, Nicholas Edwards, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Nicholas Ridley and Grey Gowrie, and to Sir Robert Armstrong.

Yours ever,
George.

Pune Minister

MR BUTLER

LOCAL GOVERNMENT - PRESENTATION

It will be helpful if Bernard attends this afternoon meeting which will need to decide when Government's position is announced and what line is taken with Press in the meantime.

AT
4/7

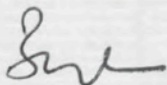
The media have been given the guidance that:

- i. the Lords reverse will be discussed by Ministers this afternoon;
- ii. the issue is likely to go to Cabinet tomorrow, if only by way of reportage.

I shall face a very insistent Lobby this afternoon and early evening for guidance on Government policy. There is much to be said for giving a clear steer, if possible.

Alternatively, we could simply say the issue will be reported to Cabinet, but that would give the impression that the Government is on the rack. In an ideal world, I would like to avoid any impression that the matter has been referred to Cabinet, as distinct from Government proposals for dealing with the situation being reported to Cabinet.

Could you please arrange for me to have a line on the outcome of the discussion for public use?



BERNARD INGHAM
4 July 1984

SUBJECT *de Maber*

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10 DOWNING STREET

cc LPO AG
HO CW
LPSO *hd Denham*
DES
C. Sec HMT *Ld Bellwin*
RH(CO)
4 July 1984 *MB(CO)*

From the Private Secretary

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL - ELECTIONS

The Prime Minister held a meeting today to discuss the options for the future handling of the Local Government (Interim Provisions) Bill following the adoption of Elwyn Jones' amendment in the House of Lords committee stage on 28 June. Present were the Lord President, the Home Secretary, the Lord Privy Seal, the Secretaries of State for the Environment and Education and Science, Chief Secretary, Attorney General, the Chief Whip, Lord Denham, Lord Bellwin. Also present were Mr Heiser, Mr Buckley and Mr Redwood. The meeting had before it your Secretary of State's minute of 3 July. The Lord President said he had taken soundings amongst Government and cross-bench peers on whether the Government would prevail if it introduced an amendment at Report stage in the Lords to cancel elections in 1985 but to allow the present members of the GLC/MCCs to continue in office sine die (which he had interpreted as meaning until April 1986). He now felt that significant support would emerge for this proposal. He had also consulted the leaders of the Opposition in the Lords. Though they were surprised that the Government was prepared to go as far as this they would probably, under pressure from the Opposition in the Commons, press for elections and vote against the Government's proposal.

The Secretary of State for the Environment said it was clear that the Lords would not accept automatic activation of transitional councils. He sought advice on whether the Lords would be prepared to accept a provision for the Government to introduce transitional councils to replace an upper tier authority which was behaving unreasonably. Provisions could be introduced to prevent the most flagrant forms of financial abuse but the timetable for abolition could be put at risk by a policy of non-cooperation. For example, officers could be instructed not to attend meetings or to work with minimum effort.

In discussion it was argued that inclusion of a

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provision of this kind in the Paving Bill would harm the prospects of success in the Lords. Nevertheless it was advisable not to close off entirely the option of taking powers in the Abolition Bill or possibly even in separate legislation. Summing up this part of the discussion, the Prime Minister said no provision for transitional councils to be introduced on a contingency basis should be included in the Paving Bill. The Lord President, in consultation with the Secretary of State for the Environment, should devise a form of words which would indicate that the members of the GLC/MCCs would remain in office until April 1986 but which did not totally close off the Government's freedom to tackle the problem of irresponsible councils.

The Prime Minister said she had been urged in the House to combine extending the mandate of the existing councils with measures to prevent obstruction or irresponsible action by the outgoing councils. The scope for such action was considerable. The Lord President was concerned that if this involved the addition of long and complex clauses it would undermine his efforts to muster support. The Secretary of State for the Environment explained that one important counter obstruction measure had already been entered into the Bill - the provision that expenditure under section 137 of the Local Government Act 1972 should be subject to the consent of the Secretary of State. This would prevent, for example, the GLC paying grants to favoured bodies to enable them to buy assets from the GLC. The two further measures he was proposing, to require the Secretary of State's consent before the GLC/MCCs could enter into long term contracts for the supply of goods and services above a defined sum, say £500,000, and to dispose of land and property, would not require extensive legislation. He proposed to enforce these provisions by making councillors responsible for any infringement liable to surcharge and disqualification. This would safeguard the position of third parties. He asked whether it was acceptable for these sanctions to apply from the date on which the Government announced its intention to introduce them. The Attorney General said there were ample precedents for this in the field of taxation. Summing up this part of the discussion, the Prime Minister said that provided the anti-obstruction provisions were not too extensive they could form part of a balanced package behind which it should be possible to rally support.

The Secretary of State for the Environment said the Bill had originally provided for by-elections to be prohibited from the date of the Commencement order. New arrangements were now needed. The alternatives were to prohibit by-elections from the date of the Paving Bill or from the date of second reading of the main Abolition Bill. He felt that both these were too severe and he recommended

prohibiting by-elections from the date of Royal Assent of the main Bill. This would allow a longer period during which the opposition could stage mass by-elections but it was felt that the position could not extract great advantage from this if the Government refused to contest them.

The Secretary of State for Education and Science said the change in the Bill had important implications for the proposal to introduce a directly elected ILEA. The original proposal was that the new body would be elected in the autumn of 1985, taking full responsibility from 1 April 1986. This would have allowed it to work in parallel with the transitional body, in particular on the 1986-87 Budget. If the existing GLC/ILEA members were allowed to stay on the new body would operate rather like the shadow joint boards. The Prime Minister was concerned about holding elections in autumn 1985 and suggested they be delayed until the district elections in 1986. This would involve extending the term of the GLC/ILEA members into the 1986-87 financial year, enabling them to set the Budget and precept (though this would of course be subject to rate capping). The Prime Minister invited the Secretary of State for Education and Science, in consultation with the Secretary of State for the Environment, to consider these issues further and to report back to colleagues as soon as possible next week.

The meeting then discussed whether an announcement should be made of the Government's intentions. The Lord President said he wished to avoid a statement in the Commons (which in any case was improper with legislation still being considered by the Lords). His speech on the clause at Report stage should be a comprehensive statement of the Government's position but it would be weakened if it had been preceded by a series of previous announcements. It was agreed that after discussion in Cabinet this week the press should be informed that the Government would be tabling an amendment to the Local Government (Interim Provisions) Bill at Report stage in the House of Lords proposing that the present GLC/MCCs members should continue in office into 1986 but without elections next year. At the same time further provisions would be introduced to prevent unreasonable actions by the outgoing authorities. The Government should resist efforts, including PNQs, to expand upon this.

Summing up the discussion the Prime Minister invited the Secretary of State for the Environment to continue work on the drafting of clauses to be tabled in the Lords and for the Lord President to continue canvassing support for the Government's proposals. They should report back to colleagues early next week so that the clauses could be tabled later that week for Report stage in the Lords on 16 July.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), David Morris (Lord Privy Seal's Office), Elizabeth Hodgkinson (Department of Education and Science), John Gieve (Chief Secretary's Office, Treasury), Henry Steel (Attorney General's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Lord Denham's Office), Mike Bailey (Lord Bellwin's Office), Richard Hatfield and Michael Buckley (Cabinet Office).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

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MR. TURNBULL

ABOLITION OF GLC AND MCCs

We agree with Patrick Jenkin that the only feasible option is to allow the existing GLC/MCC membership to run on.

When the existing Councils are given a new lease of life, they will:

- i) Mount a huge propaganda campaign; (to judge by our inside information from BMP, the Government has seen nothing yet);
- ii) Hire large numbers of new staff; these people's jobs will be threatened by abolition, and they will therefore immediately become strong opponents of the Government's policy;
- iii) Engage in expensive, high-profile, and popular building projects;
- iv) Give large grants to the London Enterprise Board and other groups favoured by the GLC/MCC, which could not be reclaimed by successor bodies;
- v) Refuse to give the Government the information specified in the Paving Bill;
- vi) Immediately transfer huge sums into special funds, which could be used to fund (i - iv) next year, despite rate capping; (money spent out of special funds does not count as net expenditure, and is therefore not covered by the expenditure limits imposed under the Rates Bill).

The effect of these manoeuvres will be to impede abolition both politically and administratively; to saddle the successor bodies with large and unwelcome commitments; and to cause a sudden rise in rates (despite rate capping) when the successor bodies take over in 1986.

/MISC 95

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MISC 95 discussed these problems in detail some while ago. The members of that Committee decided that it would be impossible to prevent chicanery completely: this was their reason for favouring the creation of transitional councils.

We have no doubt that MISC 95 was right. No water-tight conditions can be set on the activities of these councils. Moreover, we believe that considerable opposition would be generated from our own supporters in the Lords and Commons if the Government tried either to fiddle with the regulations for quorate meetings or to allow for transitional councils in the Abolition Bill itself (cf. Paragraph 6(iv) of Patrick Jenkin's minute). But it would be possible to prevent certain important species of obstruction. In addition to giving the Secretary of State powers to control long-term contracts for goods and services, the DOE should:

- limit the amount spent by the GLC and MCCs on advertising; the limit could be set either at the level of their 1984/5 budgets, or at some slightly lower level; many people would regard this as a thoroughly legitimate action; it would, of course, in effect prevent the Government itself from spending huge amounts on propaganda, but there is little sign that such propaganda on our side would be conducted with sufficient success to merit the expense;
- limit the grants made to outside bodies; this would prevent GLC/MCC councillors from salting away huge piles of cash in "boards" and "groups" which they and their friends control;
- make absolutely sure that Clause 7, Section (3) of the Paving Bill, which deals with the provision of information, can be properly enforced against officers of the council by a writ of mandamus; if there is any chance that a court will fail to issue a writ against officers who refuse to yield information, the section needs to be amended - we do not want to see the DOE applying for writs against councillors, who will readily defy them and make themselves martyrs by going to jail for contempt of court;

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- prevent any

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- prevent any transfers into or out of special funds from the time when the Paving Bill is enacted until the moment of abolition; if this is done, the expenditure limits imposed by the Rates Bill in 1985/6 will be effective, and the opportunity for the GLC and MCCs to fund misbehaviour will be dramatically reduced;
- give the Secretary of State power to prevent the appointment of additional staff by the GLC and MCCs; (given present employment laws, such staff would be protected against dismissal by successor bodies, and would cause additional expenditure at the time of abolition).

We recommend that Patrick Jenkin should be asked to formulate amendments on these lines. There would presumably be more chance of drafting the amendments correctly if they were inserted at the very end of July (when the Bill returns to the Commons) than if they were introduced earlier, eg during Report in the Lords on 23 July.

Oliver Letwin

Oliver Letwin

3 July 1984

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~~CE 100~~NBM
AT 3/7

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

3 July 1984

Jim Peck

LOCAL AUTHORITY CAPITAL EXPENDITURE

I refer to Patrick Jenkin's letter to you of 22 June. I have also now seen a copy of Nick Edward's letter of 20 June.

The provisional analysis of the new capital estimates survey (CER) for the year 1984/85 suggests a prospect of overspend for England to add to that which occurred in 1983/84. But, as Patrick points out, the forecast cannot be seen as at all reliable, based as it is on returns (so far from only 75% of authorities) largely identified as exaggerated, and without any historical comparison on which to judge the worth of such information as a predictor of the final outturn.

It seems to me therefore that we need to avoid precipitate action, particularly any designed to put a brake on capital spending. The Government has been encouraging local authorities to spend more on capital, not only in the housing field but also across the board. We might end up with another underspend.

In education there is a particular need for investment in order to secure savings in recurrent expenditure both from the removal of surplus places (which requires expenditure to achieve rationalisation) and from halting the costly decline in the condition of the building stock which is to continue in use.

I agree that a discussion is needed when all concerned have had time to consider the present position, the possible lines of action and their consequences.

I am copying this letter to Patrick Jenkin and to the other recipients of his letter.

Erin Kerr

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
London SW1P 3AG

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15 JUL 1984





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10 DOWNING STREET

From the Private Secretary

2 July 1984

The Arts in Merseyside

The Prime Minister has seen a copy of Lord Gowrie's letter of 27 June to the Secretary of State for the Environment about future arrangements for the Merseyside County Museum Service and the Walker Art Gallery.

Subject to the views of members of MISC 95, the Prime Minister is content with Lord Gowrie's proposals.

I am sending copies of this letter to Private Secretaries to members of MISC 95, and to Richard Hatfield (Cabinet Office).

David Barclay

Mrs. Mary Brown,
Office of Arts and Libraries.

ls

Prime Minister ①



CST has proposed a moratorium to Mr Jenkin and Mr Edwards. He is likely to report to you after the meeting referred. Nevertheless you might like a word at tomorrow's meeting

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

AT 2/7

29 June 1984

Dear Secretary of State

LOCAL AUTHORITY CAPITAL OVERSPENDING

I am appalled by the news in your letter of 22 June about the prospects for a massive overspend in 1984-85 on the cash limit for Local Authority capital. We must certainly discuss your problem very quickly, to find a way of retrieving the situation.

I had heard from my officials about your serious overspend for 1983-84, and was most concerned about that because forecasts during the year had suggested a major underspend. On the basis of these forecasts I and my officials agreed to several concessions during the year, for example the issue of supplementary allocations in January this year. I also agreed to your proposal to transfer £15m to the cash limit for the Urban Development Corporation. When I agreed to this you did of course undertake to take such steps as would be necessary to deliver the reduced cash limit. We must ensure that in future the information system enables you to fulfill such undertakings, by giving proper early warning of problems.

But the unforeseen outturn for 1983-84 pales by comparison with the figures you are suggesting for 1984-85. You will be aware that our Budget forecasts implied that the Reserve would be fully spent; and you will of course know of the pressure from your Local Authority current spending. I am sure that you are also aware of other problems giving rise to potential claims on the Reserve, some of which may be unavoidable. You suggest that there will be political difficulties in restraining Local Authority capital spending. But I fear that we will have to face up to those political difficulties, because you will understand that I cannot acquiesce in the extra pressure on public expenditure implied in such a major breach of your cash limit.

Turning now what could be done to restrain spending, it seems to me that in order to minimise the you will need to act quickly to announce a moratorium on new contractual commitments. From Nicholas Edwards' letter of 20 June, this

appears to be necessary in Wales as well. (I am copying this letter to him). I understand that you have no figures for how much is already committed. You will need to seek this information from Local Authorities when you announce the moratorium, as Nicholas Edwards did last December. This would enable us to judge whether any easement for individual projects could be permitted later in the year.

We should accompany this action with urgent action to change the present capital controls system to ensure that this kind of problem does not occur again. What I have in mind is to move closer to the Scottish system on use of receipts, and to tighten up on borrowing, but I would welcome your views on this. I propose that we should ask officials to advise urgently on what can be done to change the system in time for 1985/86.

In view of the need for speed, rather than wait for a Cabinet Committee meeting, I would suggest that you and I meet quickly with Nicholas Edwards to discuss this and consider urgent action.

I am copying this letter to recipients of yours.

Yours sincerely
J.P. Rees

J. PETER REES

[Approved by the Chief Secretary]

local Govt reports

12 JUL 1984

12 JUL 1984



Prime Minister

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL - ELECTIONS

1. Colleagues will wish to consider options for the future handling of the Local Government (Interim Provisions) Bill following the adoption of the Elwyn Jones amendment in the House of Lords' Committee Stage on 28 June.

2. The Bill, as amended, in effect prevents the order bringing into force those provisions dealing with the cancellation of elections and the appointment of transitional councils from being made until after Royal Assent to the main abolition Bill. The original intention was to make the Commencement Order after the Second Reading of the Main Bill in the Commons. Since the present timetable for the Main Bill envisages Royal Assent in July/August 1985 the amended Bill would in practice mean that the May 1985 elections would be held with the new councillors - probably the present members - having a further short term before being replaced by borough/district appointees.

3. I look to the Business Managers for guidance on the implications of last Thursday's voting pattern on the amendment, especially why such a large number of Conservatives did not vote. It is important to know how far this was because they disliked, for example:-

- (i) the cancellation of elections; and/or
- (ii) the change in control of the GLC which would result; and/or
- (iii) the House of Lords being used merely to rubber stamp Government decisions.

4. Moreover, colleagues will wish to consider very carefully



the crucial question of timing. Whatever course of action we decide to adopt, it is essential that, when seeking to overturn the Elwyn Jones amendment we select the moment which will maximise our chances of success. The basic choices are between Report in the Lords, or on Commons Consideration of Lords' Amendments (CCLA). I shall return to this issue later but colleagues will wish to note that, on the basis of the present timetable, the Bill is not due to have its Third Reading in the Lords until 23 July, which leaves very little time before the date on which Parliament is likely to go into recess.

The Options

5. There are three possible responses to the Elwyn Jones amendment which I identify only to dismiss; I do not believe any of the following are feasible on either political or practical grounds -

Option A: To accept the Bill as amended; ie to take no further steps to compensate for this reverse X

This would mean the Government having to accept the nonsense of members of the abolition authorities being elected for approximately a 3 month term only. Moreover the May 1985 elections, amounting to a referendum on the Government's abolition policy, would be held in the sensitive third year of this administration.

Option B: To accept the Elwyn Jones amendment but to seek to avoid the May 1985 elections by accelerating the progress of the main abolition Bill X

This would involve applying the guillotine in the Commons to large parts of the main abolition Bill (due to be introduced in November) and taking the risk that the Lords - where no guillotine can be applied - would not succeed in frustrating the timetable. This risk could not be wholly eliminated



by the device of introducing parallel Bills in both Houses simultaneously, even if the commencement date of the next session was advanced.

Option C: Seek to restore the Bill to the version approved by the House of Commons

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The Lord President advises that this would not be acceptable to the House of Lords, even if the Government were to make the commencement order for the elections provisions subject to the affirmative resolution procedure. It would in theory be possible for the Government to invoke the Parliament Act; but that Act requires a year to elapse between the Second Reading of a Bill in the Commons in the current session and the passage of that Bill through the Commons in the next session. Since the Commons gave the Paving Bill its Second Reading on 11 April, it cannot come to the Lords again until after 11 April 1985: there would then need to be a very rapid passage through the Lords if Royal Assent were to be secured before 2 May, when the elections were due to be held. Forcing the pace in that way, even if it could be done, would be bound to be politically damaging.

6. We are, therefore, left with only two realistic options; and the choice between them turns critically upon the extent they are judged to be acceptable to the House of Lords.

Option D: To overturn the Elwyn Jones amendment but to provide instead that the May 1985 elections should be postponed until a specified date in the Autumn of 1985

✗

i. This would enable the Paving Bill to be silent on the issue of transitional councils; the provisions dealing with the latter, including the contentious arrangements for securing Party balance, would be brought forward in the main Abolition Bill. Equally there would be no need for a Commencement Order



procedure vis-a-vis elections to the GLC and MCCs because the date of the postponed (not suspended) elections would appear on the face of the Bill. This would have the presentational advantage of retaining the elections which would clearly be able to proceed, with no further action by Government, should the main Abolition Bill fail.

ii. This approach would make it very important for us to introduce, in the Paving Bill, measures whereby the transfer of power could be effected with least disruption. It has been pressed upon me by sympathetic lower tier authorities that they would be better able to prepare themselves systematically for takeover by setting up organising committees, making use of the power to obtain information from the GLC/MCCs that is found in Clause 7 of Paving Bill. In any solution involving transitional councils, therefore, I am persuaded that it would be necessary to introduce in the Paving Bill appropriate means to oblige successor authorities to create such organising committees.

iii. If this Option were to be adopted, the Government would have to announce the proposals it would eventually be bringing forward in the Main Bill. Those proposals would certainly include the cancellation of the Autumn elections, but thereafter there would be a choice of (a) allowing the existing councils to run on until 1 April 1986; or (b) converting the organising committees into Transitional Councils. This conversion could either take effect from the date of Royal Assent of the main Bill; or it could be brought about, under an order-making power, at any time between Royal Assent and 1 April 1986 as a response to irresponsible and obstructive behaviour by the "running on" GLC and MCCs.

iv. The difficulties with this option are -

- that the electoral postponement could be represented as sleight of hand, an meaningless gesture that would be



set aside as soon as the main Abolition Bill was passed;

- that the option had been brought forward too late in the legislative process. It would now be seen as a grudging response to the criticisms voiced in Parliament and would be unlikely to attract the necessary degree of support in the Lords;

- that organising committees, if introduced in the Bill, would have to be set up on the basis of applying the same Party balance criteria that have led to the damaging accusations of political manipulation vis-a-vis transitional councils.

✓ Option E: To overturn the Elwyn Jones amendment, to reinstate the power to make a Commencement Order to cancel the May 1985 elections; to allow the existing GLC/MCC membership to run on sine die; but to take further counter-obstruction powers in the Paving Bill

i. This would have the considerable advantage of being consistent with past practice; in former local government reorganisations, the existing councils have been allowed to run on until their functions were transferred. This option would also remove any taint of gerrymandering if the Government were to make it plain when announcing its proposals that there would be no question of using the main Bill to introduce a power to terminate the existing membership of the GLC and MCCs in advance of 1 April 1986. However as explained in sub paragraph vi. below this could be a very serious hostage to fortune.

ii. The main disadvantage of this option is that it would prolong the present GLC/MCCs in power, giving them much greater scope for obstructive or irresponsible actions.



The Government's keenest supporters would be disenchanted if we were seen to be retreating from our commitment to remove the present leadership of these authorities at the earliest possible date. The Government also would be driven to introduce further counter-measures which would be staff-intensive, controversial and of dubious effectiveness, leading to a very grave risk that the whole abolition timetable would slip, given the extra scope for obstruction that would arise.

iii. The minimum counter-obstruction measures that would be needed (in addition to the control over expenditure under Section 137 of the Local Government Act 1972, a power which we already propose to take in the Paving Bill) would seek to constrain the freedom of the GLC and MCCs -

- to enter into long-term contracts for the supply of goods and services above a defined sum, say £500,000; and

- to dispose of land and property.

iv. In each case, the Bill would provide that the Secretary of State's consent would be required before the transaction could proceed, but would provide for the possibility of general consents being issued. We would thus prevent the abolition authorities from pursuing a deliberate policy of disposing of their assets before transfer in ways which are detrimental to the interests of successor authorities and ratepayer; or entering into long term contractual arrangements which will have similar adverse consequences.

v. The controls will be enforced by provisions making the councillors concerned liable to automatic surcharge to the extent of the "loss" involved and disqualification in the event that consent was not obtained. The transactions themselves would not be vitiated and therefore third party rights would be unaffected. These new controls would have



to operate from the date on which we announce our intention to introduce them.

vi. It should be noted, however, that such counter obstruction measures would only help to prevent the abolition authorities pursuing a "scorched earth" policy; they would not bite on those actions designed to delay or frustrate the process of abolition itself. We must, therefore, consider further measures that would enable council business to proceed with as much normality as possible in the period leading up to abolition. Such measures would include taking a power in the Paving Bill to vary the size of the quorum for the GLC and the MCCs and in the main Bill, a power to set up organising committees which would, by order approved in both Houses, be converted into transitional councils in the event that the GLC or any MCC seriously imperil our timetable for abolition. Our ability to introduce, in the Paving Bill, measures which anticipate possible obstructive actions of a procedural kind is necessarily very limited. However I would welcome the advice of the business managers as to whether the inclusion of a counter-obstruction provision of this nature in the main Bill - which would have to be announced as part of our response to the Elwyn Jones amendment - would cast doubt on our ability to secure the necessary degree of support for the Paving Bill in the House of Lords.

7. It has also been suggested, as a possible adjunct to any of the options which retain the concept of a transitional council, that the Government might further reduce the opposition to its proposals by taking steps to ensure that the transitional GLC remained under Labour control.* Annex A to this paper discusses possible ways of achieving that outcome and clearly identifies their severe disadvantages. All would be open to the charge that these were devised to get the Government off a hook upon which it had impaled itself, the obvious course being to remove

This was originally proposed by Lord Cockfield

* This would only be worthwhile when transitional councils were provided for ab initio. If they were resorted to because of obstruction there is little point in handing the GLC to a different Labour group which is liable to be equally obstructive.



the hook itself. I do not recommend that we take this device any further.

Conclusions

8. Subject to the views of the Business Managers I believe that Option E is the best way forward. It represents the most promising middle ground that we could find between the various criticisms of the original Bill that we have so far identified, and it is the approach which the Lord President believes most likely to prove acceptable to our supporters and cross-benchers in the House of Lords.

9. There would, of course, be a heavy price to pay by way of extra staff, and inevitably, new demands on Ministerial time, in administering the complex and controversial counter-obstructive measures entailed in Option E. But I believe it would be a price worth paying to secure the Parliamentary acceptance of the Bill.

10. If colleagues agree with this view, the remaining decision is when would be the most effective time to introduce the Government's response to the Elwyn Jones amendment. The Lord President has indicated that it would be possible to have recourse to a Three Line Whip on only one further occasion; it is essential that this be used to maximum effect. My preference would be for Report Stage in the Lords, but I look to the Business Managers for guidance on this critical point.

11. A copy of this minute has gone to Willie Whitelaw, Leon Brittan, Keith Joseph, Peter Rees, John Biffen, John Wakeham, Bertie Denham, Irwin Bellwin and Sir Robert Armstrong.

John Gulliford
for P J

3 July 1984

Approved by the Secretary
of State and signed in his
absence.

GLC POLITICAL CONTROL

1. The present party balance provisions would mean that all six metropolitan county councils would continue to be Labour controlled in the transitional period. So would ILEA. Only at the GLC would political control change.

2. Among the options put forward, with a view to maintaining Labour control of the GLC in the transitional period are:

- (a) to require appointments to reflect the existing political complexion of the GLC; or
- (b) to allow transitional councillors to be appointed by the existing GLC, as well as by the boroughs; or
- (c) to require additional, non-borough appointments to the transitional council, on the lines of the pre-1974 alderman.

(a) Existing political complexion

4. The choice of basis for borough appointments reflecting the existing political balance of the GLC would be:

- (a) either on the basis of Greater London as a whole;
- (b) or borough by borough.

5. Option (a) would be impracticable. How would any one borough know what ought to be its own contribution to the overall political equation?

6. In (b), each borough would appoint people of the same political mix as the present GLC councillors representing divisions within the borough. There would be two drawbacks. There is a political objection that some boroughs would be required to appoint a majority of GLC councillors of a different political hue to the boroughs majority party. That is unlikely to disadvantage the Labour party, but it would produce some bizarre results in Conservative boroughs. For example, all of Wandsworth's four appointees would be Labour. In Conservative Ealing and Enfield those boroughs would have to each appoint two Labour members and only one Conservative.

7. Second, there is the practical objection. What happens if a borough finds that it does not have any councillor who is of the same political persuasion as one of the presently serving GLC councillors. For example, Lewisham borough council comprises 41 Labour and 26 Conservative councillors. Yet it would be required to appoint from among its members one SDP transitional GLC councillor - because one of the serving Lewisham GLC members is SDP. It would of course be possible to provide that the requirement was to be exercised so far as practicable - as in the Bill at present. But given the much more precise formula involved, it would be likely to fuel criticisms of gerrymandering.

(b) a mix of GLC/borough appointees

8. The objectives in allowing the present GLC, as well as the boroughs, to appoint to the transitional GLC would be to:

- (a) produce an overall Labour majority
- (b) give serving GLC councillors an opportunity to combine to serve
- (c) through these serving members, to bring experience to the transitional council.

9. Assuming that party balance continues to apply to both sets of appointments, it is bound to be the case that:

- (a) the Boroughs appoint a majority of Conservatives
- (b) the GLC appoint a majority of Labour members.

10. A simple 50/50 split on approximately the present size of GLC would still produce a Conservative majority. The mathematics dictate that in order to produce an overall Labour majority from these combined services:

- (a) the transitional GLC would have to be very large (200+); or
- (b) the GLC would have to nominate well over half the transitional councillors; and there would still be a large council (well over 100 members); or
- (c) party balance is abandoned - at least from GLC nominees, who would then presumably all be Labour.

11. None of these options seems to have much attraction. (a) would be so large as to be unmanageable. (b) would give the boroughs hardly any say in the running of the transitional council, which would still be large. (c) would be unfair on serving Conservative and Alliance GLC councillors.

(c) the alderman model

12. Whilst retaining borough appointments with party balance, this option envisages additional GLC councillors (with full membership rights) appointed in order to bring political control back to Labour. The question arises, who would make these appointments?

13. If it were truly on the old aldermanic basis, the additional councillors would be elected by the transitional councillors from the boroughs. Given that the majority of these councillors will be Conservatives, it must be open to question whether they would vote in sufficient extras to deny themselves political control. Alternatively, the Labour boroughs might be required to make additional nominations. This could make difficulties for the party balance requirement. But more importantly it risks importing hybridity - because the Conservative boroughs could claim that they were being discriminated against. The other option would be to require present GLC to nominate the additional councillors to serve in the transitional period. But that is little different from above and carries the same disadvantages.

OPPORTUNITIES FOR SERVING COUNCILLORS

14. A further concern - not confined to Greater London - has been that serving upper tier Councillors will have no opportunity to continue in public office, unless they are also borough/district councillors. It has been suggested that the size of the boroughs/districts should be increased by one third; and that the elections for that extra third should be held in May 1985. In addition to providing an opportunity for GLC/MCC councillors to stand for election, it would also help with manning the transitional councils, by providing a larger pool from which boroughs/districts would draw their appointees.

15. The proposition is workable in the metropolitan counties; but there would be considerable practical difficulties in London.

16. Paragraph 3(2) of Schedule 11 to the Local Government Act 1972 provides that the number of local government elections to the number of councillors to be elected shall be "as nearly as maybe, the same in every ward of the district or borough. This means "one man, one vote of equal weight". This principle could be applied relatively easily in the metropolitan districts. There, every ward has three councillors. It would be a simple matter to add one councillor to each ward - and the "equal weight" principle would not be offended.

17. In the London boroughs, some wards have 3 councillors, some 2, and in five councils, some have only 1 councillor. The pattern is random. It would require a long drawn out review of wards by the Local Government Boundary Commission to produce new boundaries giving equality of voting power of electors. Only by adding one councillor to each ward could the present party be maintained - and that would increase the size of all London borough councils by more than one third. In the case of Greenwich, the increase would be by more than half.

18. The one third addition would produce approximately the following results

		<u>now</u>	<u>+$\frac{1}{3}$</u>
<u>Boroughs</u>	Largest : (Croydon, Ealing)	70	100+
	Smallest: (Barking)	48	70+

Met districts

Largest: (Birmingham)	117	156
Smallest: (Bury)	48	64

19. Other practical objections are;

(a) significant reduction in savings of £3½million (by not holding GLC/MCC elections) because of the need to hold elections in the 4th year when the county elections would normally have been held;

(b) increase in expenditure on allowances paid to councillors

(c) extra resources (buildings, staff) to service extra councillors.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 July 1984

Dear Attorney-General

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL - ELECTIONS

You will know from my minute to the Prime Minister of today's date that in the light of the adoption of the Elwyn-Jones amendment the extension of the present GLC/MCC memberships for a further eleven months from May 1985 to April 1986 is now a serious possibility. As the minute makes clear, a necessary concomitant, if only to meet the concerns of our supporters, is a strengthening of the counter-obstruction armoury available to the Government. The purpose of this letter is to seek your views on what I propose.

The present draft of the Paving Bill already contains a number of counter-obstruction provisions. Clause 7 places a duty on the abolition authorities to furnish relevant information requested by the Government or boroughs/districts. Clause 9 gives the boroughs/districts the same rights to challenge the authorities' accounts as a local government elector; it also requires the authorities to consult the boroughs/districts about the 1985-86 budget.

These were strengthened by the tabling, on 26 June, of two further provisions. First, an amendment to Clause 9 which will extend the consultation requirement to expenditure commitments beyond 1985-86. Second, a new clause - foreshadowed in Irwin Bellwin's letter of 8 June to MISC 95 colleagues - requiring the abolition authorities to obtain my consent to any expenditure under Section 137 of the Local Government Act 1972 from 1 April 1985, including any resulting from contractual liabilities entered into after 26 June.

In the event that it is decided to extend the abolition authorities' term by 11 months, I would propose to announce at the same time that I will be requiring the abolition authorities to obtain my consent to the following activities:-

- i. all disposals of land or buildings
- ii. all capital contracts above a threshold of, say, £½ million.

This requirement would apply with effect from the date of the announcement. It would not apply to disposals or contracts which were already entered into on the date of the announcement, though these would have to be notified. We would wish to be

able to ease the administrative burden by means of general consents.

It will be very difficult to frame the necessary amendments in the limited time available, but I believe we must aim to include the necessary provisions in the Paving Bill rather than leave them to the main abolition Bill. The latter course would entail accepting a lengthy and controversial period during which we would be relying on retroactive validation of our powers.

Whichever course is adopted, three things will be clear. First, the Government's firm determination to prevent obstructive or irresponsible actions from deflecting us from our course, Second, the controls will apply immediately from the date of announcement. Third, they will be enforced by provisions making the councillors concerned liable to automatic surcharge to the extent of the "loss" involved and disqualification in the event that consent was not obtained. The transactions themselves would not be vitiated and therefore third party rights would be unaffected.

I would be grateful for your views on whether you consider there are any objections, as a matter of legal principle, to what is proposed.

Yours sincerely

P. Jenkin

for PATRICK JENKIN

*Approved by Secretary of State and
signed by in his absence.*

PRIME MINISTER

LOCAL GOVERNMENT - GUIDANCE

I shall need to give guidance after Cabinet tomorrow on the outcome of the discussion of the Paving Bill problem.

Subject to the discussion, I suggest I should say unattributably:

"The Government has decided to table an amendment to the Local Government (Interim Provisions) Bill at Report Stage in the House of Lords proposing that the present members of the GLC/MCCs should continue in office into 1986 but without elections next year.

At the same time further provisions will be introduced to prevent unreasonable actions by the outgoing authorities."

I do not think we should get into detail about precisely when in 1986 the GLC/MCCs will expire or the nature of the further provisions against abuse. We need to leave the Government with maximum room for manoeuvre both for the sake of policy and the position of the Lord President.

BERNARD INGHAM
4 July 1984

cc Lord President
Secretary of State for Environment
Lord Privy Seal
Chief Whip (Commons)
Chief Whip (Lords)



NBS/M

AT

4/7

~~CE NO~~

1

DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

4 July 1984

Dear Peter,

LOCAL AUTHORITY CAPITAL EXPENDITURE

Further to my letter of 3 July, I have now seen a copy of yours to Patrick Jenkin dated 29 June. *TPM*

You propose that you and he should have an early meeting with Nicholas Edwards. However there will clearly need to be a wider discussion than that, and I should want to be included. I hope that your arrangements will take this into account.

I am copying this letter to recipients of yours.

*Erin
Rees*

Rt Hon Peter Rees QC MP
 Chief Secretary
 Treasury
 Whitehall
 London SW1

u to



N/Ben

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

AT
417

My ref:

Your ref:

4 July 1984

Dear Peter,

LOCAL AUTHORITY CAPITAL OVERSPENDING

with AT?

Thank you for your letter of 29 June. You will have gathered from my earlier letter that I take a rather different view from you on the severity of the political problems and on the scope for action.

I nevertheless agree that it would be helpful to have an early meeting on the lines you propose with Nicholas Edwards to clear the ground. I am bound to say, however, that in view of the wide-ranging implications for other departments I doubt whether it will be possible for us to reach agreement without further discussion in a wider forum.

I am copying this letter to the recipients of yours.

Yours
Patrick

PATRICK JENKIN

CONFIDENTIAL

TOP COPY
ON HOUSING
POLICY R+L



10 DOWNING STREET

From the Private Secretary

3 July 1984

DERELICT LAND AND URBAN HOUSING

The Prime Minister is concerned to speed up sales of derelict and surplus land and unoccupied housing held by local authorities. She would be grateful for comments on the suggestions set out in the attached note.

I am copying this letter and enclosure to John Gieve (Chief Secretary's Office, HM Treasury).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL

3 July 1984

DERELICT LAND AND URBAN HOUSING

1. Could housebuilders and developers be given an encouragement to hunt through the registers and identify that land which their members want to build on, but which is not being made available? The Secretary of State could then use his powers to encourage more enforced disposal.
2. Could the DoE arrange a timetable of auctions for land on the registers, if local authorities fail to sell within a reasonable time period? The auctions would have to be so arranged that a local land market is not swamped by making an unduly large amount available. We should not worry if some of the land is auctioned off at a very low price, as long as it is going to be used.
3. Would it help if the DoE set out in a clear simple circular to the local authorities guidance on how to encourage land sales?
4. Would it help if more publicity were given both to the successes of renovation of tower blocks and other run-down inner city housing, and to the obstruction

of some local authorities who stand in the way of dealing with the problem? For example, the Barratts redevelopment of Minster Court in Liverpool, and the Cantril Farm estate in Knowsley, are successes which could be better advertised; while the refusal of Glasgow to allow Barratts to take on three large tower blocks which are standing empty could be made more of.

5. Would it help if the DoE set up an action line to a senior official, so that any commercial developer who felt that public bodies had rejected an offer for property without good reason, could get a fair hearing and have his complaint pursued vigorously? This would also help the DoE obtain information on the nature of the wasteland problem, and on when and where to use their powers.

These principles could also be extended to the auction of empty houses. A large number of inner city councils hold a large number of empty houses, allegedly for redevelopment. In practice the houses stay tinned-up for years, whilst many people in the locality are without access to the kind of housing they want and can afford. Could the DoE draw more attention to the scandal of unused houses? And could it consider taking powers to back up its exhortation to enforce sale of empty house property? Where the property is in a very bad state of repair and unlikely to be used by the

public sector, it would be desirable to sell it in auction to a private sector developer, or at a low price to somebody in need of a house who is prepared to do it up.



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PRIME MINISTER

Local Government (Interim Provisions)
Bill - Elections.

Flag A

Flag B

You are holding an informal meeting of Ministers tomorrow, 4 July, to discuss what is to be done after the Government's defeat in the House of Lords on the Abolition Paving Bill. The options and issues are set out in the minute of 3 July from the Secretary of State for the Environment. I understand that you are receiving a brief on the substance from the Policy Unit. This minute suggests how you might structure the discussion.

2. The three main questions seem to be as follows.

(i) What objectives is the Government trying to achieve: which of the various points raised in debate, whether in the Lords or elsewhere, is it trying to meet?

(ii) What is the timetable?

(iii) Where should the Government apply the main leverage: in the Lords or the Commons?

Objectives

3. The Government's objectives so far have been to avoid the elections in May 1985 as wasteful and arguably inappropriate because they would no doubt be used as a referendum on the abolition policy at a time when the main Abolition Bill was before Parliament; and to involve borough nominees as early as possible in the running of services for which they will be responsible when the GLC and metropolitan county councils are replaced on 1 April 1986.

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4. The critics have made the following main points.

(i) That it is wrong to suspend elections:
either to extend the term of GLC and MCC
councillors without a further democratic mandate
or to replace them by borough nominees is simply
wrong.

(ii) That it is wrong to bring about a change
of political control in London (or anywhere else)
without an election.

(iii) That it is wrong to anticipate the
decision of the sovereign Parliament by bringing
the provisions of the Paving Bill into effect
before the Main Bill receives Royal Assent.

There is no way of meeting (i) without abandoning the
Government's objectives as set out in paragraph 3 above.
Mr Jenkin's Option D meets objection (iii): his Option E
does not. Option E satisfies objection (ii), as does
one version of Option D; but both would require complex
new provisions.

Timing

5. If new provisions are required for insertion in the
Paving Bill they must be got right, and right first time:
the GLC and MCCs will be looking for every loophole and
opportunity to embarrass the Government. Previous discussions
in MISC 95 have suggested that the sort of provisions
proposed in connection with Mr Jenkin's Option E to prevent
obstructive behaviour by the GLC would be complicated and
hard to make effective; it would be dangerous to assume that
they could be put into legislative form in a couple of days.

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However, there would be very strong objections to allowing the Paving Bill to go into the overspill, because the provisions in the Bill to ensure that information can be collected from the abolition authorities would then not come into effect until October/November.

Forum

6. A related question is in which House the Government should attempt to insert any new provisions. Sentiment in the House of Lords is perhaps unpredictable; and it is possible that Lords Amendments may be rejected by the House of Commons. Ministers may feel that this points to trying to make any changes that are required during consideration of Lords Amendments by the House of Commons: It would then be possible to deploy the argument in subsequent debate in the House of Lords that the Commons had reached their decision after considering what had happened in the Lords, and that the Lords should accept that decision, if only on constitutional grounds. This course would also maximise the time for getting the drafting right. But it almost certainly means that the Lords, and probably the Commons too, would have to sit into August, at any rate unless Third Reading in the Lords (currently due to take place on 23 July) can be brought forward.

HANDLING

7. You will wish to invite the Secretary of State for the Environment to open the discussion. The Lord President of the Council, the Lord Privy Seal, and the Chief Whips in the Commons and the Lords will no doubt have views on the timing, the tactics, and whether the Government should seek to make changes in the Bill in the House of Commons or the House of Lords. Ministers in charge of departments with responsibility for local authority services will wish to comment on the anti-obstruction provisions proposed by the Secretary of State for the Environment in connection with his Option E.



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CONCLUSIONS

8. You will wish the meeting to reach conclusions on the following.

(i) What amendments to the Abolition Paving Bill should the Government seek to make?

(ii) When should this be done?

(iii) Should it be in the House of Commons or the House of Lords?

M.S.B.

M S BUCKLEY
Cabinet Office,
3 July 1984.

CONFIDENTIAL

Local Gov: Relat.

File

Ref. No: TPT(84)14

pt 21

Date: 29/6/84

Actions of
GLC Nominees on
London Transport Board

Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000

Enquiries on this brief to:
JEREMY MOODY

CONFIDENTIAL

BRIEFING NOTE

Members may find the following useful in debates on the GLC.

Actions of Recent GLC Appointees to the LT Board

The first batch of five part-time appointments was made by the GLC in July 1983. At that time there were four full-time members - Dr Quarmby, Dr Ridley, Mr Phillips and Mr Cameron - in addition to Dr Bright; the Board was therefore evenly balanced, and Dr Bright's casting vote as Chairman meant that he had overall control. In November, Mr Cameron resigned, Mr Latham was appointed to a full-time post and the appointment of Ms Amory gave the "GLC" faction a clear majority; this was reinforced when Mr Palmer was added to the part-time appointments in March 1984.

The tactic of the GLC appointees has been to achieve as much as possible in line with the GLC's policies in the short time remaining before the establishment of LRT. In particular, they have been concerned to resist any moves towards demanning, to support the interests of the trade unions even where these conflicted with the interests of passengers, and to keep as tight a rein as they could on the full-time professionals by calling weekly Board meetings which have become increasingly long-drawn-out and acrimonious.

More particularly, the decisions imposed by the "GLC" majority against the wishes of the professional Board members include:

- (i) the preparation of an unrealistic three-year Plan, based on GLC policies, which failed to give proper consideration to less expensive subsidy options and exaggerated the adverse consequences of Government policies; and a decision to print the Plan only days before the take-over at a cost of £15,000;

(ii) the alteration of the rules governing LT's acceptance of advertisements in order to allow political advertising by the GLC. In order to place any political advertising with LT, the GLC Board Members had to vote some time ago to rescind condition 7 of LTA's conditions of acceptance for advertising contracts, which bans all political advertising. (They are currently trying to get LT Advertising to enter into a binding contract for more such advertising later in the year, after LRT has taken over);

(iii) continued deferment at the GLC's behest of further extension of one-person operation on LT buses;

(iv) the refusal of an application by the private telecommunications company, Mercury, to use LT wayleaves for its cable systems, which would have brought in £100,000 pa;

(v) the appointment of a full-time equal opportunities advisor at a salary of £16,000 pa;

(vi) vetoing proposals to make sensible cost savings in the running of LT (see attached interview with Keith Bright).

London Transport

TIME FOR RESISTANCE

Within a week or so of this article appearing the Thatcher government will have seized control of London Transport — the first major achievement in the government's campaign to destroy the GLC. The imposition of LRT means much more than a change of political control; it will open the way for drastic cuts in services, increases in fares and a frightening scale of job losses. The preparations for LRT under Tory control are well under way within the present management of London Transport. Senior members of LT management have been openly concerting their strategy with the Tory Transport Minister, Nicholas Ridley, in anticipation of the coming assault on jobs and services.

This became clear for all to see when a minority of the executive led by the LT chairperson, Keith Bright, openly attacked the LT Three-year plan adopted by the executive at the request of the GLC. This set out the two options open to LRT — to accept the drastic cut in subsidy sought by the Tory government or to go for the GLC policy of increasing financial support for LT.

ATTACK ON JOBS AND SERVICES

The former would mean 8500 job losses — increasing to around 16,000 as a result of other attacks on employment in the years ahead — as well as the closure of bus routes, rail stations, higher fares and a drastic reduction in the quality of the service.

Instead the LTE majority forced through a plan involving the GLC option. This involves no job losses (other than some arising from the appalling concession of one person operated trains agreed by some union leaderships), and calls for increased bus and train mileage (creating more employment) as well as a three year fares freeze (which would be a cut in real terms).

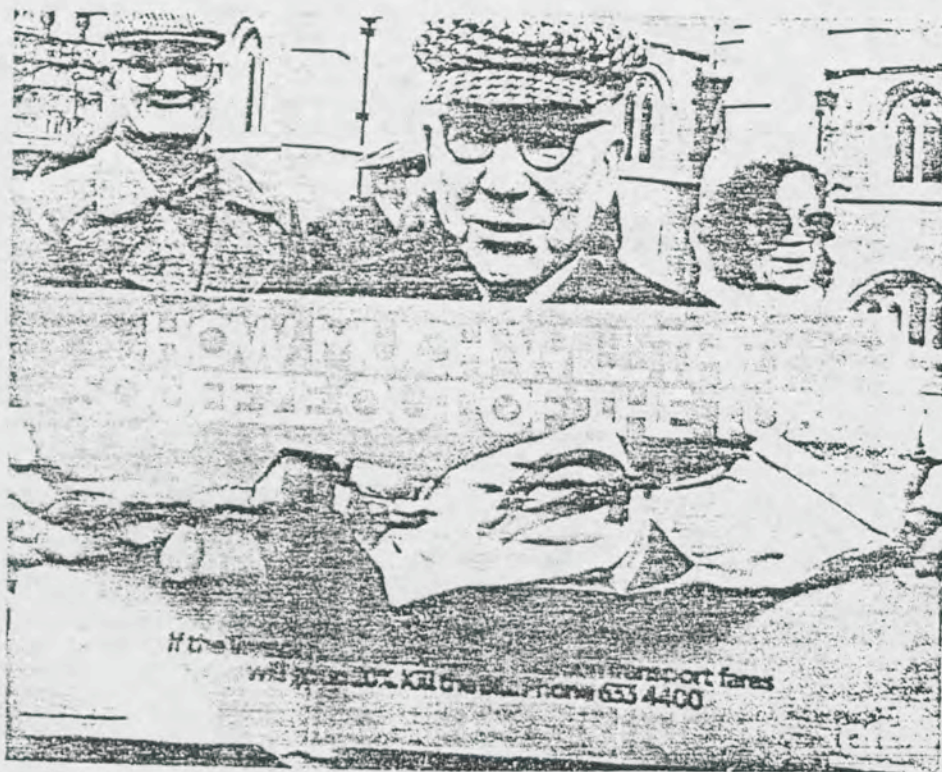
SUCCESS OF GLC POLICY

The pro-government minority LTE directors have described this as 'unprofessional'. But this is ridiculous given the fact that the GLC fares reduction policy has already resulted in the best results for LT in recent years, including a 16 per cent increase in the use of LT and a much better financial performance than budgeted for.

More to the point the lower fares, plus innovations such as the Travelcard have helped take traffic off our overcrowded roads and resulted in a 5000 reduction in fatal and serious accidents on those roads. The entire experience of the past year provided dramatic confirmation that a socialist policy of cheaper fares and better services makes transparent economic and social sense.

'PROFIT CENTRES'

The Tory strategy is to turn each part of LT into semi-autonomous 'profit centres'. To that end Ridley and the fifth column within LT plan an all out offensive to get one person operated buses and trains, even though this produces a worse service, endangers the security of passengers, and



has serious health and safety implications.

In addition, management would like to close bus and train engineering plants such as Acton, Aldenham and Chiswick. Until now the GLC majority on the LT executive have been able to block moves to close Acton and Aldenham but LRT will persist with massive redundancies.

The left wingers on LTE can delay the offensive but only the mobilised strength of LT workers can defeat it and preserve jobs and services. GLC leaders such as Ken Livingstone, Dave Wetzel and Mike Ward and some LTE part-time members have made it clear that the time for action is now and that a determined campaign to explain what is at stake can win public support for LT workers.

ACTION ON JUNE 27

Industrial action now would also draw on the strength given to the wider labour movement by the determined struggle of the miners to defend their jobs and their pits. A concerted action by miners, LT workers — as well as GLC staff — defending themselves against abolition could provide the sinews of a potentially powerful resistance to the Tory government.

The immediate focus for action should be the one day 'Day of Action' being called by SERVIC for June 27. But it is vital that any such protest should be clearly situated as part of a campaign aiming at all out action on

London Transport if the Tory government does not give unambiguous undertakings on LT jobs and services.

UNITY WITH THE MINERS

No campaign of action will succeed unless a massive effort to explain all the issues both to LT workers and the travelling public is begun NOW. GLC Labour leaders and part-time GLC-appointed LTE directors have pledged to play their part in bringing the details of the threat to LT jobs to every bus garage, depot and workshop.

Failure to mount resistance to LRT and all that it involves will enormously weaken the prospects of resistance to the abolition of the GLC — and the enormous consequent job losses — next year. But the example which could be given by a strike to defend jobs and services is not to be underestimated.

Growing numbers of working people are showing how angered and embittered they have become as a result of the actions of the Thatcher government. A clear lead given now by LT trade union leaders — together with the GLC — can help ensure the fight back against the government being led by the miners turns into a wholesale challenge to Tory attacks on the entire working class.

John Palmer
(GLC-appointed member
London Transport Executive)

London's transport will survive, says LT chairman 2

The GLC claims that when LT is removed from its control there will be widespread service reductions and fare rises. What is your view?

KB: There is no substance in it at all. It is just one of the scares put out by the GLC. No. The Government have said that fare levels must be maintained constant in real terms; and we must meet our stated obligation to provide a service that matches demand.

I do not expect any reduction in services after transfer of LT to LRT. If we achieve the Government's aim of constant fares in real terms - and I am confident it can be done - there should be no real fare rise and no loss of customers.

The GLC says there will be an axing of many routes, and shutting down of a number of stations.

KB: That is pure fiction. I do not expect closure on the scale suggested by the GLC. I would expect a cold and hard look by LRT at anything that is patently uneconomic: Tube stations like Ongar, for example, where the Essex County Council has an interest.

But we shall also start additional services as we have already been doing: shoppers' specials, the Docklands Clipper, night services extended in the face of GLC opposition. A few central London stations will have to be reviewed annually.

London's public transport system will not fall apart when the Government takes London Transport away from the Greater London Council and puts it under a new London Regional Transport body, Dr Keith Bright, LT chairman says.

In an exclusive interview with *The Times* his first since the dispute between the Government and the Greater London Council over the LRT Bill, which received Royal Assent yesterday. Dr Bright says the GLC nominees on the LT executive have been working against efficient public transport in London, and GLC warnings of closures and fare rises are without substance.

A chemist and former industrialist, Dr Bright, aged 52, is widely expected to become chairman of LRT when it takes over LT next month. He talks to Michael Baily, our Transport Editor.

The GLC says there will be 1,500 job losses - one in four of the LT workforce - within three years.

KB: The GLC take the view that job protection is good in itself. I accept that, but it must be measured against the good of lower fares and subsidies, and quality of service.

Last year the GLC arrested a programme of manpower savings to increase efficiency, which cost the rate and taxpayers £24m, or £70m in a full year. Many of those jobs were unnecessary as a result of new ticket systems on the bus and Underground such as the Travelcard. And the Monopolies Commission discovered that some LT works were very inefficient establishments; a lot

of the work could be done more cheaply outside LT.

We must agree a programme to make Aldenham and Chiswick works viable; and those parts of the work that are not viable must be contracted out.

The GLC regards "privatization" as bad in itself and is automatically opposed. But we are still overstaffed - productivity in a continental undertaking like Hamburg is over 50 per cent higher than London's - and must continue to make efforts to reduce staff.

Many of our people are over 55 and the reductions can be achieved mostly without enforced redundancies. The 1984 Act will ensure that because of the competitive elements it will introduce, unless we use our



manpower efficiently, much of what we do will disappear anyway.

The GLC says much of the bus and Underground system faces privatization.

KB: Privatization of the Underground is not a practical possibility. Buses are always a possibility if they are not efficient enough to meet competition. There is a real possibility of competition on many London bus routes. If it brings benefits to the travelling public in the form of cheaper fares and better services that can't be a bad thing.

The GLC describes the LRT Bill as a "disgraceful and doctrinaire attempt to dismantle and destroy London's integrated

public transport system". What is your view?

KB: The phrase disgraceful and doctrinaire could be turned right back on those who use it. The GLC has a policy of job protection at all costs; they are bleeding the tax and ratepayer to provide a level of subsidy not justified by the level of customers.

The GLC claims credit for the recent growth in passengers, and without doubt lower fares are partly responsible. But so are the Travelcard and the new zonal fares systems which were LT initiatives of the kind we can continue to expect under LRT.

Public transport systems like this must always be subsidized to a certain extent. But much depends on the level of efficiency. People are all the time improving efficiency in every walk of life.

Public transport cannot be isolated from what is happening elsewhere. Failure to recognize this will bring about the self-annihilation of the very thing they seek to protect.

The transport authority will continue under the new legislation to provide a safe, economic, and efficient service to meet passenger demand. And I look forward to a more positive approach to running an efficient transport system in London.

CONFIDENTIAL

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NEFM

AT 2/7

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

28 June 1984

Dear Mr. Rees,

LOCAL AUTHORITY CAPITAL EXPENDITURE

Patrick Jenkin sent me a copy of his letter of 22 June warning of a potential overspend on capital by local authorities in 1984-85. Obviously we must take the potential threat to the cash limit and its possible impact on our wider economic policies very seriously. But we must be careful not to over-react. The capital programme for local transport is second only to housing in size - it is also particularly lumpy and difficult to plan effectively. I have made strenuous efforts to encourage worthwhile investment and authorities have begun to respond. I am, as you know, about to consult the local authority associations on limiting transport supplementary grant to capital expenditure. Hasty or disproportionate action, on very tentative evidence, could be very damaging.

-with AT

We ought therefore, as Patrick suggests, to meet urgently to decide on the appropriate response to these worrying preliminary indications.

CONFIDENTIAL

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I am copying this to the other recipients of
Patrick's letter.

Yours sincerely,

Dinah Nichols

Private Secretary

pp NICHOLAS RIDLEY

*(Approved by the Secretary
of State & signed in his
absence).*

CONFIDENTIAL

Pte

LORD PRESIDENT

LOCAL GOVERNMENT/LONDON TRANSPORT

You will recall from the attached paper (Annex A) I proposed that in July the Government should mount a campaign to regain the initiative over rates control and abolition of GLC/MCCs.

I followed up this paper with D/Environment today and we reached the following conclusions:

- i. We should set in hand work with the objective of mounting a major effort in the last week of July when the White Paper bringing the public up to date on abolition, and the allocation of powers, will be published.
- ii. Provided both were presented bullishly, there could be additional shots in the locker before the Recess in the shape of the initial list of local authorities to be rate capped and the RSG announcement.
- iii. We shall meet again next week to take our planning further.

It should, however, be noted that there are three possible complications:

- i. the outcome of the Paving Bill in the Lords;
- ii. Liverpool (July 11); and
- iii. the unsolved problem of LA capital expenditure overrun on which Mr Jenkin is seeking an urgent meeting of Ministers.

Our planning will have to take account of these risks. But we intend to make as much mileage out of the White Paper for Mr Jenkin and the Government policy.

Are you content we proceed on these lines?

London Transport

I have also had a meeting today with D/Transport on the need to make the most of Royal Assent of the London Transport Bill.

There are three focuses for action:-

- Tomorrow (Friday) - Appointed Day; and announcements of the new members of the LRT Board and the Passengers' Committee (consumer council)
- July 16: announcement of LRT objectives
- about July 23: announcement of improved LRT/BR Travelcard, including travel on buses instead of just the Underground.

I am assured that the Secretary of State for Transport is geared up to make maximum use of tomorrow's announcement to get over the positive immediate message - eg about pensioner concessions, services, network and fares - on radio and television.

I have asked D/Transport to coordinate with LRT their approach to publicity, both free media and advertising. I am also bringing D/Transport together with D/Environment in the planning of the July local government campaign since their publicity needs affect each other.

I have explored the idea of advertising with D/Transport and reached the preliminary conclusion that this is primarily a matter for the new LRT Board and not D/Transport. In any case, the D/Transport does not have any money set aside for the purpose.

But we need to be exceptionally careful about any advertising campaign given that:

- i. there may well be substantial fare increases from January 1, 1985;
- ii. the continuation of the pensioner concession is ultimately dependent on a response from the boroughs;

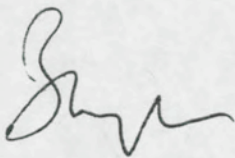
iii. the network, stations and service cannot and must not be frozen into a set pattern, even though no immediate changes are planned;

iv. presentation, and the claims which can be made in it, are dependent upon a series of decisions yet to be taken; and

v. we must avoid the charge we now make against the GLC and MCCs of political advertising, thereby making the passage of the local government legislation more difficult.

I shall have a further meeting with D/Transport early next week.

Content for me to proceed in this way?



BERNARD INGHAM
28 June 1984

PERSONAL AND CONFIDENTIALLOCAL GOVERNMENT REFORM - MEDIA CAMPAIGN

This note sets out my views on the next steps in the effort to preserve the Government's local government policies positively and effectively.

Background

I have continually been struck during my attendance at D/Environment campaign meetings how little I, as a relative outsider, have been affected by public campaigning, even though I live in a London Borough - Croydon.

But for my privileged position, and awareness of the tremendous effort being made within Government, I would but dimly perceive the ebb and flow of the battle.

Separating, as best I can, my perceptions from my inside knowledge, I have the following impressions:

1. Some considerable disarray in Government, with perhaps worse to come in the Lords, because of internal but public and Parliamentary, disagreement over the policy.
2. Increasing regard for Ken Livingstone as a political figure and publicist.
3. Growing restiveness among supporters at the Government's failure to beat Livingstone at his own game.
4. Next to no impression of how the argument is going in the Metropolitan Counties.

In other words, the Government's problems arise for broadly two reasons:

- i. disagreements within its own ranks; we have failed to neutralise the dissidents; and
- ii. Livingstone's success as a publicist, which is not perhaps surprising with a budget £3m more than is properly available to the Government for paid publicity.

But, there has latterly been one demonstration that the GLC's position is as insecure as a pack of cards: the effect of the Talgarth Road right turn on its reputation for sensitive administration.

The feeling nonetheless in Government is that we are losing out with the public; that the devil has all the best tunes; and that we badly need to come up with a fresh and preferably electrifying presentation.

Problem

As I see it, the presentational problem has three distinct aspects:

- i. Immediate: how do we turn the tide now?
- ii. Medium Term: How do we secure and retain the initiative during the Recess? and
- iii. Longer Term: How do we persuade the public over the next 12 months or so that the Government's policy is not merely going ahead but is necessary and will bring benefits to ratepayers?

Immediate

How do we turn the tide?

This is easier said than done if only because June is so fiendishly busy: Botha, Reagan visits; Economic Summit in London: Euro-Elections; Euro-Council - all in quick succession. Moreover, we need to be sensitive to the needs and performance of the Lords re Rates and Paving Bills.

Yet what we need is a dramatic demonstration of Government purpose which is arresting both in terms of power and language.

I am reluctantly forced to the conclusion that we should, if we can, bide our time until July and use June to plan a publicity strike early in July.

In an ideal world, what we need is:

i. a speech by the Prime Minister, followed by her appearance on eg the Jimmy Young Show, Nationwide or Thames TV Eye, or a combination, the following day, which puts the Opposition on the defensive;

ii. Cabinet Ministers, armed with the same remit, to hammer the message home in London and the six Metropolitan areas over the following two days, backed up by radio, television and local newspaper interviews and articles;

iii. Mobilisation of articulate and impressive supporters from local government to:

a. advertise their support in local regional newspapers at the same time - can the Government raise by other means the money to pay for this?

b. carry the message through the local media for the rest of July.

iv. Mobilisation of MP support to assist and underline the efforts of local government supporters during July.

The keys, however, to the success of the exercise are:

i. surprise;

ii. lead from the top with fresh language;

iii. continued effort to demonstrate Government power and commitment;

iv. follow through, as indicated; and if possible, the identification of prominent individuals from many walks of life who will weigh in as required to back the Government's policy.

Substance

As always, the credibility of any Government effort of the kind advocated will depend to some extent on the current degree of dissidence in the Government's ranks. The objective must be to crush that out of sight: to use such heavy armour that the opposition, for a period at least, is obliterated.

In my view, the main elements of the appeal should be:-

- i. Manifesto commitment;
- ii. Local Government always derived bulk of its money as well as its existence and authority from central government which therefore cannot ignore local spending;
- iii. wide measure of autonomy at local level within overall framework and ceilings; need more rather than less imagination, creativity and management expertise at local level, acting in interests of ratepayers within established and familiar limits;
- iv. but don't need a tier which has proved it has a very limited role that can be properly exercised by lower tiers, where necessary acting together;
- v. inevitably savings will arise from elimination of unnecessary tier - and Government is determined that the inevitable happens;
- vi. (for London) don't intend to put up with hypocritical nonsense from a Palace revolutionary about ending of elections when there are good precedents and administrative efficiency arguments in favour;
- vii. London has no need of GLC representation when the Lord Mayor of London has not looked back since Dick Whittington; nothing can replace the prestige of the Lord Mayor of London;

viii. the administration of London under Livingstone and Labour has everything not to commend it, especially the real interests of workers whose firms are being driven elsewhere by high rates and profligate expenditure;

ix. the Government meanwhile will play the game by arguing its case persuasively without cost to the taxpayer while the GLC and MCCs spend ratepayers' money without authority.

I believe that we need a new speech written by someone - eg me - who is not too close to it all, which takes on frontally all the arguments, both substantive and political, with the objective of powering the Government to the ascendancy.

But if we are to overcome the expenditure of £3m plus by the GLC and MCCs we need to mobilise the full weight of Government and its supporters.


Medium to Longer Term

Any campaigns over the medium and longer term - ie recess and next 12 months - can be considered realistically only in the light of immediate plans.

I suggest we concentrate our thinking on how to make an immediate impact, and then commission work on how to carry with us public opinion after that.

A powerful strike in July which carries the argument and puts the opposition on the defensive will win a lot of time. That should be used to prepare a White Paper, of whatever size or substance, to carry the case forward to actual abolition.

I hope this is helpful.



BERNARD INGHAM

- 1) Mr Turnbull
- 2) Prime Minister (2)



To note Lord Gowrie's
proposal for a new
arts body for
Merseyside.

OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

DMB
29/6

27 June 1984

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

mt

Steu Patrick

FUTURE ARRANGEMENTS FOR THE COUNTY MUSEUM SERVICE AND WALKER
ART GALLERY, MERSEYSIDE

will request if required

As you and other colleagues know, I announced on 11 April that central funding would be available for the Merseyside County Museum Service and the Walker Art Gallery and its outstations. I have been further considering the best form of this central funding, and I am now writing to you to seek the agreement of members of MISC 95 to my preferred solution.

I have concluded that there should be a single statutory museum and art gallery body established in the Abolition Bill on the lines of existing similar bodies such as the Victoria and Albert Museum or the British Museum. It would be responsible for the main museum and gallery services, but not for the historic houses now run by Merseyside, which should pass to the districts. Attached to this letter is an annex which summarises the three possible options, which have been discussed in greater detail among our various officials.

The main reasons for establishing such a body are:

- a) it will be totally funded by central government and we should seek statutory Trustee status on grounds of clarity, control and accountability;
- b) the annual revenue costs will be about £6m in 1986, a considerable commitment of resources which place it financially fifth on our Museums and Galleries budget (about the same as the Tate Gallery);

c) it merits clearly such a status - the collections are of national and international standing;

d) by making this a statutory body we are reflecting its size and status and can resist requests for similar treatment from other, much less prestigious, provincial museums and galleries;

e) by combining the Museum and Art Gallery we shall achieve administrative efficiencies and economies not possible if they separated in either statutory or non-statutory form, and

f) we shall be acknowledging as a national asset the Liverpool-centred collections. This should carry some political weight, as well as securing the collections against the uncertainties of the local political scene.

I have been assured that such a statutory Museum and Art Gallery Service will be approved of, both by those in the profession and more generally by informed opinion in the region. It will undoubtedly add to the multitude of problems we face in preparing this Bill, not least because Merseyside Metropolitan Council are proving intransigent at the moment in refusing to provide information. But for the reasons I have briefly set out, I am sure we must create this body in statutory form, while finding a name for it which does not include "Merseyside".

Copies of this letter go to colleagues on MISC 95, to the Prime Minister and to Sir Robert Armstrong. I should be grateful for an early agreement so that instructions to counsel can be completed.

Lynn,
e/ly

LORD GOWRIE

OPTIONS FOR CENTRAL FUNDING OF THE MERSEYSIDE MUSEUM SERVICE AND WALKER ART GALLERY

The Problem

The Government's original proposal was to fund the Walker Art Gallery alone and link it with the Tate Gallery. This proved totally unacceptable, and failed to take account of the size and importance of the Museum Service. On 11 April the Minister for the Arts announced central funding for the Museum Service and for the Walker and its outstations. In 1986-87 this will be about £6m out of the £17m allocated to the major museums and galleries affected by abolition. The next largest recipient of these additional central funds will be the Greater Manchester Museum of Science and Industry, to which £1m will be allocated.

2. A decision is needed on the provision to be made for the future ownership and management of these Merseyside Services. At present they are federated services; each has a Director who reports to the Arts and Culture Committee of the Merseyside MCC, but they share extensive common services and operate in a well-integrated way. The Government has not defined in detail what exactly the future Museum Service will consist of. Many will no doubt wish us to take on all the existing components of the Service, but it seems better to leave to the district councils any part which either is not strictly a museum (so Croxteth Hall and Park should go to Liverpool City Council), or is a legitimate local interest (so the part share in the Prescott Museum should go to Knowsley District Council, and possibly the repairing lease on Speke Hall

should also go to Liverpool CC). There is no good reason to take over the present Merseyside structure in its entirety and if the historic houses are not devolved, the total cost of the whole operation would be nearer £7.3m in 1986-87.

3. There are three options for consideration:

(a) The creation of a non-statutory Trustee body to run both the Museum and the Art Gallery; this would be a charitable body with a Deed of Trust.

(b) The creation of two such non-statutory bodies to run the Museum and Art Gallery as two separate institutions.

(c) The creation of a single statutory Trustee body similar to the existing national museums and galleries. This would be grant-aided, have the buildings and collections vested in the Trustees and have charitable status.

Option (a)

4. For this option is the practical advantage of avoiding the need for statutory provision in an already long and complex Bill. It would be necessary to draw up a charitable Deed of Trust, which would specify the number of Trustees, and the objectives for the body. It would be grant-aided, and we could require it to be subject to audit by the C & AG. But inevitably its financial and management regimes would not be subject to firm and clear control in the way that a statutory NDPB would be, and the lines of accountability for a substantial slice of public money would be less clear. Pressure

could be brought to bear on the Trustees by, for example, an unsound City Council seeking to change the Deed of Trust. There is also some risk of creating a precedent which existing National Museums and Galleries might be tempted to seek to follow. And because the Deed of Trust would need a reversionary clause in the event of the Trust failing in any way, we would be seen as postponing the proper public ownership of the institutions and their collections whose dispersal or disposal would be entirely unacceptable.

Option (b)

5. This is a variant of option (a). It has the same advantage as option (a). But it suffers from the same disadvantages, plus three more:-

(a) because it would involve setting up two charitable trust bodies, it increases the complications of setting up;

(b) because it would involve breaking up the existing common services, eg on personnel administration and buildings, it would be more expensive;

(c) the Art Gallery plus outstations is, by itself, relatively small (£1.7m a year). If we set up a new charitable trust to run a body of this size, wholly financed by central government, other local authorities are likely to press for complete central funding of their own museums, eg Tyne and Wear.

Option (c)

6. The creation of a statutory single Trustee body to own and manage both the Museum and Art Gallery would properly reflect both the 100% funding by Government, and the

status and size of the collections. There is evidence that it would be popular in the region, and a feather in their cap since it will be the only museum body in England outside London with national status. Current philosophy and practice strongly suggest that a body of this size, wholly financed by central government, should have a statutory basis which clearly lays down its relationship with central government. The most appropriate financial arrangements for achieving this, as well as allowing for maximum flexibility, would be grant-in-aid.

7. There will be difficulties in drafting satisfactory clauses, given the unco-operative mood of the Merseyside County Councillors, and the scale of effort in effecting such a transfer into central ownership and management will be considerable. However, option (c) will achieve clarity both in the objectives of the body and in its relationship to Government. It will keep in the public domain the Museum which, although established under a local statute, has grown in scope and importance far beyond other municipal collections. It can be clearly ring-fenced as unique among the museums and art galleries affected by abolition, and its statutory form could not be used as a precedent for similar arrangements elsewhere.

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MBPM
 Prime Minister (1)
 To note
 AT

Prime Minister

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL

I have been considering with the business managers how best to deal with one of the points which have arisen in relation to the elections provisions of this paving Bill.

Part II of the Bill suspends elections to the GLC and the metropolitan county councils, and provides for the transitional councils between May 1985 and abolition. It will be brought into operation by a commencement order, which I have undertaken not to make until the Commons has given a second reading to the main abolition Bill. Under the paving Bill as drafted, the order would not be subject to any Parliamentary procedure.

This proposal attracted some sharp comment at Lords second reading and it has been strongly represented to me - not least by the Association of Conservative Peers - that the order ought to be subject to affirmative resolution of both Houses. The clear message from the peers is that such a concession would appreciably ease the passage of the Bill through the upper House.

I believe that it would be beneficial. It would be a powerful counter to the criticism that, by relying on Commons second reading to trigger the commencement order, we were taking the House of Lords for granted. A concession on the commencement order is a gesture which our supporters are convinced would be helpful, and which would be well received on the cross-benches.

I have discussed this with the business managers. We are agreed that the Bill should be amended to make the commencement order subject to affirmative resolution of both Houses; and that it is highly desirable that we should signal our intentions quickly,



so that we may derive the maximum advantage for the first day of Committee - this Thursday, 28 June. With Willie Whitelaw's authority, I have therefore asked for the appropriate amendment to be drafted and handed to Lord Halsbury.

I am copying this to Leon Brittan, John Biffen and to John Wakeham.

Andrew Arsenau
(Private secretary)

for PJ

(agreed by the Secretary of State, and signed in his absence)

26 JUN 1984



CCND

NBSM

AS 27/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Patrick Jenkin MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 London
 SW1P 3EB

26 June 1984

Mr Patrick

attached

EXPENDITURE LEVELS FOR THE GLC AND THE ILEA

I have seen your letter of 14 June to Willie Whitelaw.

We obviously have to balance the need to ensure that the rate-capping legislation works smoothly in its first year against the need to show that it is capable of delivering substantial savings. I am sorry therefore that you feel unable to accept Keith's offer of a 2 per cent cut on ILEA's budget and that you cannot endorse my proposal that we should seek a 5 per cent cut from the GLC. Together these proposals would increase the savings from rate-capping by some £60m.

GLC

I fear I am not persuaded by your arguments on the GLC. The GLC has budgetted to increase its cash spending by 14 per cent between 1983-84 estimated outturn and 1984-85 budget. I understand that the bulk of that increase is accounted for by services other than transport ie services for which the GLC will remain responsible after 1 April 1985.

I was surprised by some of the items you chose to single out. On the GLC's fire services, for example, your Private Secretary's letter to the Prime Minister's Private Secretary on the savings from abolition mentioned the scope for substantial savings. As he pointed out, the GLC's 1983-84 fire budget was "no less than" 24 per cent above that component in its Grant Related Expenditure. I do not think the position has changed markedly in 1984-85.

There is one item in the GLC's budget which you do not mention. That is the "Revenue Contribution to Capital Outlay" (RCCO) which

constitutes some 6.7 per cent of the adjusted budget. I understand that only Leicester of other Column 2 authorities is budgetting to make an RCCO in excess of 1 per cent.

Both Nigel and I have been very worried at the prospect of rate-capped authorities maintaining their current spending by switching from revenue to debt finance of capital. Our officials have discussed with yours the scope for limiting such borrowing round rate limits. They were assured that it was unlikely to be a problem because the authorities were budgetting for very low RCCOs. The GLC seems to be the exception to that rule.

So I fear I would put a rather different construction on the disaggregated GLC budget figures attached to your letter. Rather than take them to mean that we should not set the GLC a tough expenditure level, they suggest to me that it is an absolute imperative that we do so. If anything, 5 per cent looks too modest.

ILEA

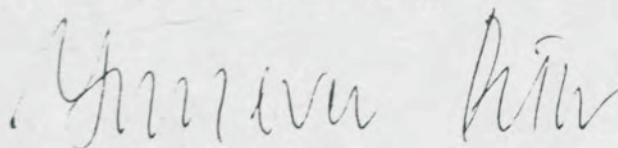
I note your view that we cannot single out the ILEA for special treatment. That appears to conflict with the letter of the Rates Bill, which states that you can set expenditure levels on "general principles applicable to each class of authority". I have always understood the ILEA to be in a class of its own. [I must admit that I would doubt that an authority would be seen to be acting reasonably if it sought to have its initial expenditure level quashed when it had a statutory right to seek a remedy through an application for a derogation].

But if you remain of the view that we would run a severe risk of legal defeat then we have two alternatives - either to adopt a more discriminatory general approach as, for example, set out in my letter of 22 May, or to pass up the savings Keith says are attainable from the ILEA. I cannot accept that the latter is preferable.

Selection Criteria

One final point. If we are to regard the question of selection criteria as still open, despite E(LA)'s deliberations on 24 May, I have to say that I would regard the question of the appropriate general level of reduction as similarly open.

I am copying this letter to the Prime Minister, Lord Whitelaw, members of E(LA) and Sir Robert Armstrong.



PETER REES

Local Govt Relations

PT 21

27 JUN 1964



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NBPM

BT 26/2

HOUSE OF LORDS,
SW1A 0PW



25 June, 1984

My dear Leon:

Abolition of GLC/MCCs: Probation

I have read the exchange of letters between yourself, Patrick Jenkin and Peter Rees, concluding with your letter of 15th June in which you suggest a meeting to resolve the difference of opinion.

I must say that my objection to your proposal which I set out in my letter of 3rd May remains. My "misgivings" as you describe them are not limited to the possible - and I believe likely - effect on Magistrates' Courts Committees. - The distinction which you seek to make between Magistrates' Courts Committees and Probation Committees would in my view inevitably be challenged, but even if what you have in mind did not extend beyond Probation Committees, your proposal still requires magistrates to work with elected local authority representatives and consequently poses a serious risk of magistrates being drawn into party political disputes. I believe that the judiciary must be shielded from such risks.

I welcome Patrick Jenkin's support but do not accept his comment about there being no exact parallel between your proposal and police authorities because of the different mix of magistrates and elected members. I regard the exact mix as being neither here nor there. It is the fact of the mix which is objectionable, and a potential threat to the independence of the judiciary.

The Right Honourable
Leon Brittan, QC, MP,
Secretary of State for the Home Department,
50 Queen Anne's Gate,
London SW1H 9AT

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HOUSE OF LORDS,
SW1A 0PW

Your proposal appears to raise another important point of principle. In your letter of 15th June you say that the probation service is "in many respects a servant of the courts", but that it is also "a social service agency which should at the same time be accountable also to the community as a whole" thereby envisaging that the probation service will become the servant of two masters. Leaving aside the practical objection to such an arrangement, your proposal, as your letter of 10th April acknowledged, would produce a fundamental change in the relationship of the probation service to the courts and local authorities. If such a change were ever to be made it should surely be introduced for the whole country after proper debate and not brought in under cover of legislation to abolish the GLC and MCCs.

I am copying this letter to the recipients of the previous correspondence.

Yrs;

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

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LOCAL GNT. Relations

25 JUN 1984





BF for Chancellor
bilateral on 27/6.

AT 25/6

10 DOWNING STREET

Prime Minister ②

White Policy Unit are right to draw this to your attention and stress the urgency, (do not think it is for you to write to Patrick Jenkin, Treasury Ministers are assembling returns from England Scotland and Wales and will report soon.

Agree to raise this at next bilateral with Chancellor?

Yes
AT

22/6

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MR TURNBULL

22 June 1984

LOCAL AUTHORITY CAPITAL OVERSPENDING

Local authorities in England and Wales are likely to exceed their cash limits on capital spending in 1984/5 by something between £300 million and £1,300 million. This is an overspend of between 10 per cent and 50 per cent.

At first glance, this looks appalling. The overspend will have a considerable effect on total public expenditure figures. It will also directly affect both the local authority borrowing requirement and the PSBR, because cash that was held by local authorities to offset their debts will now be spent, thereby increasing their net indebtedness.

If the sketchy information so far provided by DoE can be trusted, the problem is in one sense less acute than it seems. Almost all of the overspend will be funded not from rates or central government grants, but rather from the cash that local authorities have accumulated as a result of council house sales. The fact that they are able to spend this money suddenly and unpredictably is a direct effect of the 1980 Local Government Act. Ministers in 1980 - wanting to provide an incentive for more council house sales - intentionally gave councils the right to spend a certain proportion of the funds raised from such sales on capital projects whenever they choose.

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Nevertheless, it is deplorable that central government should agree to take responsibility for local authority spending and borrowing, and should set a cash limit on that spending and borrowing, if it is then unable to enforce the limit. Clearly, the rules on capital spending need to be revised for next year: Treasury and DoE need to consider quickly how this can best be done. (The Policy Unit has its own ideas, which we shall feed in at official level.)

To handle the immediate problem, it may well be necessary to seek a voluntary moratorium on further capital spending, as the government did last year. (Such a moratorium can be made to work by issuing threats about next year's capital allocations.)

The Prime Minister should bear in mind the fact that she herself took part in the campaign in previous years to induce local authorities to spend up to their limits on capital. The DoE will no doubt stress this fact, and argue that it makes a moratorium too politically embarrassing. We do not agree: one cannot let £1 billion of excess spending go free this year merely because one previously - and quite reasonably - urged the spenders to use up their allocations.

But, as Patrick Jenkin points out, any moratorium will be extremely unpopular, particularly given present relations

between central and local government. Treasury and DoE therefore need to discuss tactics urgently.

The fiasco this year has also revealed serious inadequacies in the DoE's information system. For example, nobody knows how much of the money has already been irrevocably committed. We are told that it will take weeks to find out. This, too, needs to be put right for next year.

We recommend that the Prime Minister should write to Patrick Jenkin expressing her concern. She might mention:

- (1) the urgent need to collect more detailed information;
- (2) her agreement that Ministers should speedily consider the possibility of seeking a voluntary moratorium on further local authority capital spending this year;
- (3) her hope that Ministers will rapidly develop effective means for collecting information and for establishing real control over such spending in future years.

Oliver Letwin

OLIVER LETWIN



CONFIDENTIAL B

peno

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

22 June 1984

Dear Peter,

LOCAL AUTHORITY CAPITAL EXPENDITURE

I have seen Nick Edwards' letter to you of 20 June on this subject. My officials have already warned yours of the overspend of some 10% (£300m) on the 1983/84 DOE/LAL cash limit - capital expenditure by local authorities in England. This is still a provisional figure.

I now have the first, and highly provisional, analysis of results of the three quarters of returns from English authorities to our capital estimates survey (CER) for 1984/85. The figures point to an overspend of somewhere between £½bn and £1½bn on the existing 1984/85 LAL cash limit of £2453m. The range is wide not only because so many returns are still outstanding but also because a very large proportion of the total represents exaggerated estimates of what local authorities could in practice achieve. We have no previous survey by which to judge the returns. Moreover, unlike Wales, the estimates survey for England contains no information either about the extent to which authorities have already entered into contractual commitments, which would be exempt from any action we might take, or about the position in respect of individual services. The evidence on 1984/85 is therefore tentative. But until we have the hard evidence on spending which will begin to emerge with the first quarter's returns, we must assume that some overspend seems likely.

When the local authority capital expenditure control system was introduced in the 1980 Act, it was recognised that the cash limit would not be subject to precise control. The resources legitimately available to individual authorities to spend in any one year, especially from capital receipts accumulated in previous years, greatly exceed in aggregate the national cash limit figure. I have no reason to believe that individual authorities are proposing to exceed the resources available to them. Indeed, by making fuller use of their own resources they are responding to strong Government exhortation in the past, given in the light of the 17% (£529m) underspend on the cash limit in 1981 and the 26% (£870m) underspend in 1982/83.

The precise reasons for the overspend in 1983/84 and a prospective overspend this year are not fully clear yet. We know that there was a surge in gross expenditure in the last quarter of 1983/84. Important contributory factors are:

- i. housing improvement grants: the initiative taken, at the Treasury's behest, to allow authorities unlimited

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additional allocations above an indicative figure for 1983/84, must have played a major part. Indications are that authorities spent £900m last year on such grants. This is £400m more than we assumed before the initiative was announced. Your predecessor accepted at the time that this represented a threat to the limit - see Leon Brittan's letter of 22 November 1982 to John Stanley. There has been a substantial carry-over of commitments on improvement grants into the current year, perhaps around £300m. I fully agree with the points that Nick Edwards makes on this subject in his letter of 20 June;

ii. other incentives were given, with Treasury agreement, to encourage local authorities to incur expenditure before the end of 1984/85, including the reductions in the prescribed proportion of capital receipts which in practice took effect from 1 April 1984;

iii. local authorities understand better the working of the system, and are given confidence to spend by their substantial accumulated capital receipts;

iv. Government encouragement to use the capital resources available - the local authorities and construction industry, both now apprehensive that we may take action to curb capital expenditure, are drawing particular attention to the Prime Minister's speech in the Debate on the Address and her letter to the leaders of the local authority associations in November 1982.

I should welcome an urgent discussion about the situation with you and those colleagues concerned, perhaps in H Committee. I must warn at the outset of the huge political backlash we shall face if we now take action to curb local authority capital spending.

First, local government would argue strongly that the only action appropriate on the overspend would be to set it against the underspending which occurred in the two previous years' operation of the system. They would make great play of the fact that much of their expenditure is being financed from their own receipts, following Government encouragement to sell assets and thus generate resources for additional capital spending. They would point out that the fault lies not with them but with the national capital control system. Moreover, any action would come on top of a series of major disagreements with the whole of local government. We should avoid another if we can.

Second, any action to limit local authority capital spending would have a very damaging effect on the construction industry and on employment. The hostility of the industry has already been strongly aroused by those of our recent measures, notably the imposition of VAT on alternations, which will have the

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effect of restraining demand. Moreover, the industry has a lot of spare capacity - and its workload has on the latest figures shown a downturn (1%) on the previous quarter, seasonally adjusted.

Third, we need investment in infrastructure and have said so in the past. We are coming under growing pressure from a whole range of sources - CBI, FCEC, BRF, and others - to increase capital spending on the infrastructure. We would also face the charge that to put a mid-year brake on capital spending would damage the cost effectiveness of local authority programmes, planned over a period of years.

I recognise of course that there is an interaction between local authority capital spending and the PSBR. But we must be quite clear that any action we took to curb such spending would be exceedingly difficult to present to the public. First we had a housing moratorium in 1980/81. Then we switched to urgent encouragement to spend, and in 1982/83 we primed the pump to bring about more spending. Now in 1984/85 we would be trying to turn off the tap. All of this would be presented by our opponents as a reversion to the stop-go policies practised by our predecessors. Our action would be open to ridicule, would cause dismay to our friends, and could be politically damaging in the longer term. We should also be clear that the evidence on 1984/85 is tentative. To take action too early would expose us to the criticism that we were panicking before it was at all clear whether an overspend would in practice occur.

It is evident that the operation of the capital control system as a whole is defective. The heart of the problem lies in the annual basis for the system. Whatever we decide for this year, we shall need to look again at the system, in consultation with the local authority associations which are preparing representations on the issue.

I agree fully with Nick Edwards that we must behave consistently in respect of England, Wales and Scotland. This points up the need for an early discussion.

I am copying this letter to the Prime Minister, Willie Whitelaw, Leon Brittan, Keith Joseph, George Younger, Nicholas Edwards, Norman Fowler, Norman Tebbit, Tom King, Nicholas Ridley and Grey Gowrie, and to Sir Robert Armstrong.

Yours ever
Patrick

PATRICK JENKIN

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22 JUN 1984



The National Archives

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cc NO CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

21 June 1984

Dear Andrew

Thank you for sending me a copy of your letter of 31 May to Andrew Turnbull, in which you restate the proposals put forward at an earlier stage for involving English Estates in the abolition exercise as an agent for disposing of particular assets of the authorities we shall be abolishing.

First I must set the record straight. The White Paper, which reflected the agreement reached after discussion of the practicalities of those proposals, did not suggest that English Estates should be employed to dispose of surplus industrial and commercial land and buildings. What it said was that, "In relation to industrial property, the Government will wish to draw on the special skills of the English Industrial Estates Corporation". At that stage we had not finally decided how the disposal of surplus property should be handled. My Secretary of State has however, since announced the decision that this will be one of the functions of the residuary bodies that are to be set up for each area.

My Secretary of State has a high regard for English Estates but he is conscious that it has been asked to take on a number of major projects - notably Chatham Dockyard and on Merseyside - and to take over the industrial assets of the three North East New Towns. These new tasks will make substantial demands on English Estates and its top management, and it is not necessary to involve them in the very large and complex task of handling the GLC/MCC surplus property now that there are to be appointed bodies for that and other purposes acting under Ministerial direction. We understand that the Chairman of English Estates, Christopher Wates, now feels that it would be a mistake for them to undertake this additional task, for which they are not at present equipped (since there will be several thousand properties to be disposed of). But perhaps he could be asked for his latest views on this?

As regards obtaining information about the property holdings of the expiring authorities in order to prepare the way for abolition, my Secretary of State recognises that this must be done, and in good time once the Interim Provisions Bill is enacted. But it cannot be done in a piecemeal fashion. English Estates could, of course, help to evaluate specific items: this must, however, be secondary to identifying and sorting the property that will need to go to the authorities taking over the functions and to the residuary bodies. Without

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that, the abolition timetable would be put under strain. Accordingly we shall need a co-ordinated approach (and a delicate one, giving the attitudes prevailing among staff and authorities) to obtaining this information. It would not be helpful for the English Estates (or indeed any body not directly concerned in abolition) to be involved in this exercise.

My Secretary of State intends that the residuary bodies should be specifically charged with the remit of disposing quickly of the saleable and surplus assets which they will inherit from the abolished authorities. In discharging this task it could well be that the bodies themselves will be very willing to enlist the advice and help of the English Estates - especially in relation to those areas where they are strongly represented. My Secretary of State certainly hopes that this will be possible.

I have copied this letter to Andrew Turnbull and to the recipients of your letter to him.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Lansley Esq

*Local Gov
Relations A2,*



The National Archives

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London Amenity and Transport Association

Tress House

3 - 7 Stamford Street

London, S.E.1

COPY

Dear Sir,

We are writing to express our serious concern over the Government's proposals for a new structure for London and metropolitan government described in the White Paper 'Streamlining the Cities' (Cmnd. 9063).

Whilst there may be functions, at present administered by the London and metropolitan counties which can be devolved to the boroughs, it seems to us that nothing but harm can come from establishing separate agencies or joint boards to manage strategic planning, roads and public transport, the Arts, fire, waste disposal and sewerage.

The White Paper does nothing to allay our fears and, indeed, leaves so many questions unanswered that it gives the impression (together with its accompanying papers) of having been put together with insufficient time and thought.

With such important issues at stake and with a constitutional change proposed which affects every member of the electorate in the London and metropolitan counties, we feel that the public have the right to the sort of impartial committee of inquiry which has always accompanied past changes in local administration. The Royal Commission (the Herbert Committee) which preceded the 1963 London Government Act, deliberated for three years; it seems unlikely that the present proposals have been considered for as many months.

Yours faithfully

(List of signatories over...)



Telephone: 01-928 1440

London Amenity and Transport Association

Press House

3 - 7 Stamford Street

London, S.E.1

List of signatories

- Stephen T Atkins, Lecturer in Transportation Planning, Southampton University
Andrew Blowers, The Open University
Michael Chisholm, Department of Geography, University of Cambridge
Councillor D G Clelland, Secretary, The Association of Councillors
David Hall, Director, Town and Country Planning Association
Prof. P J Hills, Dept. Civil Engineering, University of Newcastle-upon-Tyne
Dr I Griffiths, Dept. of Geography, The University of Sussex
Prof. K M Gwilliam, Director of Transport Economics, University of Leeds
Prof. George Jones, London School of Economics
Nick Lester, Chairman, London Transport Passengers Committee
Prof. B Keith-Lucas
Don Mathew, Friends of the Earth
Alan Norton, Senior Lecturer, Institute of Local Government Studies,
University of Birmingham
Tim Pharoah, Polytechnic of the South Bank
David Pike, Transport Advisor to the Association of London Authorities
William Plowden, Director-General, Royal Institute of Public Administration
Felicity Rea, Secretary, Pedestrians Association
John Roberts, Chairman, London Amenity and Transport Association
Prof. E A Rose, Aston University
Prof. Hilary Rose, Bradford University
Harley Sherlock, Chairman, Transport 2000
Gavin Smith, Campaign to Improve London's Transport
Keith Sonnet, National and Local Government Officers Association
Dr A M Warnes, Department of Geography, King's College, Strand
Prof. H P White, Research Professor, Dept of Geography, University of Salford
Prof A G Wilson, School of Geography, University of Leeds
Peter White, Transport Studies Group, Central London Polytechnic.
Prof J B Goddard, Dept of Geography, University of Newcastle-upon-Tyne



Telephone: 01-928 1440

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22 JUN 1984

London Amenity and Transport Association

Tress House
3 - 7 Stamford Street
London, S.E.1

June 12th 1984

The Private Secretary to Her Majesty the Queen,
Buckingham Palace,
S.W.1.

Dear Sir,

May we request that Her Majesty's attention be directed to our Association's grave concern over the Government's proposals to abolish the GLC and the Metropolitan Authorities, without first instituting an independent inquiry or a Royal Commission.

We are equally worried about the 'Paving Bill' (Local Government Interim Provisions Bill) which is at present progressing through the Lords and which seeks to remove from Londoners their right to vote for a citywide authority.

We have contacted most Universities in England and Wales with departments concerned with local government and/or transport (our special concern) and find a large measure of support for an independent inquiry. In fact we recently published the enclosed letter to the Guardian which is signed by professors and academics from different academic institutions.

When the GLC was created a Royal Commission studied the subject and its independent recommendations were largely implemented. We would like to draw Her Majesty's attention to the fact that she will shortly be asked to give the Royal Assent to a Bill which overthrows the findings of a Royal Commission.

We are writing to ask the Queen what action she may be able to take to preserve and protect the democratic rights of her subjects. May we respectfully suggest to the Queen that she should refuse to sign a bill (The 'Paving Bill') which so clearly runs contrary to British Democracy and seeks to change an elected, citywide authority to a non-elected mixture of joint-boards and quangos which themselves have been appointed by a Government of a different political persuasion.

We are a non-political association with a membership of 70 London amenity

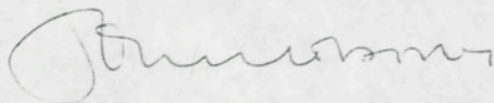


Telephone: 01-928 1440

and residents groups and a further 70 individual members, plus academics and transport professionals all interested in promoting transport policies which are consistent with an improved environment for Londoners.

We are appalled at the Government's misuse of parliamentary power and ask the Queen to intervene on behalf of all Londoners.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'John Roberts', written in dark ink on a light-colored paper.

John Roberts, Chairman.

~~CC NO~~ (CONFIDENTIAL)

2 pp's.

NB PM

AS 2/6



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

20 June 1984

Dear Secretary of State

LOCAL AUTHORITY CAPITAL OVERSPENDING

You will have seen Nicholas Edwards' letter of today about his problems on local authority capital spending in Wales. As he says, we must decide quickly what is to be done and it would not make sense to do that for Wales on its own.

I would be grateful, therefore, if you and George Younger would let me know very quickly how you see the position in England and Scotland. I understand that the 1983-84 cash limit for England was substantially overspent and that there was also an overspend on the Scottish local authority cash limits. I would be grateful for your views on why this occurred and what action needs to be taken to retrieve the position in 1984-85.

I am sending copies of this letter to Nicholas Edwards and to the Prime Minister, Willie Whitelaw, George Younger, and Sir Robert Armstrong.

Yours sincerely

J. Gier

J. PETER REES

[Approved by the Chief Secretary]

(CONFIDENTIAL)

NBPM CNP
BT 20/6



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WELSH OFFICE
GWYDYR HOUSE
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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

20 June 1984

Den Peter

LOCAL AUTHORITY CAPITAL SPENDING IN WALES

My officials have now completed their analysis of the capital expenditure out-turn data for 1983/84 and the forecasts we asked local authorities to submit in respect of the present financial year. While the figures for 1984/85 need to be interpreted with considerable care, the picture which emerges is an interesting one and potentially very damaging from a political point of view.

The data for 1983/84 indicates that the cash limit (WO/LA1) will be overspent by £6 million or so in that year. Under the usual convention this amount will have to be deducted from the 1984/85 cash limit.

For 1984/85, our local authorities forecast gross expenditure in the year of £396 million, approximately £50 million higher than the level which would be consistent with the revised cash limit. The problem is, however, compounded by the fact that their initial forecast of capital receipts, at £71 million falls short of the PES allowance by £38 million. Thus, on the basis of the local authorities' own figures, forecast net expenditure is £325 million, £94 million above the local authority element of the revised cash limit.

Our experience in Wales indicates that local authorities' early forecasts of spending are highly optimistic, and of receipts, pessimistic. We have therefore carefully examined the elements of the local authority forecast in the light of previous years' data and our knowledge of what is happening at the individual authority level. We have also discussed the figures with the local authority association representatives on the joint Working Party on Capital of the WOCLGF. Following all this our best estimate is that if no action is taken the excess over the cash limit will be of the order of £50 million (18%).

/The source ...

The Rt Hon Peter Rees QC MP
HM Treasury
Parliament Street
London SW1P 3AG



The source of the excess appears to lie in the district tier, where we seem to have a problem with both Housing and "Other Services". The major part of it is Housing. You will remember that I warned you last autumn that the 90 per cent renovation grant initiative launched by Treasury Ministers was likely to leave us with a very large overhang when the scheme ended on 31 March. In fact, at that point, Welsh districts had 71,000 applications on hand. Allowing for withdrawals at the historic rate the cost of eliminating this backlog will be of the order of £200 million. This puts us in an extraordinarily difficult political position. Authorities friendly to the renovation grant policy will seek to eliminate their backlog by effectively using accumulated receipts which puts inevitable pressure on the cash limit (I return to this below). Unfriendly authorities will do little or nothing to tackle their backlog, putting the blame squarely on the Government for not making available the resources necessary to honour the consequences of its actions. There is simply no room to augment the Housing capital provision from within my own block which is under severe pressure, and so I am faced with the choice between honouring our policy commitment with the consequence of a cash limit breach or reneging on our commitment in the interests of preserving the cash limit.

It is important to note that the use of accumulated receipts to augment allocations is entirely permissible within the control system. The only limitation is the "prescribed proportion" which we specify in Regulations before the start of each financial year. In Wales we have already reduced this proportion to 25 per cent in the case of Housing (which accounts for the bulk of la receipts in Wales). That leaves our authorities free to apply about £100 million each year if they so wish.

I think we need to ask ourselves precisely what are our policy priorities. If it is the case that the level of the PSBR (and thus the LABR as a major component of it) is a paramount consideration we have to recognise that our policies (most immediately the renovation grant one) must be aborted if they are successful beyond our initial expectation. It is also essential, in my view, that we should further restrict the freedom of authorities to use their accumulated receipts. For my part I would prefer that action to be coupled with a more balanced approach to the continuation of policies to which we are all otherwise committed.

Unhappily our 1984/85 Housing problem is made worse by a forecast shortfall in housing receipts. The £98 million included within the cash limit for these receipts was based upon the assumption that the Housing and Building Control Bill would come into force at the start of the present financial year, and that it would generate 1,500 additional RTB sales during the course of the year. The Bill will not now, of course, come into effect until the end of July at the earliest, and will not have as significant an impact on the level of RTB activity in 1984/85 as we had expected. In addition, a recent detailed survey by my Department has revealed an over-estimation by the local authorities of the number of 'live' RTB applications outstanding at the beginning of the present financial year by about 2,500. When combined these two factors reduce the potential level of receipts in the year by over £20 million. An off-set against next year's cash limit of this magnitude would again raise the question of precisely what it is we are about, for it would necessitate deliberate and highly visible cuts in my programme.

/Any action ...



Any action in the current year to counter the danger of an overspend should in equity be aimed at the district tier, and make use again of the device of a voluntary limitation backed by the sanction of reduced allocations in the following year for those authorities who do not co-operate. Such action would not be without its own political difficulties: if we are right in our estimate of the £50 million excess, the resulting out-turn would mean that gross spending would be in cost terms some 14 per cent below the level of last year and 2 per cent below the level in 1982/83. We would have to present that as still being excessive expenditure, at a time when our opponents have a fair idea of the renovation grants overhang.

I do not have any estimates of the 1984/85 position of local authority capital spending in England or Scotland. However, I understand that in England there is a prospect of a very substantial overspend which could be at least as serious, in terms of the percentage over-spend against the cash limit, as that in Wales. Against this background I think we have to discuss with colleagues collectively the issues I have raised in this letter. It may be that H Committee would be a suitable forum. We must know where we are going and be satisfied that our actions are consistent. It is clearly essential that we should all take equivalent action if overspends do emerge elsewhere and so I would like Patrick Jenkin and George Younger to subscribe to a common approach.

We shall need to clear our minds quickly. If action is to be effective it will have to be taken by mid-July; data in respect of Wales clearly indicates that leaving the decision any later could well mean that commitments would have accumulated to the level of the present cash limit.

I am copying this letter to the Prime Minister, Willie Whitelaw,
Patrick Jenkin, George Younger and Sir Robert Armstrong.

✓ *over*
Nick

Local Govt Relats Pt 21 on slip 2116
NO
NDRM
AT 20/6



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET 5422

Telephone (Direct dialling) 01-215)

GTN 215)

(Switchboard) 215 7877

Secretary of State for Trade and Industry

18 June 1984

Lord Bellwin
Minister of State for Local
Government
Department of the Environment
2 Marsham Street
LONDON
SW1

D. Irwin,

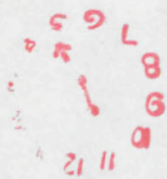
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attached 20/6

Thank you for copying to me your letter of 8 June to Patrick Jenkin about the possibility of the GLC and MCCs frustrating our objectives through the use of the Enterprise Boards.

2 This could indeed be potentially very damaging and I welcome your proposals for countering it. They should go some way to limiting the increase in power that the Enterprise Boards could otherwise enjoy following a large influx of revenue-producing assets from the abolition authorities.

3 I am copying this letter to members of MISC 95, the Lord President, the Law Officers and to Sir Robert Armstrong.

NORMAN TEBBIT



20 JUN 1984



ccyo
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

ADP 07
AF 19/8
18 June 1984

Dear Willie,

RATES BILL: INVALID RATES AND PRECEPTS

Patrick Jenkin wrote to you on 22 May to seek agreement to his tabling an amendment to remove obstacles to the replacing of illegal or inadequate rates and precepts. PI 20

Since we do not have precepting authorities in Scotland and are not abolishing any of our local authorities, the problems arising from these circumstances do not arise in Scotland. However, it would be open to a Scottish local authority to follow the course of Liverpool and set a demonstrably inadequate rate. Since no Scottish authority is at present set on this course, I do not think it would be tactically wise for me to amend the Rating and Valuation (Amendment) (Scotland) Bill at this stage to take account of such a possibility. In any case if it did arise, I would propose to take action under my default powers in the Local Government (Scotland) Act 1973 in order to ensure that a local authority fulfilled its duty under section 108 of that Act to determine a rate to provide sufficient moneys to meet that part of their expenses which fall to be met out of the rates.

I have no objection to what is proposed by Patrick Jenkin.

I am sending copies of this letter to the recipients of the original letter.

Yours truly,

George

File
MR TURNBULL

You asked for advice on the Secretary of State for the Environment's paper of June 6 on the abolition of the GLC and MCCs.

I have been privy to a number of discussions leading up to the paper. I broadly agree with its proposals.

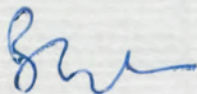
You should also see my paper (Annex I) which has been considered at official level in Department of the Environment. This suggests a three-stage approach - immediate, medium term and longer term.

Mr Jenkin's paper essentially deals only with the immediate situation - and is limited to the publication of a document before the Summer Recess setting out the new arrangements for GLC/MCC functions.

What it does not do precisely is link a renewed effort to that publication. But my strongly held view is that, the Lords' passage of the Paving Bill permitting, we ought as a Government to give a formidable publicity broadside during July to send off the Parliamentary troops in good heart and to implant in the public's mind that the Government's local government policies are going ahead.

I am to have a meeting with Department of Environment officials in the last week of June to plan such a campaign. I agree for it to be effective the resources of the Cabinet should be employed - the D/Environment's publicity effort does need reinforcing - and that the Prime Minister ^{should} ideally take the lead.

I am putting a paper to the Prime Minister next week on media to the Recess and intend to incorporate local government in that.



BERNARD INGHAM
15 June 1984

LOCAL GOVERNMENT REFORM - MEDIA CAMPAIGN

This note sets out my views on the next steps in the effort to preserve the Government's local government policies positively and effectively.

Background

I have continually been struck during my attendance at D/Environment campaign meetings how little I, as a relative outsider, have been affected by public campaigning, even though I live in a London Borough - Croydon.

But for my privileged position, and awareness of the tremendous effort being made within Government, I would but dimly perceive the ebb and flow of the battle.

Separating, as best I can, my perceptions from my inside knowledge, I have the following impressions:

1. Some considerable disarray in Government, with perhaps worse to come in the Lords, because of internal but public and Parliamentary, disagreement over the policy.
2. Increasing regard for Ken Livingstone as a political figure and publicist.
3. Growing restiveness among supporters at the Government's failure to beat Livingstone at his own game.
4. Next to no impression of how the argument is going in the Metropolitan Counties.

In other words, the Government's problems arise for broadly two reasons:

- i. disagreements within its own ranks; we have failed to neutralise the dissidents; and
- ii. Livingstone's success as a publicist, which is not perhaps surprising with a budget £3m more than is properly available to the Government for paid publicity.

But, there has latterly been one demonstration that the GLC's position is as insecure as a pack of cards: the effect of the Talgarth Road right turn on its reputation for sensitive administration.

The feeling nonetheless in Government is that we are losing out with the public; that the devil has all the best tunes; and that we badly need to come up with a fresh and preferably electrifying presentation.

Problem

As I see it, the presentational problem has three distinct aspects:

- i. Immediate: how do we turn the tide now?
- ii. Medium Term: How do we secure and retain the initiative during the Recess? and
- iii. Longer Term: How do we persuade the public over the next 12 months or so that the Government's policy is not merely going ahead but is necessary and will bring benefits to ratepayers?

Immediate

How do we turn the tide?

This is easier said than done if only because June is so fiendishly busy: Botha, Reagan visits; Economic Summit in London: Euro-Elections; Euro-Council - all in quick succession. Moreover, we need to be sensitive to the needs and performance of the Lords re Rates and Paving Bills.

Yet what we need is a dramatic demonstration of Government purpose which is arresting both in terms of power and language.

I am reluctantly forced to the conclusion that we should, if we can, bide our time until July and use June to plan a publicity strike early in July.

In an ideal world, what we need is:

- i. a speech by the Prime Minister, followed by her appearance on eg the Jimmy Young Show, Nationwide or Thames TV Eye, or a combination, the following day, which puts the Opposition on the defensive;
- ii. Cabinet Ministers, armed with the same remit, to hammer the message home in London and the six Metropolitan areas over the following two days, backed up by radio, television and local newspaper interviews and articles;
- iii. Mobilisation of articulate and impressive supporters from local government to:
 - a. advertise their support in local regional newspapers at the same time - can the Government raise by other means the money to pay for this?
 - b. carry the message through the local media for the rest of July.
- iv. Mobilisation of MP support to assist and underline the efforts of local government supporters during July.

The keys, however, to the success of the exercise are:

- i. surprise;
- ii. lead from the top with fresh language;
- iii. continued effort to demonstrate Government power and commitment;
- iv. follow through, as indicated; and if possible, the identification of prominent individuals from many walks of life who will weigh in as required to back the Government's policy.

Substance

As always, the credibility of any Government effort of the kind advocated will depend to some extent on the current degree of dissidence in the Government's ranks. The objective must be to crush that out of sight: to use such heavy armour that the opposition, for a period at least, is obliterated.

In my view, the main elements of the appeal should be:-

- i. Manifesto commitment;
- ii. Local Government always derived bulk of its money as well as its existence and authority from central government which therefore cannot ignore local spending;
- iii. wide measure of autonomy at local level within overall framework and ceilings; need more rather than less imagination, creativity and management expertise at local level, acting in interests of ratepayers within established and familiar limits;
- iv. but don't need a tier which has proved it has a very limited role that can be properly exercised by lower tiers, where necessary acting together;
- v. inevitably savings will arise from elimination of unnecessary tier - and Government is determined that the inevitable happens;
- vi. (for London) don't intend to put up with hypocritical nonsense from a Palace revolutionary about ending of elections when there are good precedents and administrative efficiency arguments in favour;
- vii. London has no need of GLC representation when the Lord Mayor of London has not looked back since Dick Whittington; nothing can replace the prestige of the Lord Mayor of London;

viii. the administration of London under Livingstone and Labour has everything not to commend it, especially the real interests of workers whose firms are being driven elsewhere by high rates and profligate expenditure;

ix. the Government meanwhile will play the game by arguing its case persuasively without cost to the taxpayer while the GLC and MCCs spend ratepayers' money without authority.

I believe that we need a new speech written by someone - eg me - who is not too close to it all, which takes on frontally all the arguments, both substantive and political, with the objective of powering the Government to the ascendancy.

But if we are to overcome the expenditure of £3m plus by the GLC and MCCs we need to mobilise the full weight of Government and its supporters.


Medium to Longer Term

Any campaigns over the medium and longer term - ie recess and next 12 months - can be considered realistically only in the light of immediate plans.

I suggest we concentrate our thinking on how to make an immediate impact, and then commission work on how to carry with us public opinion after that.

A powerful strike in July which carries the argument and puts the opposition on the defensive will win a lot of time. That should be used to prepare a White Paper, of whatever size or substance, to carry the case forward to actual abolition.

I hope this is helpful.



BERNARD INGHAM



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PRIME MINISTER

Liverpool

BACKGROUND

FLAG 1

The minute of 13 June from the Secretary of State for the Environment discusses the problem of Liverpool's rate and budget and sets out the latest situation.

You are holding a meeting of Ministers on Monday 18 June to discuss it.

2. The main points in the minute are as follows.

(a) The budget initially proposed by the majority Labour group amounted to £261 million. It has been discussed by Environment officials and officers of the Council. The Council's officers have proposed concessions from the Government which would reduce the increase in rates required to finance the budget by some £118 million; the increase in rates would be about 40 per cent. Environment officials have identified a maximum level of savings of £39 million. With the additional £2.5 million of resources from the Urban Programme which Ministers have already agreed might be offered if Liverpool were prepared to set an adequate rate, a total rate increase of about 27 per cent would then be needed. (The rate figures take account of the effects of the holdback system on Exchequer grant and therefore do not necessarily bear a linear relation to one another). Mr Jenkin is to meet Liverpool Councillors on 19 June to discuss these matters.



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(b) There are to be two further meetings of the Council, on 20 June and 11 July. The Labour majority group have declared that they intend to propose at the second of those meetings a budget of £270 million (£9 million more than before). To finance this would require a rate increase of 180 per cent. The Labour group intend to propose 9 per cent. It is unclear whether the full Council will approve these proposals.

(c) There is no immediate problem about Liverpool's creditworthiness.

(d) It is thought likely that a Conservative councillor will take action against the Council if it fails to set a legal budget and rate on 20 June. The Attorney General would not need to be a party to such an action. But Mr Jenkin suggests that if the Conservative councillor's action falters, the Attorney General should take action in his own right.

(e) Mr Jenkin also proposes that if no valid rate is made by the end of July the Government should introduce a Bill to authorise the imposition of Commissioners. The Bill would be confined to Liverpool. Meanwhile, approaches should be made now on a contingent basis to possible Commissioners.

MAIN ISSUES

3. The meeting will wish to consider the following.

(i) What is the current assessment of the chances of Liverpool making a legal rate and budget? In



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the light of that assessment what line should the Secretary of State for the Environment take when he meets Liverpool councillors on 19 June?

(ii) Should the Attorney General take legal action in his own right (ie not as party to a relator action) if Liverpool fails to set a legal rate and budget by 11 July?

(iii) Should the Government decide now to introduce Commissioner legislation by the end of July if there is no legal rate by then?

(iv) Should approaches be made now, on a contingent basis, to possible Commissioners?

Current assessment

4. Prospects for a legal rate and budget do not look good. The majority Labour group has increased its previously proposed budget; the Council's officers think it unlikely that councillors will accept the economies identified by Environment officials; and no doubt the chances of their doing so are not improved by the fact that, even so, they would need to increase rates by about 27 per cent.

5. If this gloomy assessment is right, Ministers will need to consider carefully the line to be taken at the meeting with Liverpool councillors on 19 June. The gap between the concessions which Liverpool's officers have suggested the Government might make (rate effect of £118 million) and what the Government can offer (rate effect, taking account of holdback, of £7 million) is very wide. There must be a risk that if discussions continue after 19 June they will come to be regarded as some sort of negotiation in which any offer that the Government is likely to be able to make would be branded as 'derisory'. It may



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well be better to direct the meeting on 19 June towards identifying the savings that could be made by Liverpool and the modest help that might be offered by the Government, provided that a legal rate was set, and then putting the responsibility for solving the problem firmly on the Council; there is no obvious reason why there should be any further discussions between the Council and the Government.

Legal action

6. Mr Jenkin proposes that if the hoped-for action by a Conservative councillor falters and the Council has not set a legal rate, the Attorney General should take legal action (presumably either or both of asking the Court to quash any illegal rate and action to require the setting of a legal rate). However, it is not clear why this needs to be decided now. Ministers will probably prefer to take decisions when the circumstances are clearer, as they presumably will be after the Council's meeting on 11 July. This is an example of a point discussed in more detail in paragraph 8 below.

Commissioner Legislation and approach to potential Commissioners

7. Similarly, it is not clear -

(a) why Ministers should need to decide now on the timing and scope of any Commissioner legislation; and

(b) whether it is necessary to begin approaches to possible Commissioners now.

No

On the first of these, in particular, Ministers have been reluctant to take decisions until the precise circumstances in which action would be taken are clearer. For this



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reason, Commissioner legislation has been prepared on alternative bases - a general Bill and a Bill limited to Liverpool.

Timetable

8. Despite the questions raised in the preceding paragraphs, there is clearly force in the point which underlies Mr Jenkin's suggestions: the Summer Recess is approaching, and the Government is likely to need to take a series of difficult decisions, which no doubt will impact on one another. It is desirable that Ministers should have a clear view of what those decisions are, when they are likely to be taken, and how they may interact. For example, say that the Court issued an order of mandamus against the Council, whether at the suit of a councillor or of the Attorney General, requiring the setting of an adequate rate, and the Council said that it intended to defy that order. The Government would then presumably be in a stronger position if it wished to introduce Commissioner legislation before the Recess. But how long would it take to get the order, and how long would it be before it became clear whether the Council intended to obey it? The answers to these questions determine when the action must be begun if Ministers should wish to keep open the opportunity of taking its outcome into account in deciding on the introduction of Commissioner legislation. Again, Mr Jenkin's suggestion that he should approach potential Commissioners now implies a lead time of six to seven weeks (depending on the exact timing of the Recess) between initial approaches and eventual appointments. Is so long a period necessary?

9. The particular examples may or may not be good ones. But Ministers may well feel that Mr Jenkin should be invited to arrange for the preparation of a detailed timetable of decisions as background for their continuing discussions.



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HANDLING

10. It will probably be convenient to divide the meeting into three main parts:

- (i) current discussions of the rate and budget;
- (ii) possible legal action;
- (iii) scope and timing of Commissioner legislation.

All three parts might be introduced by the Secretary of State for the Environment.

- During the first part it might be convenient to ask the Chancellor of the Exchequer for his current assessment of market sentiment regarding borrowing by Liverpool and by local authorities generally.
- During the second part of the discussion you will no doubt wish to ask the Attorney General for advice on the legal aspects.
- During the third part of the discussion you will wish to invite the Lord Privy Seal to give advice on the implications for the management of business.

CONCLUSIONS

11. You will wish the meeting to reach conclusions on the following.

- (i) The prospects of Liverpool City Council making a legal rate and budget; and, in the light of that assessment, the handling of



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discussions with the Liverpool Councillors
on 19 June.

If the meeting considers that the time is right for
decisions -

(ii) whether the Attorney General should take
legal action if the Council has failed to set
an adequate rate by early July and no other
person is taking such action.

(iii) The scope and timing of Commissioner
legislation.

(iv) Whether approaches should now be made, on
a contingency basis, to potential Commissioners.

Depending on the course of discussion it may also be
appropriate -

(v) to invite the Secretary of State for the
Environment to arrange for the preparation of a
detailed timetable of decisions indicating when
they should be taken and how they interact.

M. S. B.

M S BUCKLEY
Cabinet Office.

15 June, 1984



PS/ Lord Bellin
 PS/ Mr Waldegrave
 Mr Heister
 Mr Owen *
 Mr Hobson
 Mr Mays
 Mr Young

2 MARSHAM STREET
 LONDON SW1P 3EB

01-212 3434

My ref:

14524

Your ref:

18 June 1984

Dear Lord President

RATE LIMITATION: EXPENDITURE LEVELS FOR GLC AND ILEA

At the meeting of E(LA) on 24 May, I was asked to look further at the question of whether tougher expenditure levels (ELs) might be set for GLC and ILEA. I have also received Keith Joseph's letter of 8 June.

GLC

In his letter to you of 22 May, Peter Rees argued that the historic evidence of shortfall in GLC's budgeting suggested that an EL which was a cash freeze on 1984/85 budget might require no real terms cut on outturn. I attach at A below a table putting the GLC's historic shortfall in the context of shortfall by other classes of authority. 1982/83 was an exceptional result reflecting the "fares fare" lawsuit. For 1981/82, the GLC's outturn was above its budget. Current figures forecast a 4.7% shortfall for 1983/84, but we will not have final figures until November this year. We do not of course have any idea of what the 1984/85 position will be. With these uncertainties the GLC would be in a strong position to argue that an assumption of a large shortfall from their 1984/85 budget was unreasonable.

We have no evidence that a real terms cut larger than the 4½% currently proposed as the norm is attainable in one year, even for the highest spending authorities. The 9% real terms cut in one year proposed by Peter Rees looks on the face of it unreasonable and would invite challenge in the courts. We can hardly doubt that the GLC would have the will and the resources to mount such a legal challenge.

Furthermore, the GLC that will be rate-limited will already have lost responsibility for transport. The scope for cuts by the GLC after the setting up of LRT in 1985/86 will be greatly reduced. As the table at B below illustrates, within the 1985/86 budget which will be the subject of rate limitation, about 16% of expenditure will be accounted for by fire services and 20% by debt charges. Moreover the major part of the Rate Fund Contribution to the Housing Revenue Account is either committed expenditure on housing transferred to the boroughs, or debt charges. So almost 50% of the budget will be made up of items that are not easily cut.

ILEA

Although I should be glad to accept Keith's judgement that ILEA could be given a 2% cash cut, I can see no justification in law for treating them separately. They are only 4th highest of the "column 2" authorities in expenditure against GRE and 7th highest against target. They are not exceptional either on historic evidence of shortfall or on growth since 1981/82. We could not therefore set ILEA a tougher EL without reopening our conclusion at E(LA) that a cash standstill was appropriate for all the other selected authorities.

I would therefore propose that we should not set tougher ELs either for GLC or for ILEA. The smooth operation of the rate limitation scheme in its first year is I believe a paramount consideration. The rate-capped Labour authorities will be poised to exploit any opportunities we offer them to challenge the policy. We must not put ourselves in the position where there is a real risk of being subjected to legal challenge and losing the case.

I am copying this to members of E(LA) and to Sir Robert Armstrong.

Yours sincerely

Atkin

for
PATRICK JENKIN

*Approved by the TofS and
signed in his absence*

'TOTAL EXPENDITURE BY CLASS OF AUTHORITY ; SHORTFALL

TABLE A

	1981/82			1982/83			1983/84			1984/85	
	Revised Budget	Outturn	% Change	Budget	Outturn	% Change	Budget	Revised Estimates	% Change	Budget	
	£m	£m		£m	£m		£m	£m		£m	
Non Met counties	8379	8464	1.0	9046	9055	0.1	9384	9394	0.1	9574	
Non Met districts	1398	1354	-3.2	1403	1396	-0.5	1443	1430	-0.9	1461	
Met counties	1080	1034	-4.3	1122	1171	4.4	1176	1165	-0.9	1178	
Met districts	3798	3785	-0.3	3998	3995	-0.1	4117	4108	-0.2	4178	
GLC	456	467	2.4	683	505	-26.1	867	826	-4.7	936	
ILEA	697	712	2.2	774	767	-0.9	858	850	-0.9	923	
City of London	60	57	-3.5	55	53	-4.5	56	55	-1.8	56	
Inner London	816	777	-4.8	841	810	-3.7	899	885	-1.6	944	
Outer London	1624	1614	-0.6	1700	1658	-2.5	1756	1736	-1.1	1771	
Isles of Scilly	1	1	-	1	1	-	1	1	-	1	
Met Police	292	296	1.4	324	311	-4.0	346	338	-2.3	367	
England	18602	18563	-0.2	19947	19722	-1.1	20905	20788	-0.6	21390	

GLC BUDGET 1984/85 ASSUMING TRANSFER OF
TRANSPORT REVENUE SUPPORT TO LRT (1)

Service	Em	Em	Revenue expenditure on % of budget
	<u>Debt charges</u>	<u>Net revenue Expenditure</u>	
Fire	5.5	121.7	15.6%
RFC to HRA	-	113.8	14.6%
Highways etc	17.9	61.7	7.9%
Transport Services	60.9	8.6	1.1%
Concessionary Fares	-	69.0	8.8%
Refuse disposal	9.5	51.6	6.6%
Non-HRA housing	9.5	23.6	3.0%
RCCO	-	52.0	6.7%
Other	49.6	124.9	16.0%
	<u>152.9</u>		19.6%
		£779.8m =	<u>100%</u>

(1) Assumes reduction of £156m in 1984/85 budget on transfer of transport revenue support, to produce an estimated budget of £779.8m.

020



C M O
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file

COPY NO 1

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

14 June 1984

Dear Andrew

I am writing to correct some typing errors which, I am afraid, crept into my Secretary of State's minute of 13 June to the Prime Minister on Liverpool City Council.

with AT?

They are as follows:-

- i) page 3, paragraph 9, line 5 - "£365m" should be "£36.5m";
- ii) page 4, paragraph 9, line 10 - "He understands" should be "we understand".
- iii) page 6, paragraph 15, line 8 - "when" should be "action";
- iv) page 8, paragraph 18, line 10 - "incurable" should be inevitable.

I do apologise for these errors.

I am copying this letter to all recipients of the original minute.

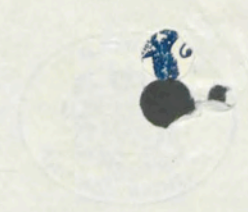
Yours sincerely

John Ballard

J F BALLARD
Private Secretary

Andrew Turnbull Esq

THE NATIONAL ARCHIVES
COLLEGE PARK, MARYLAND
20740



14 JUN 1984



CONDIGEROL

CONFIDENTIALCOPY NO. Tlc.....

Prime Minister

LIVERPOOL CITY COUNCIL

1. We are due to meet again on Monday 18 June to discuss Liverpool. This report is to bring you and colleagues up to date with the latest developments.

DISCUSSIONS WITH LIVERPOOL'S OFFICERS

2. Over the past two weeks my officials have held intensive discussions with Liverpool's officers to clarify the options for achieving a balanced budget and rate in 1984/85, as agreed when I met Liverpool Councillors and Dr Cunningham on 17 May. A joint paper in as neutral terms as possible has been prepared recording the outcome of these discussions, and it was presented to both myself and councillors on Friday. I have sent a personal copy to John Cunningham. I have arranged to see Liverpool Councillors on 19 June to discuss the paper.

3. The Labour Group on the Council believe that the RSG system has substantially disadvantaged the City over the last ten years. Liverpool's officers have therefore identified a number of ways in which the City believe the Government are able to make concessions - extra disregards against current expenditure targets; increases in HIP allocations; increases in housing subsidy; and extra urban programme grant. Taken together these proposals would reduce the amount the Council would have to raise in rates by about £118m without cutting back on their expansionist policies. In order to balance their expenditure in these circumstances the Council would have to make a total rate increase (including the precept) of about 40%.

4. My officials have emphasised that it would not be reasonable



for Liverpool to assume that its grant should simply have been uprated to reflect inflation since 1979/80. Liverpool receives the fourth highest per head of all metropolitan districts in the assessment of its need to spend (GRE). My officials have stressed that there was no possibility of the Government assisting Liverpool in 1984/85 by modifying the RSG or Housing Investment Programme systems. We have been able to demonstrate in the discussions, based on figures provided by the Treasurer, how the Council could reduce its expenditure by its own actions. Labour's previously proposed budget of £261m could be cut to within the range £229m-£237m without redundancies and while maintaining services at their 1983/84 level. Up to a further £7m of savings - giving a minimum budget of £222m - could be found by rent increases, natural wastage and limiting overtime, and some improvements in the way services are provided. My officials have pointed out that if implementation of this programme of cuts - which involve stripping the Council's cupboard bare - was not to cause greater problems next year, councillors would have to embark on a programme of retrenchment and increased efficiency in the provision of services.

5. If all these expenditure reductions were made, and if we concede the additional £2.5m of urban programme resources which we earlier agreed that we might offer were a legal rate to be fixed, we could end up with a total rate increase (including the Merseyside County Council precept) of about 27%.

6. Although I had a useful discussion on housing when I visited Liverpool last Thursday, my initial assessment of the chances of a settlement based on the paper was pessimistic. This view has been reinforced by the announcement today by the Labour Group that they intend to fix an illegal rate increase of 9% on 11 July in relation to a budget of £270m (£9m more than the figure discussed in the officials' paper) which would properly require a rate increase of 180%. However it remains quite uncertain whether the full Council will be prepared to adopt this proposal.



7. Equally, Liverpool's officers believe that the majority of the Labour Group would not be prepared to accept the economies which, in the paper, DOE officials argue to be possible. They would be required to move too far away from their political commitments in return for a modest amount of additional help from the Government. There is a slight possibility that the options for economies set out in the paper could provide a rallying point for the minority parties and dissident Labour Councillors and I am ensuring that they are able to consider the paper even if the majority group does not itself circulate copies.

AUDIT COMMISSION

8. Having taken further legal advice, the auditor has now written indicating to councillors that if no rate is made by 20 June he will begin proceedings under Section 20 of the Local Government Finance Act 1982 that are likely to lead to surcharge and disqualification. A copy of the Auditor's warning letter is attached. It is possible to take a different legal view from the Auditor's and we believe the Council are almost certain to mount a challenge. This will reduce the impact of the Auditor's action as far as persuading the Council to rate immediately is concerned.

CREDIT

9. Liverpool's Treasurer has been able to raise some £30m of short-term money over recent days from sources other than the PWLB and with this expects to survive through June. The Council intend to accept Knowsley Borough Council's proposals to refinance some ^{£36.5m} ~~£30.5m~~ of housing debt which they administer, although discussion on terms continues. Liverpool is likely to succeed in raising a further £12m from the PWLB later this week. On this basis, the Treasurer would expect to survive through July also. The market's attitude to Liverpool - it



has been lending at a little above the rates for other borrowers - has been influenced by the knowledge that we have been having discussions with the Council's officers and that we are continuing to make RSG payments to the Council (£10m each month), but, the Auditor's action could affect the attitude of the market which suggests that there may be cash flow problems in the medium term. There will no doubt come a point if the Council do not settle this budget, when the PWLB will decide that they should cease lending and we must keep this position under review. ^{We} ~~He~~ understands that the City Treasurer is unlikely to make a major application for a further loan until around the end of this month.

LEGAL ACTION

10. When we last met we agreed that:

- if Sir Trevor Jones on behalf of a local Liberal approached the Attorney General to act as relator in an action against the Council for judicial review, this should be favourably considered.

- the Attorney General should take no direct action for the time being.

11. We now understand that it is likely that a Conservative Councillor will take legal action against the City Council though not before June 20th. As a Councillor, he would not require the Attorney General to act in a relator action.

12. There has been a further substantial development since our last meeting. At Report Stage in the Lords on 5 June we made an amendment to the Rates Bill which would allow the levying of a higher substitute rate by an authority when the original rate was declared invalid and quashed by a court on the basis that it was insufficient to meet their expenditure.

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This means that, subject to the discretion of a court, the remedy for a demonstrably inadequate rate will now lie with Liverpool Council if they choose to go down that road.

NEXT STEPS

13. We must recognise that whatever we might do, there is now a strong probability of a collapse of the administration in Liverpool taking place in the summer recess.

BEFORE COUNCIL'S NEXT BUDGET MEETING

14. In the run-up to the Council meeting of 20 June and the next one promised for early July, we should do everything to persuade the Council to settle on the basis of the joint official paper. I will press the Labour leadership to this end when I meet them on 19 June, and I intend to call together the Leaders of the minority parties and the dissident Labour members the same day to try once more to get them to act in unison. I will also be speaking to the Bishops who I hope can bring their influence to bear. The Auditor's letter, even if subject to challenge, will nevertheless bring a different sort of pressure to bear, but I think it important that we ourselves do nothing to provoke the Council in this period. We will want it to be clear that we have taken all reasonable steps to assist the Council to make a rate within the law.

AFTER NEXT BUDGET MEETING

15. If the Council fail to make a rate by early July, or - as threatened - make an inadequate rate, then I believe we should do all we can to bring the matter to a head through the courts, supplementing the pressure brought by the Auditor's action. Legal action would be directed towards forcing the Council to rate, or to quash any demonstrably inadequate rate that might be made. The case for action to quash a rate has



been considerably strengthened by the Rates Bill amendment to which I have already referred. We would need to consider whether it would be better to proceed by encouraging a Conservative Councillor to take action alone or by the Attorney General acting directly. I believe that the Attorney General should act if there is any indication that the Conservative Councillor's action is faltering; this legal pressure should proceed regardless of any parallel ^{action} ~~when~~ we take on Commissioner legislation, which is discussed below.

THE SUMMER RECESS

16. We cannot be sure that any legal action will be resolved, or will have had the desired effect in making the Council rate properly, before the summer recess. At the same time it is unlikely that by then Council services will have collapsed to the extent that on our present strategy would justify the appointment of a Commission. However, we do not believe that the Council would be able to continue borrowing from any source if it failed to make a legal rate by early July, and it almost certainly does not have sufficient funds to meet all its obligations through July. If we withdrew RSG payments, this would probably lead directly to default, though it might not precipitate the immediate collapse of services. Unless the Council significantly reduces the proposed Labour budget of £261m we shall have to suspend payments of RSG by 14 August at the latest to avoid payment of grant (including Domestic Rate Relief Grant and AFE Pooling)

17. I think this leaves us with four options for dealing with the summer recess:

- (a) introduce the general Commissioner Bill as drafted on an emergency timetable before the recess. The actual appointment of Commissioners would be triggered by Affirmative Resolution Order and, if collapse did occur in the recess, Parliament would have to be recalled for a day to consider

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it. We could argue for the Bill on the grounds that it would be irresponsible for the Government to enter the recess without visible means of dealing adequately with a collapse of Liverpool and the knowledge that, after 4 months without a rate, such a collapse looked inevitable. This would mean abandoning our strategy that the Bill should only be introduced in response to clear evidence of collapse, and we could be signalling to Liverpool Councillors that the Government was prepared to step in;

(b) introduce a hybrid Liverpool-only Commissioner Bill, again before the recess, on the emergency timetable. This again could be implemented by Affirmative Resolution requiring the recall of Parliament for a day during the recess. The arguments for this approach are similar to those at (a) above, but a Bill confined to Liverpool would probably have an easier passage. Against this we would have the additional problem of suspending the Standing Orders relating to hybridity to allow for an emergency timetable;

(c) take no action before the recess but introduce a general/Liverpool only Commissioner Bill in a recalled Parliament during the recess if this proved necessary. This would maintain our current strategy that the Bill should only be introduced if there was a clear case for it. Depending on the attitude of the Opposition it might require Parliament to sit for up to a week during the recess. We would face harsh criticism for failing to take preparatory action before the holiday;

(d) take no action on Commissioner legislation before or during the recess, allowing the consequences of collapse (if it occurred) to become clearly evident in preparation for the introduction of a Commissioner Bill in October; and assisting through the regional emergency committee system any problems of health and safety. We could point out that the new provision in the Rates Bill allowing

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authorities to raise a higher substitute rate if a court finds the original rate invalid leaves the City with a remedy for any collapse of services for which it alone is responsible. But there are serious risks. While the schools will be closed for a good part of the recess and we have past experience of dealing with the effect of strikes in such services as refuse collection, personal social services and burial, there will be the risk of civil disorder in a long summer period in an area with high unemployment and political groups ready to exploit the situation. There is also the risk of disturbance in the credit market for local authorities as a whole. Colleagues will obviously want the advice of the Home Secretary and Chancellor respectively on these matters.

18. While it is not yet certain what the Council will decide on June 20 or on 11 July, my own inclination is that, if there is no valid rate declared by the second of the meetings, we should introduce a Liverpool-only Bill before the end of July as described in paragraph 17 (b) above. I believe it would be seen as irresponsible to enter the recess with no rate made in Liverpool and no Commissioner Act on the Statute Book to deal with a collapse which by then would be probable - and which in retrospect, would be claimed by our critics to have been ~~inevitable~~^{evit}. The Business Managers will obviously have a view about the practicability of this approach.

19. To summarise I believe in the light of the present facts we should:

(a) before the Council's budget meeting on 20 June or in early July do all we can to persuade all members of the Council to make a proper rate on the basis of the joint official paper, but leaving it to the Auditor's action to bring stronger pressure to bear;



(b) if no rate is made, or a demonstrably inadequate one, by early July, we should ensure that legal action is taken to make the Council rate properly; and

(c) if no proper rate has been set by the end of July introduce a Liverpool only Commissioner Bill, with the appointment of Commissioners - if necessary - being made by an Affirmative Resolution Order for which Parliament would have to be recalled.

20. We have a longish list of possible Commissioner candidates and I think the time is right to start approaching individuals on a contingent basis if we are to be prepared before the summer recess. I would be grateful for your agreement to do this and to know the extent to which you will wish to be involved in the selection of candidates, in particular the Chairman.

21. I am sending copies of this minute to Leon Brittan, Nigel Lawson, Keith Joseph, Michael Heseltine, Norman Fowler, Norman Tebbit, Peter Rees, Michael Havers, John Biffen, Sir Robert Armstrong and Mr Buckley (Cabinet Office).

I. J. G. [Signature]

for P J

13 June 1984

Approved by the Secretary of State and
signed in his absence.

The District Audit Service

NORROY HOUSE, WATERGATE STREET, CHESTER CH1 2NB
TELEPHONE: 0244 315571

FROM THE DISTRICT AUDITOR
NO 5 AUDIT DISTRICT

LIVERPOOL CITY COUNCIL - GENERAL RATE

I am writing to each member personally to draw attention to the serious consequences for them from the continued delay in making a rate sufficient for the council's requirements for the current financial year ending 31 March 1985.

I have today submitted a report to the council under s.15 Local Government Finance Act 1982 in which I have said:

"In my reports dated 19 March 1984 and 4 May 1984 I drew the council's attention to their duty to "make such rates as will be sufficient to provide for total estimated expenditure to be incurred by the authority during the period in respect of which the rate is made" (General Rate Act 1967) and to the consequences of failing to levy an adequate rate. I also referred to members being at risk if there was unreasonable delay in making a rate. Those points mentioned in my earlier reports remain valid, but I wish to draw your attention specifically to the following additional matters.

Although the General Rate Act 1967 does not specify a time limit for the making of a rate, the Act, as amended by the Local Government Planning and Land Act 1980, extends to certain ratepayers a right to pay their rates by 10 monthly instalments. I am advised by leading counsel that the effect of this is that if the council fail to levy a rate by 20 June ratepayers will be unable to take advantage of their statutory right to discharge their rate liability by 10 instalments in the financial year, and an irrecoverable and immediate loss will be incurred and will continue to be incurred.

If the council delays making a rate beyond 20 June it will not be possible to deliver to instalment payers a valid statement of instalments payable as required by the General Rate Act 1967 as amended. Where a defective statement is delivered the rate is not recoverable by normal rate recovery process and recovery of any unpaid rates from instalment payers cannot be commenced until the end of the financial year.

This will deny the council the use of up to £30m of rate instalment collections until recovery action succeeds in the following financial year.

Interest losses will clearly arise in these circumstances and I propose to commence action under s.20 Local Government Finance Act 1982 to recover such losses from the members responsible for incurring them by their failure to levy an adequate rate by 20 June. Where the amount certified due from individual members exceeds £2,000 disqualification from office will result.

I urge members to give careful consideration to the vital need to levy a valid rate. The time is now limited for them to perform their statutory duty."

The purpose of this letter is to reiterate the clear warnings set out in this and my earlier reports and to say that recovery action will be taken under s.20 Local Government Finance Act 1982. I re-emphasise the serious consequences for individual members if the making of a valid rate continues to be delayed.

Yours sincerely

L C STANFORD
District Auditor



File 116

10 DOWNING STREET

From the Private Secretary

12 June 1984

Dear Janet

RATE LIMITATION: SELECTION CRITERIA AND SETTING OF EXPENDITURE LEVELS

The Lord President may wish to see the exchange of correspondence between the Secretary of State for the Environment and Dr. Cunningham and between the Prime Minister and Mr. Kinnock. It draws a distinction between work which has been undertaken into the various criteria and the lists of authorities which those criteria generate; and decisions which have not yet been taken on the criteria actually to be used and the authorities to be selected. The Prime Minister has asked that, when E(LA) has finished its deliberations and has taken account of the recent exchange of correspondence, the Lord President should report its recommendations to her and colleagues for final decisions once the Bill is enacted.

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

*Your sincerely
Andrew Turnbull*

ANDREW TURNBULL

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

CONFIDENTIAL

File 116

→ Lord President.

CST

File 55
MA
D/ENV



HOUSE OF COMMONS
LONDON SW1A 0AA

Prime Minister:

You seem to have
hit a raw nerve.

13 June 1984 No reply
necessary, I
think

JK

13/6

The Office of the Leader of
the Opposition

Dear Prime Minister

I thank you for your speedy reply which has been conveyed
to me by telephone.

I have to say to you that the only "stunts" being pulled
are those which relate to the rate capping legislation.
As my colleagues - and some of yours in local government -
have pointed out on many occasions, your procedures give
central government power to arbitrarily pick targets amongst
local authorities without any recognisable system of justice,
response to real community needs or even regard to financial
prudence. Your very description of the deliberations taking
place in the Department of the Environment is the clearest
admission that the criticisms of your local government
financial system are justified.

Is it too much to hope that on this and other major areas
of policy you and your Government will be frank with the
Commons and the public?

Yours sincerely

NEIL KINNOCK (Dictated by Mr Kinnock and signed in his absence)

pp Richard Clements

Rt Hon Margaret Thatcher MP
Prime Minister



10 DOWNING STREET

THE PRIME MINISTER

B CC
FAX
✓
Polly
Polly Unit

Handwritten scribbles

Thank you for your letter of 13 June.

I entirely reject your accusation that I have misled the House. As Patrick Jenkin has told Jack Cunningham we are looking at a variety of ways in which the powers proposed in the Rates Bill might be applied. Each method produces different local authorities which could be subject to rate capping - indeed we have taken the trouble to provide the House with examples of such authorities. We have taken no decision on the criteria to be used and will not do so before the legislation is enacted.

Would it be too much to hope that this is the last of your election stunts?

Yours sincerely,
Neil Kinnock

The Rt. Hon. Neil Kinnock, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

cc for
Press Office
Bl. Schri
A7
Policy Unit

The Office of the Leader of
the Opposition

13 June 1984

Dear Dinnie Minister,

During Question Time in the House of Commons yesterday you said in answer to an intervention from Jack Straw about the control of the Portsmouth City Council by Whitehall under the Rates Bill, and I quote:

"it would be somewhat premature to devise a list before that Bill has even become an Act . . . "

As you know Jack Cunningham had learned last week from Whitehall that Patrick Jenkin was already considering "hit lists" for the control of local authorities and that these included the Conservative controlled City Council in Portsmouth.

Although your Industry Secretary Norman Tebbit tried to deny this during a press conference last Friday, Patrick Jenkin has today admitted the truth in a letter to Dr. Cunningham.

The Environment Secretary says there are and I quote:

"a series of lists . . . and
Portsmouth features on some
of them".

This means that your statement in the House yesterday was untrue. Will you now withdraw the comments you made and apologise to the Commons for so seriously misleading it yet again.

Yours sincerely

Niall Binmore

Rt Hon Margaret Thatcher MP

Mr. Straw: Since, under the Government's own chosen measures, Conservative-controlled Portsmouth has overspent to a much higher degree than Labour-controlled Sheffield, what sympathy has the Prime Minister for the problems of the Secretary of State for the Environment in trying to manufacture a list for rate-capping which ensures that Sheffield is included but that Portsmouth is excluded?

The Prime Minister: As the hon. Gentleman knows, the rate-capping measure has not yet been enacted. It is still before the other House and it would be somewhat premature to devise a list before that Bill has even become an Act. Hon. Gentlemen will remember that that, of course, was the habit of the Opposition when in Government but I think that it is a little premature at the moment.



file
Owen

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: 14558/84
Your ref:

12 June 1984

Dear Dr Cunningham

You wrote to me on 11 June about the possible selection of Portsmouth for rate limitation.

I would not normally confirm or deny rumours based on back-door gossip. But let me make the position absolutely clear. We are currently considering possible principles for selecting authorities for rate limitation. The application of different principles produces a series of lists - rather like the ones I released during the Committee Stage of the Rates Bill - and Portsmouth features on some of them. No final decision has been taken; whether Portsmouth is selected or not will depend on whether it falls within the principles which are finally determined.

Yours sincerely
A. Jenkin

for

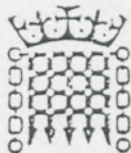
PATRICK JENKIN
(Agreed by the Secretary of State and signed in his absence)

PSG DISPATCH NOTE

CIRCULATE COPIES OF THE
SIGNED LETTER TO:-

1. PS/Kendall
2. PS/Mr Waldegrave
3. PS/Perm Sec
4. Mr Heister
5. Mr Hobson
6. Mr Young
Mr McDonald
Mr Mochler
Mr Bright

Dr John Cunningham MP



HOUSE OF COMMONS
LONDON SW1A 0AA

From: Dr John Cunningham.

11th June 1984

Dear Patrick,

Thank you for your letter of 11th June in reply to mine of 6th June about designation of councils under the Rates Bill.

I am aware that no final decisions have been taken but note you do not deny that you have considered lists as suggested in my first letter. Nor do you deny that criteria of 20% over GRE and 4% over target have been employed to produce a list of councils for designation. Use of these criteria will ensure that Conservative-controlled Portsmouth City Council is ensnared.

When Norman Tebbit made a statement in Portsmouth on Friday 8th June he appeared to be deliberately vague and misleading on these crucial questions. Your letter of today avoids these issues. I believe the major principles put to you in my letter of 6th June to be accurate. Will you now please avoid further obfuscation and give unequivocal answers to the questions, namely, have you considered a list of councils for designation based on the criteria I quoted and does not such a list include Portsmouth City Council?

As ever,
John

Rt. Hon. Patrick Jenkin MP,
Secretary of State for the Environment,
Marsham Street,
London SW1.



1002
2 MARSHAL. STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

// June 1984

Dear Jack,

You wrote to me on 6 June about the selection of authorities for designation under the Rates Bill. The information given to you is incorrect in virtually every detail. I am surprised that you should make such accusations on the basis of inaccurate hearsay.

No final decisions have been taken on which authorities will be selected for designation under the Bill - decisions will be announced in due course, after the Bill is enacted. The criteria for selection have to be based on general principles applicable to all authorities in the same class, and there is therefore no question of Ministers being able to discriminate arbitrarily against individual authorities.

As I made clear during the Commons proceedings on the Bill, the Report designating authorities which has to be laid before the House of Commons will include an explanation of the principles used for designation, and this will enable the House and the country to judge whether the list of authorities has been drawn up properly. //

I have to say, therefore, that your accusation that Ministers are manipulating the system so as to ensure that certain authorities are designated is so much rubbish.

Your ever
Patrick

PATRICK JENKIN

From: Dr J Cunningham MP



HOUSE OF COMMONS
LONDON SW1A 0AA



6 June 1984

The Rt Hon Patrick Jenkin, MP
Secretary of State
Department of the Environment
3 Marsham Street
LONDON.

Dear Patrick,

I understand that you have now considered a list of authorities proposed for designation under the Rates Bill.

Information given to me includes a report that you rejected the first list provided to you because it did not include certain Labour councils. Apparently Officials, on your instruction, then changed the criteria used to ensure that Sheffield City Council was "caught".

A list of seventeen councils are proposed for designation but it seems clear that the criteria have been deliberately manipulated to try to suit your political purposes. Consideration of this information surely leads to the inescapable conclusion that you are again using the Civil Service to politically gerrymander legislation. Is this not a blatant and scandalous abuse of Office?

Detailed examination of the information I have shows that this gerrymander has backfired on you and that the Conservative controlled Portsmouth City Council has been included for designation.

Will you confirm that to be so and that your Officials have been told to look for "special circumstances" in order to exclude that Council because it is Conservative controlled and because of the impending by-election in the City on 14 June 1984?

Does this appalling episode not show the complete cynicism of your approach to Local Government and also highlight the dangerous arbitrary and anti-democratic nature of the Bill and that the Government is prepared to go to any lengths to undermine local freedom and choice?

*Yours sincerely,
Jack Cunningham.*

PORTSMOUTH

NOTES FOR SUPPLEMENTARIES

Is there a list of selected authorities?

There are several lists - which have been produced to illustrate the different principles on which selection might be based. But since the principles have yet to be decided, no list can be considered final at this stage.

Is Portsmouth on the list?

Certainly Portsmouth features on some of the lists. Since its expenditure in the current year is 35% above its GRE and 5.3% above its target, it would be surprising if the City were not a possible candidate for rate limitation.

Have officials been asked to look at ways of catching Sheffield/letting Portsmouth off?

No. Some of the sets of principles include some authorities, and some others. There is no question of being able to tailor the selection so that particular individual authorities are included or excluded.

If Portsmouth is selected, will this not have a disastrous effect on services?

The effect of rate limitation is to keep rates down. It is being applied only to the highest-spending authorities, and there should be no question of cuts in essential services.

Surely Portsmouth is only an overspender because its housing understates its real needs?

Portsmouth's GRE is calculated on exactly the same basis as GREs for all other English local authorities.

Effects of rate-capping

I am surprised that anyone should try to make political capital out of the possibility that any Council might be selected for rate limitation. The ratepayers of the Council might not be so distressed about that possibility as those who are indignant on their behalf.

13 June 1984

SECRET

12 June 1984

MR TURNBULL

RATE LIMITATION

Should the Government select Brent, Sheffield and Merseyside for rate-capping, despite the fact that this will not prevent their rates from rising dramatically?

Lord Whitelaw and Patrick Jenkin ^{and Peter Rees} say yes, because the Government would otherwise face the difficulty of explaining why these extravagant authorities were not rate-capped. But Keith Joseph says no, because it will be near-impossible to explain why these authorities - once "rate-capped" - nevertheless increase their rates dramatically.

We still take Keith's view, for two reasons:

1. If the three offenders are exempted from rate-capping, the worst that can happen is that the Government's supporters will press for them to be rate-capped, thereby giving us favourable publicity; whereas, if the Government rate-caps the three, it will be ridiculed by the Opposition when rates soar, thereby giving us unfavourable publicity.
2. If the Government does not cap Brent, Sheffield and Merseyside in 1985/6, it will be able to assure people

SECRET

SECRET

that these authorities will be capped in 1986/7 if their rates go on upwards; there is no similar defence or promise if the authorities are rate-capped and their rates rise dramatically.

As we suggested in our previous minute, either way forward has its drawbacks. But it must be better to allow a few high-spending authorities to escape the net this year and have our enemies demanding that they be rate-capped, rather than bringing into disrepute and ridicule the whole idea of rate-capping by capping those whose rates will go up a great deal.

We recommend that, if the Prime Minister supports our view and wishes to argue the case further, she should see Lord Whitelaw privately; if he is persuaded, the E(LA) decision could then be referred to full Cabinet for review.

Oliver Letwin

OLIVER LETWIN

- 2 -
SECRET

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

D Barclay Esq
Private Secretary
10 Downing Street
LONDON
SW1

12 June 1984

Dear David

RATE LIMITATION: SELECTION CRITERIA

The Chief Secretary has seen your letter to John Ballard and Lord Whitelaw's views in his Private Secretary's letter of 4 June.

The Chief Secretary shares Lord Whitelaw's view that it would be wrong to exclude Sheffield, Merseyside and Brent by manipulating the criteria for rate limitation. Rate limitation means that rates will be lower than they would otherwise be - not necessarily that they will be reduced - and in the Chief Secretary's view there is no reason to deny the benefits of rate capping to the ratepayers of these authorities in 1985-86 simply because the authorities have indulged in creative accounting in an attempt to evade rate capping.

On the proposals agreed in E(LA) (and assuming Liverpool is included) some £4bn of local authority expenditure would be in rate capped authorities. Excluding Sheffield, Merseyside and Brent would reduce the coverage of rate capping by over £500m. It would reduce the potential savings.

The Chief Secretary is also concerned that excluding these authorities would mean that only one major authority outside London was subject to rate limitation. He thinks it is important presentationally for more non-London authorities to be within the scope of the scheme, and, on these grounds too, would oppose exclusion of these authorities.

I am copying this to Private Secretaries to members of E(LA) and to Sir Robert Armstrong.

Yours sincerely
J. Gieve
JOHN GIEVE

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12 JUN 1984

12 JUN 1984

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①
PRIME MINISTER

Policy Unit argued that three councils whose rates will rise rapidly, Brent, Sheffield and Merseyside, should be excluded from the first year of rate capping. (Their rates rise rapidly because they have engaged in creative accountancy in 1984-85 which temporarily has kept rates low this year. Despite its name, rate capping is activated by what a council spends not how it rates and the three are undoubtedly high spenders.)

The Lord President, Secretary of State for the Environment and Chief Secretary all wish to stick by the decision of E(LA) though Keith Josphe favours excluding the three. Policy Unit, in attached note, make a case for excluding the three.

- (i) Do you wish to pursue the matter further or
- (ii) Do you accept the majority view on E(LA)?

AT

↓

Would you look at the question
in the House to-day. I thought
it was in the opposite sense to
this. I don't see how soon to
reach a decision on the bill is
not better an Act?

12 June 1984

not



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CC NO ✓

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 June 1984

Dear Andrew

P120 attached

RATE LIMITATION: SELECTION CRITERIA AND SETTING OF EXPENDITURE LEVELS

Thank you for your letter of 31 May to John Ballard. My Secretary of State has also seen copies of Janet Lewis-Jones' letter to you of 4 June, and of Sir Keith Joseph's letter of 7 June to the Lord President.

Ministers here have reconsidered the selection criteria and the setting of expenditure levels in the light of the Prime Minister's views. My Secretary of State considers, however, that the conclusions of E(LA) on these matters at the meeting on 24th May were right.

On selection criteria, E(LA) took account of the risk of high rate increases when deciding on selection criteria which would include Brent, Merseyside and Sheffield. My Secretary of State drew particular attention to this point in his paper (E(LA) (84) 7). As the Lord President has pointed out, E(LA) concluded that that risk was outweighed by the problem of justifying the failure to select such notorious high-spenders. My Secretary of State shares that judgement: the Government will argue that in the absence of rate-capping, rates would have gone up even more.

On expenditure levels, capped authorities could only avoid incurring holdback (and thus avoid the part of the rate increase due to holdback) if the levels were no higher than target, or if spending above target but below expenditure level were disregarded. But E(LA) have concluded that expenditure levels generally should be a cash standstill on 1984/85 budgets: if targets too were at that level, there would be serious public expenditure consequences. The alternative of a disregard for expenditure above target by capped authorities is unlawful, since disregards must be applicable to all authorities. My Secretary of State has therefore concluded that the problem raised in your letter cannot be resolved by reconsidering the setting of expenditure levels.

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

Your ever
Alan

ALAN DAVIS
Private Secretary

Andrew Turnbull Esq

local Govt Relations
A 21



11 JUN 1984

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

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NB/M

AT

146

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

11. June 1984

Dear Patrick

with AT. I have seen a copy of your Private Secretary's letter dated 23 May to No 10 about cost savings from the abolition of the GLC and the metropolitan county councils.

As you know I expect the abolition of the metropolitan county councils to result in substantial savings in public transport revenue support. The six councils are budgeting to spend £267 million this year on revenue support, well over twice the level implicit in our public expenditure plans. I expect to be able to use my control over joint board precepts to reduce this expenditure very substantially.

In addition on the highways side, there is now substantial duplication of effort between the metropolitan districts and counties, and between the GLC and the London boroughs, and it seems certain that there will be significant savings among the 8,000 or so GLC and county council staff engaged on this work.

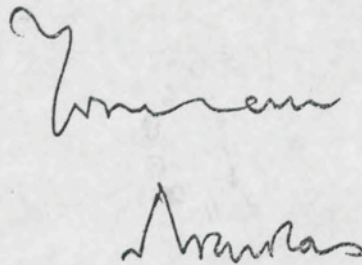
The Prime Minister's suggestion of adding a clause to the abolition Bill giving successor authorities the duty to put specified services out to tender is in line with my

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own proposals, recently accepted by colleagues, to make local authority powers to provide bus subsidies dependent upon their seeking competitive tenders. However, I accept your view that such measures should apply to all local authorities, and not just to those falling within the scope of the abolition legislation.

I am copying this letter to the Prime Minister and to the members of MISC 95.

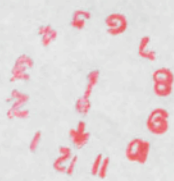
A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style.

NICHOLAS RIDLEY

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LOCAL GOVT: Relations

Pt 21



11 2 JUN 1987



58

Handwritten initials and scribbles

Minister of State
for Local Government

Department of the Environment
2 Marsham Street
Telephone 01-212 3434

CONFIDENTIAL

8 June 1984

Sea Poodle,

There has been increasing concern about the likelihood that the Greater London Council and the six Metropolitan Counties will seek to frustrate the objectives of the Government, by deliberately stripping themselves of important assets before they are abolished. A primary example of such behaviour, is the way in which those authorities have all set up enterprise boards under the Companies Act 1948-1981 - private companies limited by guarantee with the objects of promoting economic development in their areas. There is nothing to suggest that these enterprise boards or their activities are in any way unlawful, but there is mounting evidence that the local authorities in question, are preparing to transfer to their enterprise boards, substantial property holdings and financial resources, so as to avoid handing over the assets in question to their successor bodies on abolition. It is not uncommon for the Board members of the enterprise board to comprise Councillors of the sponsoring authority. For example, all the members of the Greater London Enterprise Board are Labour members of the GLC.

It appears that generally, the method to be adopted is to sell the assets (mainly land, developed or not) to the enterprise boards at full market value, but the local authority typically agrees to leave the whole, or a substantial part of the purchase price, outstanding, secured by a mortgage at commercial rates of interest. The purchase price is then paid in instalments by the enterprise board, either out of income from the property or from grants made to it by the local authority, under section 137 or other appropriate powers.

Such transfers have two particularly objectionable features:-

- a. control over the assets in passing into the hands of organisations with no responsibility towards the ratepayers who have originally contributed towards their acquisition by the local authority; and
- b. the fact that ratepayers' money is being used to finance these transactions.

We, of course, encourage genuine sales of surplus public property to private owners, but there are ample grounds for doubting the genuineness of a number of disposals that the present rules would allow.

Any estimate of the total value of the assets at risk and of the amount of grant aid is necessarily uncertain, but potentially over £75M per annum of grant-aid could be at issue - almost £40M from the GLC and a slightly smaller amount from the metropolitan

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County councils in aggregate. In practice, other commitments under section 137 (eg grants to voluntary bodies) are likely to bring down this figure substantially. But even if the amount at risk totalled only, say, £40M of ratepayers' money each year, it could finance the acquisition by enterprise boards of almost unlimited amounts of capital assets. Even if the possibility of section 137 financing does not arise, there remains too much scope for damaging disposals of land and other property (eg County Hall) by the abolition authorities.

I am clear that it would be both wrong in principle and unacceptable to our supporters, to allow these malpractices to proceed unchecked. I therefore propose to take an appropriate power in the Paving Bill at present before Parliament - the last legislative opportunity for us to do so. This power will make all payments by the GLC and the metropolitan counties under section 137 of the 1972 Act (and under any analogous provisions), subject to Ministerial consent as from 1 April 1985. This will leave unscathed payments this financial year, but since these are by now largely committed, a retrospective power would be difficult to justify, as well as being virtually impossible to administer. We need, however, to prevent the damage which the councils could do for 1985/86 in their final weeks of existence, before they are replaced by transitional councils on 7 May 1985. A provision of this kind would also have the incidental benefit of controlling grants next year by the seven authorities, to eccentric or politically motivated bodies.

William Waldegrave and I have already discussed such a power with the Solicitor-General, who considered that it would be a feasible proposition.

We also discussed taking a further power to make disposals of land by the GLC and metropolitan counties subject to Ministerial consent. This power would have been retroactive and would have taken effect from the date of a public statement to be made in the near future. To be effective, it would have had to be underpinned by a provision making any councillors concerned liable to automatic surcharge and disqualification, if they had disposed of land without the consent after the effective date. Control over disposals would, however, be a particularly fraught administrative task, which would undoubtedly have proved expensive in terms of staff resources. Moreover, as there was no opportunity to insert any such provisions while the Paving was in the Commons, there are obvious risks in seeking to introduce a sweeping and retroactive power in the Lords without having given any previous indication to the Commons. The ensuing political controversy could prove unmanageable.

The power which we do propose taking (in paragraph 5 above), should remove in large measure the scope for further abuse without our having to have recourse to physical controls. We have, therefore, concluded that we cannot recommend at present seeking a power of consent over disposals. If, however, there were to be continuing evidence over the next few months, that despite the proposed power to supervise section 137 payments, disposal of an unacceptable character were still taking place, it would be open to the Government to make a statement bringing home

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that such disposals were unprincipled, provocative and not to be tolerated; and that accordingly, remedial (ie retroactive) powers would be sought in the main Abolition Bill. For the moment, however, this option can be kept in reserve.

I have little doubt that even the limited power which we are proposing to take will be bitterly contested by our opponents, and may prove difficult to administer for the short period during which it would be in force. Without taking this minimum step, however, the credibility of our policy to abolish the GLC and the metropolitan counties could be seriously undermined.

I hope that our proposal can be agreed without the need for a meeting. Unless any member of MISC 95 objects, I intend to ask Parliamentary Counsel to draft the appropriate clauses with a view to tabling them during the Lords stages of the Paving Bill. I am copying this letter to members of MISC 95, the Lord President, the Law Officers and Sir Robert Armstrong.

Yours Sincerely,
J. W. M.

LORD BELLWIN



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

8 JUNE 1984

Iron Patrick

RATE-CAPPING: ILEA

pt 20 attached

On 24 May E(LA) invited you, in consultation with Peter Rees and me, to consider whether the GLC and ILEA should be subjected to tougher ELs than the cash freeze we agreed for other authorities (E(LA)(84)3rd Meeting minutes, item 1).

In his letter to Willie Whitelaw of 22 May Peter Rees proposed a cash cut of 5% for the GLC. If this is agreed, I think there is a good case for some reduction for the ILEA. I suggested 1% for all authorities to be rate-capped in my letter of 22 May to Willie, but would be willing to accept Peter's proposal of 2% for ILEA.

As you will see from the enclosed table, ILEA's expenditure per pupil even in 1982-83 was far ahead of that of other education authorities. But 1983-84 it was spending 61 per cent above its education GRE (compared with 22% in Brent, 20% in Haringey and 13% in Sheffield, the three other education authorities in question). Worst of all, its budget for 1984-85 shows a cash increase of 7½% over last year, a very much bigger rise than that of education authorities as a whole, and is 73% above its GRE.

The only factor pointing the other way, as I said in my letter of 22 May, is that ILEA plans nearly all its expenditure mainly by reference to academic rather than to financial years and therefore could not readily achieve big savings before September 1985. For this reason I think a 2% cash cut - 6% or so in real terms or the equivalent of an annual rate of 9% or 10% from

/September

Rt Hon Patrick Jenkin MP
Secretary of State for the
Environment
2 Marsham Street
London SW1 3EB

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September 1985 - would be appropriate if we agreed on 5% for the GLC, where this timing point does not arise. A reduction of this order, worth nearly £20m, would be achievable, I believe, without compulsory redundancies. It would of course only be a beginning: over three or four years I would expect us to secure through rate-capping larger reductions in ILEA's expenditure.

I am copying this letter to the Prime Minister, Willie Whitelaw, the other members of E(LA) and Sir Robert Armstrong.

W. Whitelaw

W. Whitelaw

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ILEA: COMPARATIVE EXPENDITURE

Schools 1982-83 GRE +36%

unit costs 1982-83 outturn/England = 1/

	Nursery	Primary	Secondary	Special
Teachers	1.29	1.29	1.29	1.20
Non-teaching Staff	1.68	2.25	2.48	1.79
Maintenance	1.29	1.85	1.64	1.96
Cleaning + Water	1.13	1.11	1.32	1.44
Energy	1.33	1.40	1.49	1.42
Rates	1.42	0.96	1.08	2.12
Books	0.96	1.40	1.93	2.01
Equipment	1.89	2.60	2.53	2.42
Establishments	0.98	1.54	1.79	1.89
Total	1.53	1.50	1.44	1.47
1983-84 CIPFA Estimate	1.48	1.43	1.42	1.20
1983-84 Est PTR	1.13	1.27	1.25	1.11

Percentage of 3&4 year olds in nursery education Jan 83: 40%

Meals and Milk 1982-83 GRE +97% 1983-84 GRE +145%

Further Education 1982-83 GRE +68%

unit costs 1982-83 outturn

	Lecturers	Premises	Admin	Stud Supp	Total	England = 1/
A FE	1.02	1.28	1.13	1.12	1.10	
NA FE	1.12	1.60	1.41	1.48	1.26	

Adult Education Gross 1.16 Income 0.40 Net 1.41

Administration 1982-83 unit cost 2.15

Child Guidance " " " 1.86

Youth & OESR " " " 3.94 1982-83 GRE +205%

Education 1983-84 GRE +61%

Local Gort Relations Pt 21

08 JUN 1984





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

7 June 1984

Dear Lordine,

RATE LIMITATION : SELECTION CRITERIA

I see from the letter of 31 May from No 10 that the Prime Minister is concerned about E(LA)'s agreement to use criteria which will bring Sheffield, Brent and Merseyside into the list of authorities to be rate-capped, with estimated rate or precept increases of 10, 27 and 31 per cent.

As you know from my letter of 22 May and from my remarks at E(LA), I share this concern. We could indeed exclude these three authorities very simply by adopting the criteria in Column 1 of Annex 1 to E(LA)(84)7 ie 25 per cent (instead of 20 per cent) over GRE in 1984-85 and 4 per cent over target. On the figures in Column 3 of Annex 2 to Patrick Jenkin's letter of 18 May, this would reduce the estimated average rate or precept increase of the authorities to be rate-capped from 4 per cent to almost zero. It would also reduce or even eliminate the need for derogations and enable us to concentrate our efforts on the 15 most serious overspenders.

I am sending copies of this letter to the Prime Minister, other members of E(LA) and Sir Robert Armstrong.

Erin Keir

The Rt Hon Viscount Whitelaw PC CHMC
 Lord President of the Council
 68 Whitehall
 LONDON SW1A 2AT

C. OL

11

MP with PoG response

MP 7/6

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Regs.

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07 JUN 1984



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 ~~XXXX~~ 3434

My ref:

Your ref:

The Rt Hon Mrs Margaret Thatcher MP
House of Commons
LONDON
SW1A 0AA

6 JUN 1984

R8

Dear Margaret

THE GLC'S PRESS ADVERTISEMENTS - "If the Government takes control of London Transport, it'll be back to square one."

I was saddened, but not surprised to see from the two-page spreads in the major daily newspapers of 29 and 30 May that the GLC are continuing to pour ratepayers' money into a campaign of political advertising aimed at the Government's plans to take control of London Transport back from the GLC. Since these latest press advertisements advise the public to write to their MPs, I thought you would find it helpful if I were to remind you of some of the points which the GLC have omitted to make.

Since the GLC took control of London Transport in 1970, LT's unit costs have gone up in real terms, by more than two thirds on the buses (twice as fast as elsewhere in the UK), and by more than 50% on the underground (five times faster than BR). Instead of working assiduously to halt this trend the GLC have poured ever more of the ratepayers' money into LT.

Subsidies have risen from £6½ million in 1970 to about £400 million in 1983 - a thirteenfold increase in real terms. And yet even this has not been enough to stop fares going up - by 23% in real terms on the buses and 36% on the underground. In the 3 years of the present GLC administration, revenue support alone has soared - from £86 million in 1981/82 to £190 million in 1984/85.

It is all very well for them to claim that their low fares policies have reduced commuter traffic and cut the number of accidents. Of course more people will use the buses if the fares are lower. The issue is one of costs and finance; it is an issue the GLC have consistently sought to hide or ignore.

And for them to claim that their "investment" in revenue support has "paid off" because LT yielded a so-called financial surplus of £36 million is patently absurd. This £36 million represents not a profit but a reduced loss; achieved by LT's own efforts to improve revenue and cut costs, often in the face of GLC opposition. The fact remains that even after deducting the so-called surplus the GLC paid £183 million in revenue support to LT in 1983/84 to cover their operating deficit.

Ever increasing revenue subsidies, the course on which the GLC is set, impose intolerable burdens on taxpayers and ratepayers and pre-empt resources for capital investment both to improve the quality of services and reduce their real cost to the travelling public. The Government has done its utmost to ensure that a generous level of capital resources is made available for necessary investment by LT, and fully supported it through Transport Supplementary Grant. For example, the amount of capital spending we approved in 1984/85 was no less than £174 million - an increase of 12% on the equivalent figure for 1983/84.

/ The GLC conclude by asking whether there is one good reason to take LT away from the GLC. I am enclosing a list of thirteen good reasons.

Yours ever

Lynda

MRS LYNDA CHALKER

13 GOOD REASONS FOR TAKING CONTROL OF
LONDON TRANSPORT AWAY FROM THE GLC

1. Public transport in London is, as the Select Committee on Transport made clear, a matter of national significance, and it is therefore entirely appropriate for the Secretary of State to assume responsibility.
2. Effective co-operation between London Transport and British Rail services in the London area will only work if they are brought under common policy and financial direction.
3. LT has been a political football of the GLC; this has made it impossible for them to plan on a stable basis.
4. LT's unit costs have gone up in real terms by more than two thirds on the buses and by more than 50% on the underground. The GLC have done little or nothing to reverse this trend.
5. Subsidies to LT have gone up from £6½ million in 1970, when the GLC took over, to about £400 million in 1983. This money has come out of the pockets of taxpayers and ratepayers.
6. The GLC's revenue support alone to LT has gone up from £86 million in 1981/82 to £190 million in 1984/85.
7. LT's bus engineering costs have more than doubled in real terms since 1970. The Monopolies and Mergers Commission's recent report found enormous scope for improvement. Yet the GLC are doing their best to delay the implementation by LT of necessary reforms.
8. The GLC are forcing LT to operate more bus miles than are needed to meet passenger demand.
9. The GLC have refused to let LT cut costs by extending one-person operation of buses.

10. LT must be allowed to achieve better value for money for traveller, ratepayer and taxpayer without detailed day-to-day political interference, manifested in the recent packing of LT's Board with GLC placemen.

11. Resources for the capital investment, which is the route to better quality services at lower real cost to the public, cannot be provided if they are pre-empted by soaring levels of revenue support.

12. LT must be encouraged to permit greater competition in the provision of transport services and to contract out more work to the private sector where the private sector can do it more cost-effectively.

13. LT must be encouraged to set up separate operating subsidiaries in order to secure better accountability and cost consciousness and an arm's-length relationship between service planners and service providers.

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Prime Minister

ABOLITION OF THE GLC AND MCCs

1. We are at a crucial stage in the propaganda battle surrounding our abolition policy.

2. In the metropolitan counties, the public are sceptical of the MCCs' claim that they are indispensable. There is evidence that people of all parties support a return to unitary government - though views may be obscured by the MCCs' propaganda campaign and by party loyalties.

3. In London, it is widely stated that we have been worsted in the propaganda battle. I believe, on the contrary, that the GLC campaign may have reached its peak, and may now be becoming counter productive. However, the argument in London is seen in largely personal and emotional terms, and there is little interest in the details of abolition.

4. The Parliamentary progress of the paving Bill has been a helpful factor. In particular, the circumstances surrounding the final stages of the Bill in the Commons attracted wide attention. Although the emphasis was on the Parliamentary and party-political implications, I believe that the ineffective opposition to the Bill has significantly helped our cause. We are seen to have scored a win.

5. We now need to capitalise swiftly on the change in the public mood on this issue. This calls for action on two fronts.

6. First, we must press on with the detailed working out of our policies. Over recent months, we have made a number of statements about our intentions. But, with the exception of those about ILEA and the Arts, only the people most closely concerned with local government have taken much notice of them.

MS Prime Minister (4)

Mr Jenkin will raise this with you next week. A counter offensive is overdue. I will ask Bernard and Policy Unit to comment

AT 6/6

cc NO
cc BI

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7. To emphasise that the new structure is beginning to take shape I propose to issue, before the Summer Recess, a document setting out in detail the new arrangements for all existing GLC/MCC functions. This would scotch the impression, put about by the opposition, that all our proposals are still at the consultative stage. In addition to sending this document to all the local authorities, I could ensure that its issue received attention in Parliament and the press.

8. I propose also to take an initiative on planning for implementation of the policy. We need to get the boroughs and districts to begin working on this. My officials will shortly be circulating a paper to the Departments responsible for individual services.

9. As we move forward in this way, the local government world will begin to get the message that abolition is going to happen. This will, in time, affect the press - and the public. But we also need to tackle them direct; and this brings me to my second point.

10. We are, I believe, producing good, hard-hitting articles for the press (I enclose a copy of one that has recently been sent to all London local papers). But I believe that we need a renewed collective effort to emphasise the Government's commitment to the policy.

11. I know that there are problems on services for which some colleagues are responsible. But Cabinet has re-affirmed the overall strategy, and we must all pull together. You emphasised this in summing up the Cabinet discussion on 5 April; but colleagues seem to have found few opportunities to speak out in favour of the policy.

12. I should like, if you agree, to raise this in Cabinet. I hope that we can then agree a co-ordinated campaign of speeches

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by senior Ministers of the kind that we mounted before the Second Reading of the Rates Bill.

13. It would also be extremely helpful if you personally could make a statement - in a speech or in answer to a PQ (preferably both) - to emphasise the Government's commitment. I believe that this would immensely strengthen the efforts that are being made here to get the policy accepted.

14. I should be grateful if I might have a word before raising this in Cabinet.

15. I am copying this to Willie Whitelaw.

PJ

P J

6 June 1984

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ABOLISHING THE GLC - TIME FOR THE TRUTH

By

The Rt Hon Patrick Jenkin MP, Secretary of State for the Environment

If you've stood at the bus stop recently, the chances are you've seen a large poster with a threatening message.

"This is the last time you'll be asked if you want a say in who runs London", it says in bold capitals. The small print tells you that "next year's London elections will be cancelled without your say so". It invites you to sign a petition, and says menacingly "sign it if you want to retain the right to have a say in London's future".

This is GLC propaganda 1984-style, masterminded by Ken Livingstone and his expensive PR men. It's downright nonsense; but then what would you expect from Mr Livingstone? Only in 1979 he was saying that the GLC should be abolished because he thought it would be a major saving and would release massive resources which could be put into far more productive use. Just what game is he playing with Londoners and the £3 million of their money which he is spending on propaganda?

Let's have a few basic facts:

Fact 1: The GLC does not run London. Most of the local services which are essential to our everyday life are not provided by the GLC. The GLC is not responsible for education for most of London; for personal social services; the police; hospitals or the ambulance service; refuse collection; street cleansing and environmental health; water and sewerage; libraries; cemeteries and crematoria or even swimming baths! All these services are run by bodies other than the GLC.

Fact 2: the main providers of local services are the borough councils - smaller, closer to the people and run from the local town hall.

Fact 3: the only elections that are being abolished are elections to the GLC. Existing GLC councillors will complete their normal term of office next year and it makes no sense to

go through the upheaval and expense of elections to a body which has only a few months life left.

Fact 4: elections to the boroughs will continue on exactly the same basis as at present - the next elections will take place as planned in 1986 - and these are the councils that really count in London. And for the first time we are also introducing direct elections to the Inner London Education Authority. So it's just baloney to say that Londoners will have no say in who runs their local affairs.

Services

I do not belittle for a moment the importance of the few services the GLC does provide, but they simply do not add up to a package of responsibilities which justifies the attention of 92 councillors, 35 committees and sub-committees, and the 22,000 staff which try to keep the whole show on the road at a cost of £936 million this year alone.

The abolition of the GLC will do away with this unnecessary and burdensome structure. But there is no threat to the services which can be provided perfectly well without it.

Most of the GLC's functions will be devolved to the borough councils, so ending the present duplication, conflict and delay which result from having Big Brother GLC breathing down the boroughs' necks.

The fire service will be run on a London-wide basis by a joint board consisting of councillors from the boroughs. This will be the only statutory joint board for London. Mr Livingstone's extraordinary allegation that more Londoners will die in fires as a result of our proposals is without foundation and is no more than a callous exploitation of people's fears.

London Transport - as recommended by an all-party committee of the House of Commons - will be run by a new body with strategic control over buses and underground services in London. London Transport will no longer be the political football it has been under the GLC, and the new body will provide services which are attractive, reliable and offer better value for money. This is good news for Londoners.

One of the most offensive claims that the GLC has been making is that elderly people will suffer once the GLC goes - for example, that retired London tenants will lose the opportunity to move to seaside and country homes. This is nonsense. The Government has given a firm guarantee that the lion's share of seaside and country homes will continue to be available for London's elderly people.

The GLC has also spread scare stories about concessionary fares for elderly and disabled people. More nonsense. Concessionary fares will continue to be available.

Voluntary bodies

Leaving aside some well-publicised lunacies, the GLC has been funding a large number of voluntary organisations - for example in the field of housing, ethnic minorities and the elderly and disabled - which are doing a first-class job. They deserve to continue.

But true to form, the GLC has been busy spreading scare stories about how these bodies will come to a sticky end after abolition. This is rubbish. There will be a special scheme for collective funding by the boroughs of the voluntary sector. This will do much to secure the future of the many worthwhile organisations serving a wider area.

The Arts

I cannot stress too strongly that abolishing the GLC and metropolitan counties does not mean abolishing the funds for the arts which those councils are currently responsible for distributing. The Government will give an extra £34 million to the arts in England in 1986/87 and a similar sum in future years. Of this £16 million will be made available to the Arts Council to look after the needs of major performing arts and other bodies receiving grants from the GLC and the metropolitan counties. £17 million will be provided to meet the costs of the major museums and art galleries.

There will have to be discussions about the allocation of funds to other organisations and institutions involving the Arts Council, and the Museums and Galleries Commission as appropriate, together with the various parties concerned. These

arrangements should ensure that the many worthwhile cultural organisations, institutions and activities in our great cities will continue.

Conclusion

We are now firmly on course for cheaper, simpler and more effective local government in London.

A vast bureaucracy with not enough to do but no shortage of ratepayers' money to squander on the whims and fancies of its eccentric politicians will be swept away.

The cumbersome two-tier system of local government hasn't worked and has caused only delay and obstruction. The boroughs will in future become the focal point for decision-making in London and people will have a proper voice in local government as it affects their local area.

It's worth noting what another politician said less than two years ago.

"I believe that we should on principle have a system in which government is done at the lowest possible level, the level closest to people..... to be really effective that means that we have to have unitary local government in this country and clearly people would be better served if it was provided by the borough councils in the metropolitan areas. I have always at heart been committed to the borough council rather than to regional government."

The politician who said that? None other than Ken Livingstone. What price his commitment to the GLC?

DF: W & P O G
response
AT 5/6

5 June 1984

MR TURNBULL

RATE LIMITATION

Yes, Lord Whitelaw is right that it will be difficult to explain why extravagant authorities like Sheffield and Merseyside are not rate-capped. But this difficulty is tiny compared with that of explaining why rate-capped authorities will increase their rates dramatically.

If we exempt three offenders from rate-capping, the worst that can happen is that we will be pressed to rate-cap them. If we rate-cap these three, we will be ridiculed for rate-capping when their rates soar.

If the Government does not cap Sheffield and Merseyside in 1985-85, it will be able to assure people that it will cap them in 1986-87 if their rates go on upwards. There is no similar defence or promise if these authorities are rate-capped and their rates rise dramatically.

The authorities have used creative accounting. This can be used as an explanation for not rate-capping them.

As we suggested in our previous minute, either way forward has its drawbacks. But it must be better to allow a few high-spending authorities to escape the net this year and

have our enemies demanding that they be rate-capped, rather than bringing into disrepute and ridicule the whole idea of rate-capping by capping those whose rates will go up a great deal. We recommend the Prime Minister responds to Lord Whitelaw along these lines.

It may be possible to overcome the problem of high rate rises in Sheffield, Brent and Merseyside without excluding them from rate-capping. It would need a disregard to the holdback for expenditure between rate limit and derogation level; we are working with DoE officials to see whether this would be lawful and feasible.

Linda Rust.

R. OLIVER LETWIN

CONFIDENTIAL

CSNO



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

4 June 1984

Dear Andrew,

**RATE LIMITATION: SELECTION CRITERIA AND
SETTING OF EXPENDITURE LEVELS**

The Lord President has seen your letter of 31 May to John Ballard.

While the Lord President appreciates the Prime Minister's point, he has asked me to say that he has been equally concerned with the problem which the Government would face in explaining why such notoriously extravagant authorities as Sheffield and Merseyside were not brought into the scope of rate limitation.

I am sending copies of this letter to Private Secretaries to other members of E(LA) and to Richard Hatfield (Cabinet Office).

*Yours ever,
Janet Lewis-Jones.*

JANET A LEWIS-JONES
Private Secretary

Andrew Turnbull Esq
Private Secretary
10 Downing Street

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AT to AS
✓

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref: J/PSO/14048/84

Your ref:

Rates
file

| June 1984

Dear Tim,

In your letter of 23 May to Alan Davis you suggested that the figures of domestic rate bills since 1966/67, given in answer to a recent Question, might be used in conjunction with annual increases in the RPI to develop the Government's argument in favour of rates legislation.

Though information of this kind has not been used on an annual basis, because (as the table attached to your letter demonstrates) there are substantial year-to-year variations in the difference between rate and price increases, Ministers have regularly quoted figures relating to the period since 1979 in support of the Government's case. For instance, the Rates White Paper observes (in paragraph 1.22) that 'between April 1979 and April 1983 domestic rates in England increased on average by 91% while the RPI rose by only 55%'.

Those opposed to the rates legislation have sought to counter the Government's use of this comparison by arguing that the Government itself has been the cause of rates increasing faster than inflation over this period, by its reduction of the percentage of local authorities' 'relevant' expenditure funded by Aggregate Exchequer Grant. Use of the longer period back to 1966/67 (quite apart from the technical problem arising from the change in local authority responsibilities between 1973/74 and 1974/75) would tend only to serve to strengthen the critics' case. As the attached table shows, the present Government's period of office has been the only period since 1966/67, apart from 1976/77 and 1977/78, when grant percentage has been reduced; up to 1975/76 it increased steadily.

Ministers have pointed out that the Government has followed this policy of reducing the proportion of local spending met by central government in order to reduce the cost of local government to the taxpayer, to increase local accountability and to encourage local authorities to reduce their expenditure. However they have also pointed out that if local authorities had spent in line with Government's expenditure plans rate increases would on average have been below the general rate of inflation (see for instance the Rates White Paper, paragraph 1.22).

It would seem therefore that the Government has probably already made as much mileage as it can, for its rates legislation, from a comparison of rate increases and inflation.

*Yours sincerely,
Andrew*

A C ALLBERRY
Private Secretary

AGGREGATE EXCHEQUER GRANT AS PERCENTAGE OF SETTLEMENT
RELEVANT EXPENDITURE AND OUTTURN/BUDGET RELEVANT EXPENDITURE

	Settlement		Outturn/Budgets
	England and Wales	England	England
1967/68	54		
1968/69	55		
1969/70	56		
1970/71	57		
1971/72	58		
1972/73	58		
1973/74	60		
1974/75	60.5		
1975/76	66.5		
1976/77	65.5		
1977/78	61		
1978/79	61	(60)	59.8
1979/80	61	(60)	58.6
1980/81	61	(60)	57.2
1981/82		59.1	54.8
1982/83		56.1	51.2
1983/84		52.8	49.9
1984/85		51.9	

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NORM

AT 4/6



JU439

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

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1 June 1984

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

D Patrick

You wrote to Willie Whitelaw on 22 May seeking colleagues' agreement to a proposal to have the Rates Bill amended to enable a sufficient rate to be made in circumstances where the original rate was insufficient and had been quashed by a Court. I have no objection to this proposal.

2 I am copying this letter to members of E(LA) and to the Prime Minister, John Biffen, Michael Havers, John Wakeham, Bertie Denham and Sir Robert Armstrong.

Norman

NORMAN TEBBIT

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

/ June 1984

Iron Willie.

RATES BILL: INVALID RATES AND PRECEPTS

Patrick Jenkin's letter to you of 22 May invites colleagues' agreement to a proposed amendment to the Rates Bill to deal with the problem of authorities making invalid rates or precepts, which would subsequently have to be dealt with by issuing a higher substitute rate.

I agree with the principle of Patrick's proposed amendment, and that it should be tabled for Report Stage of the Rates Bill in the Lords, whatever the position then is in Liverpool.

However, I am not sure that the proposal as described deals adequately with one of the possibilities raised by Patrick in his letter, namely that a precepting authority might seek to be obstructive by issuing no precept at all before the relevant rating authorities have to set their rates. In such a case there would be no invalid precept to be quashed by a court, but it would still be necessary for the rating authorities to raise money when a valid precept was eventually issued. This could well require a substitute rate at a higher level than that they have originally set. Should section 3(2) of the 1982 Act not be disapplied (a) where a rate or precept is quashed by a court and (b) where no precept is issued by a precepting authority to a rating authority before the rating authority sets its rate?

Copies go to the recipients of Patrick Jenkin's letter.

Erin New.

The Rt Hon Viscount Whitelaw PC CH MC
Lord President of the Council
68 Whitehall
London SW1A 2AT

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PART 20 ends:-

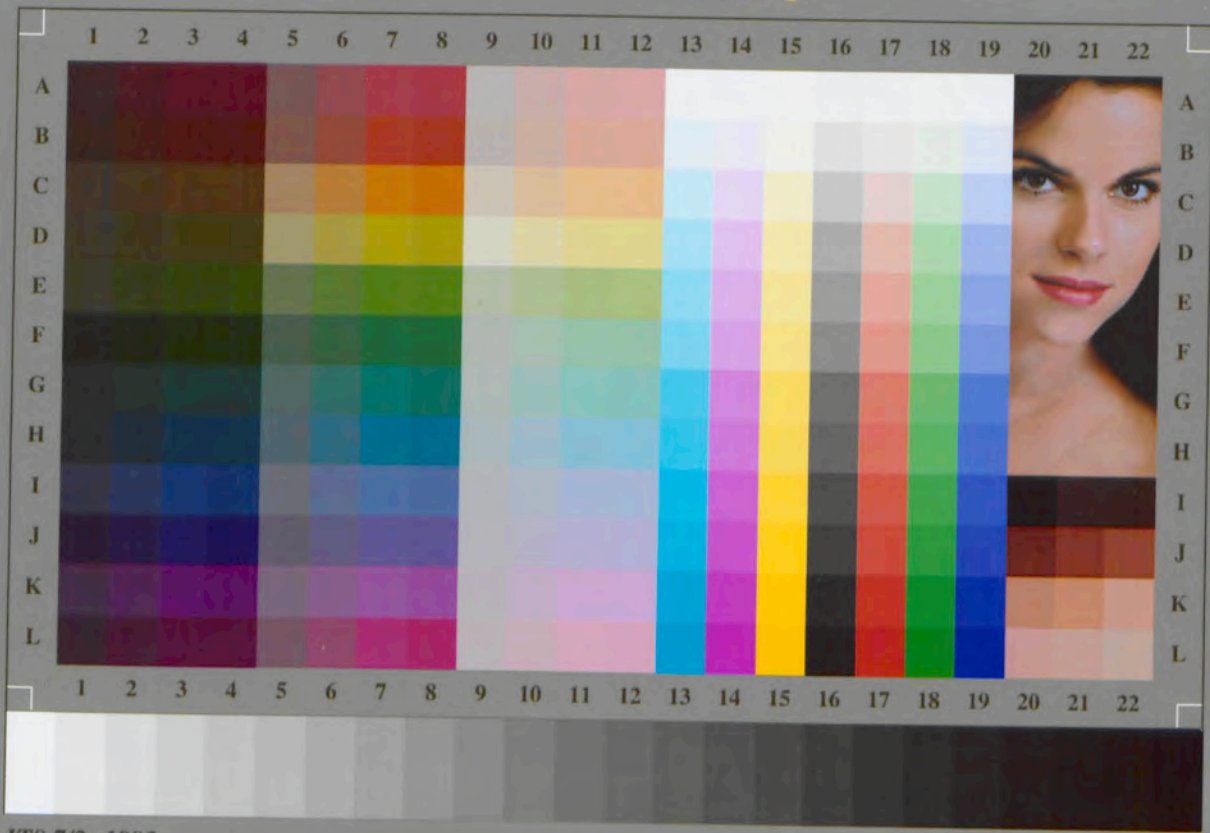
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