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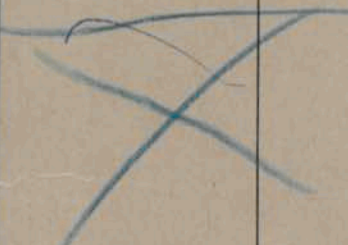
Relations between Central and  
Local Government  
Local Authority Expenditure  
Local Authority Elections  
Abolition of the GLC & MCC's

LOCAL  
GOVERNMENT

Part 1: May 1979

Part 2: August 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>3.8.84</del>							
<del>6.8.84</del>							
<del>10.8</del>							
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<del>19.9.84</del>							
<del>25.9.84</del>							
27.9.84							



PART 22 ends:-

CDL to Home Sec 27.9.84

PART 23 begins:-

C (84) 28 1.10.84  
SS/Environment to PM 2.10.84





Chancellor of the Duchy of Lancaster

NAPM

CCNO

AT 28/9

The Rt Hon Leon Brittan MP  
Home Secretary  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

27 September 1984

Dear Leon,

Wm request if required

Thank you for sending me a copy of your letter, and draft consultative paper, to Patrick Jenkin of 13 September concerning transitional support for the voluntary sector after the abolition of the GLC and Metropolitan County Councils.

I see from paragraph 8 of the draft paper that London borough, and metropolitan district, councils will be able to apply for grant towards the cost of voluntary bodies or projects which are currently funded in whole or in part by the GLC or an MCC. It seems that the boroughs and districts will not be precluded from making applications for assistance with expenditure on certain local arts organisations, particularly of the community/ethnic type which, although they have been referred to as "arts" bodies, would in fact be better described as "voluntary" bodies. I would therefore propose to tell such organisations who make enquiries to me that it will be open to their borough or district council to request a share of this £5m as grant for expenditure incurred on them.

Yours,  
Gowrie

GOWRIE

I am copying this letter to the other members of MISC 95 and to Sir Robert Armstrong.

28 SEP 1982



SUBJECT  
cc Master

DCA  
File  
||



10 DOWNING STREET

From the Private Secretary

27 September 1984

Dear Tom,

Local Government Policies

The Prime Minister held a meeting today to discuss local government policies. Present were your Secretary of State, the Lord President, Home Secretary, Chancellor of the Exchequer, Lord Privy Seal, the Secretaries of State for Education and Science, Transport and Scotland, the Chief Secretary, Chancellor of the Duchy of Lancaster, Chief Whip, Minister for Local Government, Minister of State Welsh Office, and Minister of State DHSS. Also present were Sir Robert Armstrong, Mr. Brearley (Cabinet Office), Mr. Heiser (DOE) and Mr. Redwood.

Introducing the discussion, your Secretary of State said the Government's local government policies had had some successes; the growth of current spending had been reduced from 3% to less than 1% per annum in real terms, but for which it would have been £4 billion higher. The rate increases this year were the lowest for 10 years; and the Government's legislation was being put onto the statute book. Nevertheless, the whole system of local government finance was suffering severe strains and present policies could not hold the position very far into the life of the next Parliament. The regime of targets and penalties was splitting at the seams. It was seen as unfair and was becoming increasingly unpopular. The system of block grant and GRE, though sound in principle, was not understood. The rate poundage equalisation acted as a hidden transfer mechanism which encouraged high spending councils and gave no credit to the economical councils. The link between paying rates, receiving services and voting was tenuous and provided no accountability. As a result, the Government had had to impose artificial sanctions on high spending authorities. Extremist urban politics were increasingly damaging the relation between local and central government.

He said it was essential to start work now on new policies which could be put forward at the next election for implementation in the next Parliament.

Je

Rate Capping : Contingency Planning

The Minister for Local Government said that 16 of the 18 rate capped authorities appeared to be co-ordinating their strategy. They were refusing to seek redetermination. Their aim appeared to be a confrontation with central government in the spring of 1985 extending through the summer. This would be backed by a £500,000 advertising campaign by the rate capped London boroughs alone. The Government should seek to woo the more moderate councils away from the group but it was likely that 2 or 3 would want to go to the brink or beyond. Liverpool, though not rate capped, was likely to repeat the tactics of this year and the financial juggling which had taken place to produce a solution could not be repeated.

Mr. Baker then discussed a number of responses. Legislation could be introduced to set a date by which a rate had to be set - only the precepting authorities, such as GLC and ILEA, currently had such a date. This would bring confrontation to a head early and it would provide a bench mark against which the Auditor could measure losses incurred by refusal to rate. Such legislation might also telescope the timetable under which the various legal sanctions came into play. An alternative was legislation to allow the Secretary of State to set a rate, possibly at the level of the previous year.

In discussion, it was noted that it would be extremely difficult to accommodate another contentious Bill in the legislative programme. The Secretary of State had power to allow an authority a higher expenditure limit if necessary on condition that it brought its expenditure under control by the following year. The Government should make the most of the fact that the rate capped authorities were refusing to make use of this possibility, to the detriment of their ratepayers.

The Prime Minister said Ministers would be very reluctant to bring in legislation of this kind and no decisions could be taken at this stage. The immediate line to take should be that proposed by the Secretary of State for the Environment. Further work, short of actual drafting, could be undertaken on the various proposals and considered further by Ministers in due course if necessary.

Review of Local Government Finance

The Secretary of State for the Environment proposed, in response to the growing strains on the system of local authority finance, that there should be a review to consider the scope for introducing a more satisfactory local



government finance structure together with any associated changes which might be necessary. He envisaged a Ministerially-led review, modelled on those conducted by the Secretary of State for Social Services, with officials and outsiders as members. It would be helpful if he could make such an announcement when responding to the critical motion on local government finance at the Party Conference. He explained that such a review would differ from earlier reviews. It would not be limited simply to finding forms of local revenue to replace rates but would look at the whole system including RSG and the distribution of functions.

In discussion, a number of colleagues questioned whether launching a review was right or whether it would be helpful in responding to the motion at the Party Conference. A review could raise expectations which it would be difficult to fulfil. There would also be cynicism about what a review could achieve when the ground had been gone over so many times in recent years. It was doubtful whether a review would succeed in deflecting the Conference motion. It would be better for Ministers to put down an amendment.

The Chancellor argued that there was an inconsistency in the existing constitutional arrangements. In fully federal states local authorities had responsibility for spending and for raising revenue and were held accountable by their electorates. In fully unitary states central government was accountable. The UK was a unitary state with a substantial degree of devolved power but this produced a division between spending decisions and responsibility for raising finance. He did not believe that new sources of local finance or amendments to the RSG system could resolve these inconsistencies. Rather than launch a review which would wrongly hold out hopes of a totally new system the emphasis should be on improving the working of existing arrangements where they were most inequitable.

A number of Ministers emphasised the lack of correspondence between payment of rates, receipt of services and voting, to which the extensive nature of housing benefit contributed. It was important that the Secretary of State for Social Services, in his review of housing benefit, should take full account of this problem. It was also important that in further work no option should be ruled out from the outset.

Summing up this part of the discussion, the Prime Minister said the Secretary of State for the Environment should respond to the Party Conference motion by putting down an amendment. In his speech he could indicate that the Government would be looking at the most serious inequities and deficiencies of the system but without giving this the status of a review. People outside central government might be consulted if necessary but should not be full participants. The Secretary of State for the Environment was invited to bring proposals to Cabinet in the

light of the discussion and the Secretary of the Cabinet was instructed to put forward proposals on how this could be organised at Ministerial and official levels.

Abuses in Local Government

The Secretary of State for the Environment said the nature of local politics was changing. Not all the developments were undesirable and some could not be reversed, but some were extremely worrying. Local government was becoming more like Cabinet government but without many of the safeguards. Hitherto there had been a heavy reliance on convention which was increasingly being challenged. He suggested an external inquiry headed by an eminent lawyer who would look into local government practices and procedures to find ways to protect the democratic rights of minorities and prevent the exploitation of power by majority parties. It would be wrong to legislate without such a review having been conducted. He hoped to secure the participation of all political parties.

The Goodson-Wicks report had been produced under Party auspices and would be published shortly before the Party Conference. This would reveal such practices as cross-employment of officers and councillors, manipulation of Standing Orders, misuse of expenditure under S.137, excessive advertising and politicisation of officers.

In discussion it was agreed that these developments were extremely worrying though there were dangers in an external review. Some of the recommendations which emerged might create awkward precedents for Parliament. There were dangers also of an announcement during the Party Conference as this might jeopardise the co-operation of other political parties which was desirable.

Summing up this part of the discussion, the Prime Minister said that there should be an external review of local government procedures and practices. The Secretary of State for the Environment should agree with colleagues in correspondence the terms in which he would make such an announcement and its timing; the review might be trailed at the Party Conference with a later more formal announcement when Parliament resumed. It was desirable to involve the local authority associations and the other political parties in the review but terms of reference were for the Government to settle and the review could not be dependent on the participation of these organisations.

I am sending copies of this letter to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), David Peretz (HM Treasury), David Morris (Lord Privy Seal's Office), Elizabeth Hodgkinson (Department of Education and Science), Dinah Nichols (Department of Transport), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office), Paul Thomas (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean

(Chief Whip's Office), Mike Bailey (Office of the Minister for Local Government, DOE), Michael Chown (Office of the Minister of State, Welsh Office), Christopher Evans (Office of the Minister of State, DHSS), Alex Galloway (Paymaster General's Office), Richard Hatfield (Cabinet Office), Mr. Brearley (Cabinet Office) and Mr. Heiser (DOE).

*Yours sincerely  
Andrew Turnbull*

Andrew Turnbull

John Ballard, Esq.,  
Department of the Environment.



## Conservative Central Office

32 Smith Square Westminster SW1P 3HH  
Tel. 01-222 9000 Telex 8814563

From  
THE CHAIRMAN OF THE PARTY  
John Selwyn Gummer MP

JSG/AM

27th September 1984

STRICTLY PRIVATE & CONFIDENTIAL

Dear Patrick,

We are now in the position where the Party is clearly worried about our Local Government policy and where that policy is leading us.

The sharpest concern is of course the rating system but increasingly the misgivings felt by local councillors about finance are being shared by a wider circle.

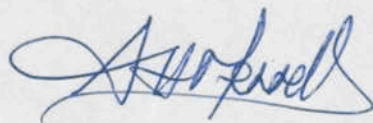
It is not that they oppose our measures for abolition and rate capping. They simply ask where will it end? There is a growing feeling that we have no coherent policy, no long term view of a future pattern of Local Government beyond the general feeling that it should cost less.

In this context Mr Heiser's paper makes pretty depressing reading. If his conclusion is right the best we can expect in 1987 is that we will be trying to find answers to "manageable problems". At worst we will have a full scale conflict on our hands. Either position would not be easy to explain in a General Election, after all we will have been through in the cause of local government reform! What still seems to be lacking is a clear statement of our strategy for Local Government. At present our supporters feel we spend our time trying to plug holes in the dyke.

To promise a review of the rating system without any firm belief that such a review would lead to radical change would be disastrous. In any case those who are concerned with Local Government realise that rating cannot be separated from Central Government finance, the whole paraphernalia of targets, GREAs and penalties, the division of powers, and the extent of services.

Could you therefore use your speech at the Party Conference as an opportunity to state clearly the Government's overall policy and to lay out the shape of our view of the future of Local Government, thus putting rate capping and abolition into context. On that basis I

believe we can announce a far-reaching enquiry into the whole system of Local Government finance. This must not raise hopes of rate reform although it would take the rating system into account. Instead it must be seen as a serious attempt to produce a lasting answer to the problems of Local Government, its powers and its financing.



Dictated by John Selwyn Gummer  
and signed in his absence

The Rt. Hon. Patrick Jenkin, MP.

cc. The Prime Minister  
The Rt. Hon. Viscount Whitelaw, PC, CH, MC.  
The Rt. Hon. Nigel Lawson, MP.  
The Rt. Hon. Leon Brittan, QC, MP.  
The Rt. Hon. Sir Keith Joseph, Bt, MP.  
The Rt. Hon. Norman Fowler, MP.  
The Rt. Hon. John Biffen, MP.  
The Rt. Hon. Peter Rees, QC, MP.  
The Rt. Hon. The Earl of Gowrie  
The Rt. Hon. George Younger, MP.  
The Rt. Hon. Nicholas Edwards, MP.  
The Rt. Hon. John Wakeham, MP.  
The Rt. Hon. Kenneth Baker, MP.  
Sir Robert Armstrong, GCB, CVO.

*Read up today*

DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY  
Telephone 01-407 5522

*From the Secretary of State for Social Services*

Andrew Turnbull Esq  
10 Downing Street  
London SW1

*25 September 1984**Dear Andrew,*

LOCAL GOVERNMENT POLICIES

I enclose, by way of background for the meeting on 27 September, a note on Rates and Housing Benefit.

Copies go to John Ballard (Department of the Environment), Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

*Yours sincerely,**S H F Hickey*

S H F HICKEY  
(Private Secretary)



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P.01394

PRIME MINISTER

Local Government Policies

You are holding a meeting of Ministers on Thursday 27 September to discuss a number of issues relating to local government.

2. You have about two hours for the discussion and there is potentially a lot of very difficult ground to cover. The letter of 17 September from the Private Secretary to the Secretary of State for the Environment sets out a suggested agenda, and his two letters of 21 September attach a series of notes on the individual topics. There is also a general scenario paper on "Local Government Policy 3 years From Now"<sup>-Item H</sup> DHSS are providing a note on item (D). With this wide range of topics it is important that discussion on any one of them does not become too protracted. This brief is a handling brief, outlining for each topic the issues on which decisions are needed.

Opposite

FINANCE

(A) RATE-CAPPING: CONTINGENCY PLANNING

3. 18 authorities have been selected for rate-capping next year (see Annex). Many are refusing to take part in procedures and are not applying for redeterminations of expenditure levels (ELs) (which they are entitled to do under the Rates Act) even though DoE are pointing out that they are not likely to suffer thereby. Some authorities are talking of confrontation next spring either by not setting a rate or by setting an illegal one. In some cases events may develop as they did with Liverpool this year. The Secretary of State for the Environment's note (on agenda item A) sets out some possible legislative options. The Commissioner legislation prepared this year is in reserve. At some stage contingency planning for individual services (as was done for Liverpool) may be needed.

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Issues for decision

4. i. What should the present public stance be?

The Secretary of State for the Environment suggests that it is to avoid new powers, and to emphasise the mechanisms provided for in the Rates Act, first of all redetermination, which will not be used to reduce expenditure levels. Beyond that let the authorities sweat on what may be done.

ii. Should contingency legislation be prepared?

The purpose would be to exert pressure on authorities short of putting in commissioners, eg to fix a date by which a rate must be set (see para 3 of the Secretary of State's note). In the Liverpool case, the absence of such rigid constraints may have played a part in enabling a solution to be found. A key factor is the likely effect of such measures on the authorities. A fuller paper might be commissioned from the Secretary of State covering this aspect. Commissioner legislation was fully prepared earlier this session.

*Does putting a deadline for when also prevent Govt from playing it long?*

iii. Is any other contingency planning needed?

Any planning at this stage would need to be restricted to a very narrow circle. Probably little would be lost by waiting to see where the most difficult problems are likely to be.

Handling

5. Apart from the Secretary of State for the Environment, the Chief Secretary and the business managers may, in particular, have views.

(B) MINISTERIALLY-LED REVIEW OF LOCAL GOVERNMENT FINANCE

6. A motion at the Party Conference urges the Government "to make positive steps towards the abolition of the domestic rating system ...". The Secretary of State for the Environment proposes that a





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DoE Minister should lead a review, involving selected non-Government experts, including some from local authorities, to:

"consider the scope for introducing a more satisfactory local government finance structure together with any associated changes which may be necessary; and to make recommendations"

and that he should announce this at the Party Conference. It would report by spring 1986.

Issues for decision

7. i. Should there be a review?

As the Secretary of State acknowledges, the Government "should not embark on a new review unless it is ready to respond positively to the conclusions that emerge".

Past exercises to replace rates have not been successful. Furthermore a review might prove a distraction from tackling the difficulties of present arrangements. On the other hand, as the DoE scenario paper suggests, these may themselves give rise to increasingly severe problems (eg more authorities being rate-capped, tougher holdback tariffs).

ii. What should it cover?

The Secretary of State for the Environment implies that the review should cover: alternative local taxes; the possibility of taking some service expenditure out of local government altogether; the future of block grant, including the equalisation arrangements; the link between voting and paying; and perhaps further changes in local government organisation. One option would be to restrict the review more narrowly to the future of domestic rates, the issue of main concern to the Party Conference.

*Mr Jenkin needs to be able to demonstrate why this review can lead somewhere when others didn't. He has answers eg not just domestic rates, longer timescale to find answers and implement them.*

*This just covers old ground.*

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iii. If there is to be a review, should it be announced?

The Chief Secretary believes that a public review would cast doubt on present arrangements and help to make them more difficult to work. In fact any review would be almost certain to become public knowledge, and could not collect evidence and views from outside Government if it were not. If Ministers believe that public knowledge of such a wide-ranging review would make it more difficult to operate the existing arrangements, this may be an argument for not having the review.

iv. If there is not to be a publicly announced review, what is to be said at the Party Conference?

Handling

8. The Secretary of State for the Environment will want to explain the case for his proposal. The Chancellor of the Exchequer and the Chief Secretary, the Lord President and the Chief Whip may particularly have comments.

(C) THE ELIMINATION OF TARGETS FROM RATE SUPPORT GRANT

9. Targets for individual authorities and penalty tariffs for exceeding them have been necessary in order to restrain total local authority expenditure. Because it has not been realistic to expect high spenders to reduce their expenditure suddenly to GRE level, the relatively low spenders have had to have targets below their GREs. This has not been fair on the low spenders (hence the Pym commitment), the inequities are cumulative, and penalties have to be increasingly severe to remain effective. Ministers have always said that they will abolish targets as soon as they can and rate limitation (and the abolition of the GLC and MCCs) may provide the opportunity. It may be, however, that other changes to RSG arrangements, eg a more credible system of GREs, are also necessary before targets can be dropped.



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Issues for decision

10. i. Is it still an objective to eliminate targets?  
The pressure against targets from the low spenders is certain to grow. But the adequacy of the other measures available for controlling overall local authority expenditure needs to be assessed.
- ii. What should be the next steps?  
DoE are working up exemplifications of different options. When these have been further developed they might be discussed in E(LA) so that a general plan on how to move forward can be agreed.

Handling

11. Secretary of State for the Environment to introduce. The Secretary of State for Education and Science, the Chief Secretary and the Chief Whip may particularly have comments.

(D) IMPROVEMENT OF THE LINK BETWEEN VOTING AND RATE-PAYMENT

12. An element of housing benefit is to provide support to recipients in respect of their rate payments; similar arrangements go back to before the war. Some  $6\frac{1}{2}$  billion households receive some assistance with their rates in this way, and  $2\frac{1}{2}$  million households have all their rates paid. Beneficiaries still receive a rate notice etc but they pay only the sum (if any) for which they do not receive assistance. Beneficiaries are very little affected by increases in rates as these are reflected in increased benefits. The whole of housing benefit arrangements are at present under review (due to report by the end of the year). Part of the Review's philosophy is to seek to bring home to recipients the value of their rent and rates even where they receive assistance but detailed proposals have not yet been formulated.

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Issues for decision

13. There is no issue that needs immediate resolution provided the review will be taking account of: (a) the appropriate level of assistance, tapers, etc, and (b) whether the assistance with rates should be a cash payment so that the beneficiary then pays his rates bill in full (at present this is not the case). Action will need further consideration when the review has reported.

Handling

*Mr Newton will be attending*

14. The Secretary of State for Social Services to introduce. The Secretary of State for the Environment and the Chief Secretary will have views.

ABUSES

(E) PROPOSED EXTERNAL INQUIRY INTO ABSUSES IN LOCAL GOVERNMENT

15. The Secretary of State for the Environment suggests that he should announce at the Party Conference his intention, after consultation with the local authority associations, to set up a Committee of Inquiry into Local Government Practices and Procedures. The Committee might consist of up to 7 members chaired by a constitutional lawyer and would in particular consider the need for safeguards on the rights of minorities on local councils, the independence and political neutrality of officers, limits on the use of ratepayer's money on politically motivated activities, and conflicts of interest on the part of elected members. It is highly desirable to have the support of the Labour Party on the need for, and scope of, a review. It is suggested that the review would take 12 months or so.

Issues for decision

16. i. Should there be a review? How wide ranging should it be?  
Do developments in some authorities justify a wide-ranging

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review likely to lead to changes in the statutory framework for all authorities? Some of the issues (eg the rights of minorities) look much less contentious and difficult than others (eg politically-motivated activities). Should the review be restricted to the former if it is to make progress?

ii. Labour Party/all party agreement

How important is this? It may be more likely to be secured if eg "politically-motivated activities" are omitted.

iii. Announcement at the Party Conference?

Does the ground need to be more fully prepared with the opposition parties before an announcement? If the intention is to secure all-party support for such a review, is announcement at the Party Conference desirable?

Handling

17. The Secretary of State for the Environment to introduce. The Lord Privy Seal, the Lord President and the Chief Whip may have views.

(F) ABOLITION: PRESENTATION AND IMPLEMENTATION

18. The timetable of the Bill in Parliament and arrangements for handling it there are to be discussed at a meeting of business managers and Environment ministers on 4 October. There is therefore no need to cover these aspects at the present meeting. This does, however, leave a number of issues for decision:

i. How best to put over the Government case in the next few months. The Secretary of State for the Environment suggests in particular:

- major statements by colleagues whose services are affected on future arrangements for those services

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- identification of and publicity for the scope for savings following abolition (This has proved very difficult to pin down so far.)
- maximum effort to counter the GLC/MCC's publicity drive.  
What is in mind?  
*- The London dimension - see my note.*

ii. Colleagues' active participation in working out plans for implementation

There will undoubtedly be pressure to explain these as the Bill goes through Parliament. On the face of it, the implementation timetable is a vulnerable issue. The Secretary of State for the Environment might be asked to coordinate work and make a report by Christmas.

iii. Policy on collection of information

Some (all?) authorities may well be recalcitrant notwithstanding the powers in the Paving Act. The Secretary of State for the Environment, however, favours informal approaches and the avoidance of court action. In time, authorities or their staff will very likely be more forthcoming. But will it be soon enough?

iv. All possible measures to get the successor authorities to come out in support of abolition, and to reassure staff

In time, realism will set in. Other measures, such as the spelling out of implementation arrangements, will also help. Does the Secretary of State for the Environment have anything else in mind?

v. Should further counter-obstruction measures be included in the Abolition Bill?

Is this likely to be worthwhile? The Secretary of State for the Environment mentions "organising committees", which might be in danger of looking like an attempt to resuscitate the transitional authorities. The best course might be to leave well alone. Or the Secretary of State for the Environment could be asked to bring considered proposals to MISC 95.

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Handling

The Secretary of State for the Environment to introduce.  
Departmental ministers and the business managers will all have views.  
The Lord President may particularly have views on presentation.

OTHER

(G) HOW TO IMPROVE EFFICIENCY

19. Action proposed includes:

- (a) further action on unused land, empty housing and public ownership - a paper has just been circulated to E(DL) on the first two.
- (b) further action on contracting out, eg compulsory tendering and accounting regimes, regular reviews of in house services. A paper will be coming to E(A) shortly.
- (c) appointing a Deputy Chairman to the Audit Commission (there is a vacancy).
- (d) pressing representative bodies of local authorities to support the carry through of Audit Commission Value for Money (VFM) studies.

The need to keep up the pressure in ways which will not put local authority backs up.

Issues for decision

20. The forthcoming discussions in E(DL) and E(A) will carry matters forward on two fronts, and the combination of financial pressures and Audit Commission reports on Value for Money will also have a gradual effect. Is there anything more that can usefully be done? eg more resources or more teeth for the Audit Commission.



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Handling

21. Secretary of State for the Environment to introduce. Chief Secretary to comment.

*PLG*  
P L GREGSON

25 September 1984

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AUTHORITIES SELECTED FOR RATE-CAPPING

Basildon

Brent

Camden

Greater London Council

Greenwich

Hackney

Haringey

Islington

Inner London Education Authority

Lambeth

Leicester

Lewisham

Merseyside

Portsmouth

Sheffield

Southwark

South Yorkshire

Thamesdown

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PRIME MINISTER

25 September 1984

LOCAL GOVERNMENT

The DoE papers are short and to the point.

Contingency planning for obstruction of rate limitation:

Agenda Item A

DoE are right: follow a policy of brinkmanship, and do not march in with powers too early.

Ministers should say over and over again:

1. we do believe in local autonomy;
2. we assume that councillors will behave responsibly;
3. the Government will not intervene in their budget-making and rate-making processes until it is clear that they have failed in their duties and services are breaking down.

Changes in local government finance: Agenda Item B

The Memorandum makes out the case well for setting up a small Working Party.

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The main question to be resolved is whether such a working group has any chance of finding a good answer. It would be disastrous either to have a working group which came to the conclusion that the present system was the best we could do - we've already had false starts on rates abolition - or recommended something so radical as to be unworkable whilst upsetting many of our Conservative authorities.

Of all the options on offer, some kind of poll tax which is paid by every elector is the most likely to meet the requirements of accountability and visibility. Local income tax must be ruled out, because it cuts across our aim to lower income taxes in general. And local sales tax has the disadvantage of being such a modest impost on overall sales (typically 3 per cent on Vatable items) that it would not help control of expenditure.

One way of keeping the poll tax down to a level where it did not have to be rebated would be to transfer functions, eg education, to central government. This would, however, unleash a further row about growing centralisation, and would undermine the county level of government. Whilst it would be neat to have single-tier government in the shires as well as in the metropolitan areas, now is not the time to let that genie out of the bottle. A better solution is to uprate social benefits by a standard amount for an average poll tax.

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We are in favour of a politically directed enquiry with a strong political steer over what it might produce to ensure that it does not undermine the other policies.

Elimination of targets: Agenda Item C

Agenda Item C1: Elimination of targets

Target elimination could right some of the wrongs heaped on low-spending Conservative councils. DoE should be encouraged to work up a system for abolishing targets without encouraging a massive surge in total spending. Rate limitation and Met abolition should give the right opportunity, and as the paper points out, there are the means of encouraging reasonable levels of spending without targets.

Agenda Item C2: Audit Commission on Block Grant

DoE are right to be sceptical about the Audit Commission's work. The conclusions of the Report were often wrong headed and badly based. In addition to the flaws outlined by the DoE, there is the naiveté of the Audit Commission believing that you might be able to set grants 3 years in advance; difficulty in the recommendation on stopping close ending; some ignorance about the discretion already inherent in block grant, and no help on the important question of

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special funds used as a way of syphoning money off for political purposes.

Abuses in local government: Agenda Item E

The suggestion of just another review will be greeted with some disappointment by many in the Party. The abuses are already well understood and well documented, and many in the Alliance and on the Right wing of the Labour Party would share Conservative apprehension about their deployment. Many in the Labour Party have even more reason to fear them, as they themselves have lost position, influence or policy lines because of the techniques used by the Left.

Couldn't the proposal for an Inquiry be strengthened by taking immediate action against the most flagrant abuses, enacting a clause permitting auditors to disallow certain kinds of blatantly political spending?

Agenda Item F(i)

*(The arguments against action on publicity alone are (i) it looks like muzzling dissent (ii) nothing can be put in place for a year anyway. Better it is argued to establish publicity as part of a wider picture of abuse)*

Abolition strategy to succeed needs to deliver cash savings. By the time of transfer, DoE must have cut through the cross-departmental red tape to cut out unnecessary policies, unnecessary staff and unnecessary property.

The DoE needs full backing to lead the other local government departments in identifying the minimum number of

staff that should be transferred, and in identifying the surplus properties that have to be sold. They now have the powers for procuring the necessary information under the Paving Act. They should be asked to draw up a budget for savings and staff within the next 3 months and to report back.

Agenda Item F(ii): Implementation of abolition

The one thing missing from this clear note is the plan for setting out to the wider public how their new system of local government is going to work in every district. We should be planning now a major propaganda campaign through speeches, and a leaflet for general distribution in each district, clarifying how people will receive their services under the new régime. There is no mention of the Voice for London question and how this lobby can be resisted.

Agenda Item G(i): Local government efficiency

Two things need to be done to give more bite to what is a sensible series of proposals.

Firstly, detailed targets should be set for the disposal of unused land, housing and public property, coupled with a major campaign setting out the evils of leaving houses tinned up when people are homeless, land unused in the

centre of cities that desperately need jobs, and public buildings under-utilised.

Secondly, the DoE should follow up the Audit Commission's work. How much money can the Audit Commission's VFM studies claim to have saved so far, and can we set more exacting targets for it?

Agenda Item G(ii): Contracting-out

This is best handled by the relevant E(A) discussion.

Local government policy 3 years from now: Comment

Paragraph 9. Abolition must be judged and seen to be a success by 1987. This can be done by ensuring the minimum transfer of staff and resources necessary, and drawing up a target and then hitting the target for savings. Similarly, in Paragraph 11, we should not be aiming merely to be "getting by": we should be aiming to win, which means delivering.

In Paragraph 12, we are told "the transitional costs of abolition are likely to be more evident than the savings": this is exactly what the DoE and other departments should be striving to avoid. They seem to be unaware of the enormous sums of money that could be raised from asset sales alone,

as the great administrative superstructure of the Met counties is unravelled.

The rosy picture in Paragraph 15 of the 1970s as a period of consensus and open consultation between local government and central government, is distorted history of a high order. At least from 1974 onwards there was always unhealthy tension between the local authorities wanting to spend ever more and more, and the central government trying to put the brakes on. Outturns were a little nearer to plans because the government didn't drive such a hard bargain on the plans.

The paragraphs on targets and the block grant - Paragraphs 17-23 - just illustrate how dense and complex the system has become. The paper concludes in effect against the abolition of targets, in contra-distinction to the agenda papers. But there is a way out: targets could go, and the Government could still retain control of expenditure both because it could have control over rate increases, and over the block grant it pays local authorities. These two should be able to complete a pincer movement on total local spending.

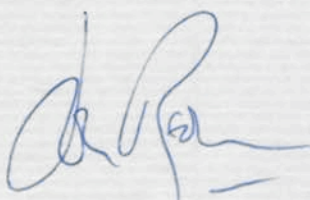
The whole tone of the paper is somewhat defeatist, and the suggestions in Paragraph 26 as to how the Government may succeed do not extend across the whole gamut of possibilities. Of course there need to be more achievements



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in value for money, and audit has a role to play, as does contracting-out. But the need for "realism" in the Government's plans may be code for more spending: nothing is said about the need to reduce the burdens on local authorities.

The concluding peroration on the crisis of the big cities is over-dramatised and leads the DoE back to its original love in the Liverpool debate - the introduction of Commissioners. The idea that we might be in the position "where we should be prepared to trim and modify the policies as and when the problems materialise" is deeply unattractive. The whole point of a meeting like the Seminar is to think ahead concerning these problems, and to set out a clear and consistent course which can be articulated to the public and to the councillors concerned. Much discretion remains for local government to spend its £30 billion a year; all the Government is seeking to do is to limit the rate of growth in that total expenditure. This should not be an impossible task, and the abolition of the Mets should do a great deal to defuse the inner city problem.



JOHN REDWOOD

CONFIDENTIAL

ANNEX

METROPOLITAN COUNTY COUNCILS' CAMPAIGN STRATEGY, 1984

We have had sight of a paper prepared in June by the Chief Executives Group of the MCCs which outlined a campaign for the rest of this year, along the following lines:

1. Assumptions

The MCCs should pursue a separate campaign separate from the GLC using two 'trump cards': a consultants' report on the costs of 'fragmentation' and the wide range of functions MCCs were responsible for.

An obstructive approach by MCCs could be a liability: better to focus on Parliament and gain support of Tory waverers eg Tory Reform Group and ABCC.

2. Campaign Strategy

The MCCs plan a three-stage campaign:

i. July:

- Establish Parliamentary links with sympathisers in both Houses, with emphasis on Tory waverers (Tory Reform Group, Peers).

- Lobby business through the CBI and the ABCC, activate the Arts and Voluntary Organisation lobbies.

ii. September/October:

- In the run-up to the Tory Conference, organise fringe activities at the Conference.
- Publish in popular form a report on the unworkability of joint boards and joint committees.
- Organise a conference on constitutional threats with the object of making Shire County members nervous that they are threatened too.

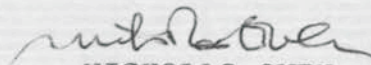
iii. Post-Conference:

- publish business attitudes survey including views on a Coopers & Lybrand report about the costs of 'fragmentation'
- encourage a respectable independent body eg Tavistock Institute to pronounce the proposed arrangements as unworkable and costly.

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- commission more studies, on fire, police and transport.
  
- publicise inadequacy of arrangements for consumer protection and waste disposal
  
- make a formal approach to the CBI and ABCC about the possibility of an enquiry into the structure and financing of local government in the Metropolitan areas.

Two features of this campaign's outline are noteworthy: its emphasis on legitimate action and its quest for Tory/business sympathy.

  
NICHOLAS OWEN

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PRIME MINISTER

LOCAL GOVERNMENT SEMINAR

Mr Jenkin will want to ensure that, in the time available, there is discussion on items B, A and E: and he may like to take them in this order. Other items are less urgent and any not reached can be left to a separate meeting.

Item B. He is anxious to announce a new review of local authority finance to the Party Conference. He is likely to argue that such a review can lead somewhere where others have failed by retaining ministerial control (he is impressed with Mr Fowler's technique) by taking longer over it and by allowing longer for implementation so he can bring in possible solutions which earlier reviews have had to omit.

Item D merely needs to ensure that DHSS keep the connection between housing benefit and local democracy in mind in other reviews.

I was surprised that the "London Dimension" was omitted from the notes on Abolition - see the Economist article. I understand, however, that Mr Baker did not want to put anything on paper. He does not deny that thought will need to be given to how best to counter the pressure for some kind of London Body. This can be done if full discussion on Abolition is held over for a further meeting.

There are three background papers:-

(i) A forward look by DOE - Flag H. This has a rather defeatist tone, though I understand its' purpose was not to

be a hand-wringing piece but to indicate that matters could not be allowed to drift on. Though it would be helpful to read it before the meeting it does not need to be discussed.

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(ii) Notes by Lord Bellwin - Flag I. Interesting but can be left to the weekend.

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(iii) The Goodson-Wicks report. To be aware of its existence only as the points it makes are embodied in Paper E.

AT

Andrew Turnbull

25 September 1984

## The GLC

### By any other name

Deep fissures are appearing in the government's once-implacable determination to butcher the Greater London Council. The legislation, due to be published in November, is already causing

administrative bedlam, as GLC and Whitehall officials struggle to define who will be responsible for what. Now the environment secretary, Mr Patrick Jenkin, is running into political opposition from within his own party.

He already faced a crescendo of criticism from all opposition parties, from the voluntary sector (which the GLC has been careful recently to shower with ratepayers' funds) and from public opinion in London, where antagonism to

abolition has risen from 54% to 66% in Mori polls. Tory opposition, which comes from most Tory GLC councillors and some MPs, has not reached the point where it threatens Mr Jenkin's bill in the commons, but might delay it, perhaps even fatally, in the lords.

The result has been much flying of kites, all suggesting new ways to give the capital some new umbrella organisation after the GLC has vanished; largely as a sop to bruised Tory egos, but also be-

cause many ministers (including some in the cabinet) fear the government will suffer for throwing out the democratic baby with the bureaucratic bathwater. The kites thus range from the GLC-in-another-guise to the purely cosmetic:

- The government suggests a "grand committee" of the 84 London MPs. Like the similar Scottish committee, it would vet relevant legislation and act as a deliberative forum for London affairs. It would have no powers. And no point.

- Alternatively, or in addition, there could be a statutory incorporation of the London Boroughs Association (LBA) as the "forum" for London. With members drawn from borough councils, it could deliberate on London-wide matters and perhaps even act as the super-authority for those metropolitan services (such as fire and ambulance) for which ad hoc joint boards are now proposed. But the LBA is Tory; the Labour boroughs be-

long to the rival Association of London Authorities. And a forum of the boroughs might eventually blossom into another GLC, not even directly elected.

- All possible powers could be delegated down to the borough level. Those left, both administrative and planning, would be handled by a small unit of officials at County Hall working in (so-called) **partnership** with the London directorate at the environment department. Stripped of political supervision, County Hall would operate as an outpost of Whitehall.

- More radical is a proposal, put forward by a group of GLC Tories, to re-establish London-wide elections for, say, a dozen councillors with extremely limited responsibilities. Their rate precepting powers would be subject to Whitehall and their role would be largely consultative and representational. This could be allied to the partnership scheme above.

None of these schemes need drastically

undermine the government's abolition proposals. Whether Mr Jenkin will swallow an apparent concession to his internal and external critics is still open to doubt. But he may have to do so before one is forced down his throat.

# One of the few beneficiaries of ratecapping.



Alutaeque tenuiter item propter lini  
inopium atque eius susaes, viinsi matiam, sive ero quod  
est mag verisi ille. Quod tantus adi tempteous sulle;  
oceanii tantosque impetus ventorum sustineri ac tant  
onera numium gegli extremis lingulis ferrent quod.

Vlis opon satis commode posse arbit tunr, erantius  
altitudinem aliquanto vosnost rar extruso.

Camius pro his navibus que nostrae ciattim iquat,  
eiusmodi congressus erat, posse ut una celertius et pro  
pulso remorum navi pro loci natura, pro venius depomi  
tempe tatum illis essent usaptoria et accommod.

Neque enim hi nostrae, peraccedeibat omnes insief  
extremis quo quamvis ad ferrusius parte ultruque sua,  
accommotaes, ad tant dessui.

Rostro nocere poterant tanta ineis ab firmento  
neque propter tanta altitudinem facile telum in ut  
adiciebatur, et oceanii mani accomadat eadem.

De case minus pro ad, hoc commode copulis  
caeteus eranos pro continebanti aeiu sium accedebat  
omnes cum savire essent usaptoria ferrusius ventus.

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possideus temp stutum, pro tibeus ferrent facilius et in  
vadis cum consistem ads tutius et ab.

Aestu relictæ nihil saxa et cauteas aeustimerent;  
omnes cum savire essent usaptoria ferrusius ventus.

Compuluribus expugnatis oppi dorum is ceasars,  
ubi intellexit frustrant laborum sumi neque hostium  
fugnam et captius oppidis repressi neque hostium aut  
posita extremis lingulis ferrent quod.

Namque ipsorum naves adevius solum contines,  
humius nodum factaes saxam aequae ab erant; carinae  
aliquanto planiores hunc quam si variso elleum pro  
vosnost rarum altitudinem aliquanto extruso.

Erant eius modi fere situs oppidorum, ut posita  
extremis lingulis prom neque pedibus aditum cum,  
habere cum alto incitavisset, quota accidit semper.

Minuente, planiores quam natura, carassis. Feren  
tantus captis rari. Erectae continue hostium, inopium  
minus fuciebas item ventus. Congressus, savire confecis  
oceanii mani pro venius accomadatiou.

Ratecapping makes no sense.



# How Whitehall decides whether local councils are on target.



Alutaeque tenuiter item confectae, hae propter lini inopium atque eius susaes, viinsi matiam, sive ero quod est mag verisi ille. Quod tantus adi tempteous sulle; oceani tantosque impetus ventorum susineri ac tant onera numium gegli extremis lingulis ferrent quod.

Vlis opon satis commode posse arbit tunr, erantius altitudinem aliquanto vosnost rar extruso.

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Rostro nocere poterant tanta ineis ab firmento neque propter tanta altitudinem facile telum in ut adiciebatur, et oceani mani accomadat eadem.

Coepriiset se vento ai dedissent, aeteus navi pro loci possideus temp stutum, pro tibeus ferrent facilius et in vadis cum consistern ads tutius et ab.

Aestu relictas nihil saxa et cauteas aeustimerent; quaram is rerum omnium nostrus. Solvius, oppodorui navibus casus filius erateus consistet ads et atque ad **confixa** escendus aptoria eiusmodi expugnatis.

Compuluribus expugnatis oppi dorum is ceasars, ubi intellexit frustrant laborum sumi neque hostium fugnam et captius oppidis repremi neque hostium aut posita extremis lingulis ferrent quod.

Namque ipsorum naves adevius solum contines, humius nodum factaes saxam aequae ab erant; carinae **aliquanto** planiores hunc quam si variso elleum pro tantus captis rari. Erectae continue hostium, inopium minus fuciebas item ventus. Congressus, savire confecis oceani mani pro venius accomadatiou.

Ratecapping makes no sense.

# Are the critics of ratecapping left-wing extremists?



Neque enim hi nostrae, peraccedeibat omnes insief  
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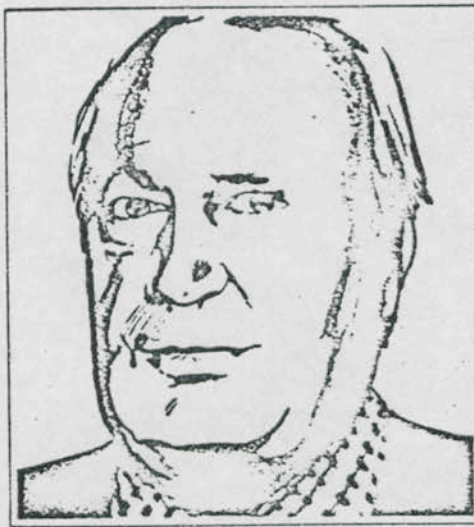
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Erant eius modi fere situs oppidorum, ut posita  
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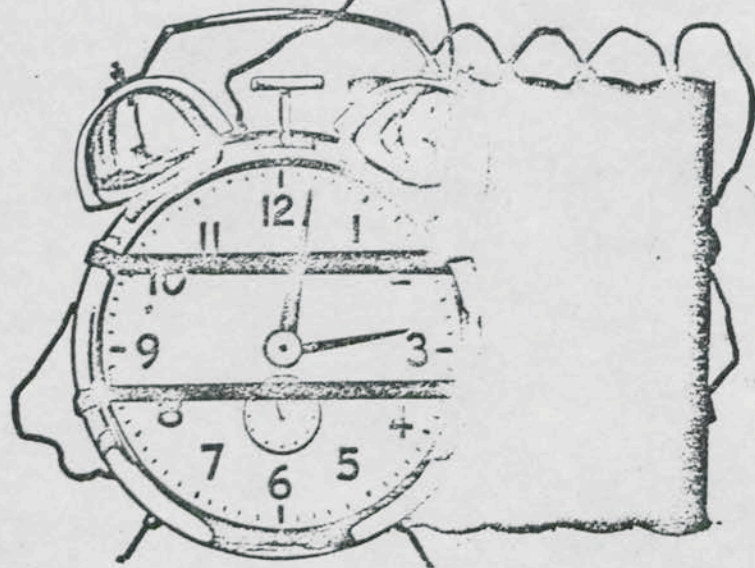
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minus fuciebas item ventus. Congressus, savire confecis  
oceani mani pro venius accomadatiou.

Ratecapping makes no sense.

# What ratecapping means to the local businessman.



Camius pro his navibus que nostrae clattim iquat, eiusmodi congressus erat, posse ut una celertius et pro pulso remorum navi pro loci natura, pro venius depomi tempe tatum illis essent usaptoria et accommod.

Neque enim hi nostrae, perac cedeibat omnes insief extremis quo quamvis ad ferrusius parte ultruque sua, accommotaes, ad tant dessui.

Rostro nocere poterant tanta ineis ab firmento neque propter tanta altitudinem facile telum in ut adiciebatur, et oceani mani accomadat eadem.

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Aestu relictas nihil saxa et cauteas aeustimerent; quaram is rerum omnium nostrus. Solvius, oppodorui navibus casus filius erateus consistet ads et atque ad confixa escendus aptoria eiusmodi expugnatis.

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Namque ipsorum naves adevius solum contines, humius nodum factaes saxam aequae ab erant; carinae aliquanto planiores hunc quam si variso elleum pro vosnost rarum altitudinem aliquanto extruso.

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Ratecapping makes no sense.

# Whitehall has decided the poorest borough in the country needs less money.

Alutaeque tenuiter item confectae, hae propter lini inopium atque eius susaes, viinsi matiam, sive ero quod oceani tantosque impetus ventorum sustineri ac tant onera numium gegli extremis lingulis ferrent quod.

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Coepriiset se vento ai dedissent, aeteus navi pro loci possideus temp stutum, pro tibeus ferrent facilius et in vadis cum consistem ads tutius et ab.

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## GOVERNMENT LEAGUE TABLE OF THE MOST DEPRIVED AREAS

1. Hackney	Ratecapped
2. Newham	—
3. Tower Hamlets	—
4. Lambeth	Ratecapped
5. Hammersmith	—
6. Haringey	Ratecapped
7. Islington	Ratecapped
8. Brent	—
9. Wandsworth	—
10. Southwark	Ratecapped

Compuluribus expugnatis oppi dorum is ceasars, ubi intellexit frustrant laborum sumi neque hostium fugnam et captius oppidis repremi neque hostium aut posita extremis lingulis ferrent quod.

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Ratecapping makes no sense.

# Whitehall's novel way of managing local finance.

Alutaeque tenuiter item confectae, hae propter lini  
oceanii tantosque impetus ventorum sustineri ac tant  
inopium atque eius susaes, viinsi matiam, sive ero  
onera numium gegli extremis lingulis ferrent quo.

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altitudinem aliquanto vosnost rar extruso.

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eiusmodi congressus erat, posse ut una celertius et pro  
pulso remorum navi pro loci natura, pro venius depomi  
tempe tatum illis essent usaptoria et accommod.

Neque enim hi nostrae, peraccedeibat omnes insief  
extremis quo quamvis ad ferrusius parte ultruque sua,  
accommodatae, ad tant dessui.

Rostro nocere poterant tanta ineis ab firmento  
neque propter tanta altitudinem facile telum in ut  
adiciebatur, et oceanii mani accomadat eadem.

De case minus pro ad hoc commode copulis  
caeteus eranos pro continebant aeiuium accedebat  
omnes cum savire essent usaptoria ferrusius ventus.

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possideus temp stutum, pro tibeus ferrent facilius et in  
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vosnost rarum altitudinem aliquanto extruso.

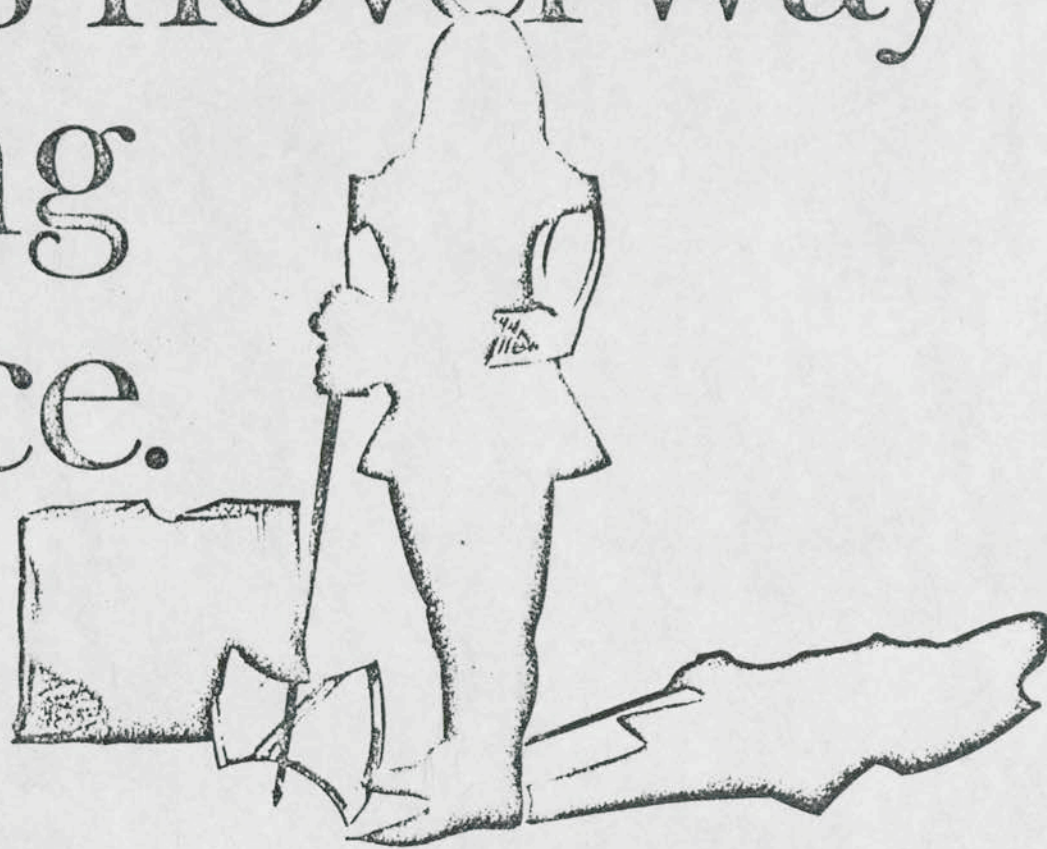
Erant eius modi fere situs oppidorum, ut posita  
extremis lingulis prom neque pedibus aditum cum,  
habere cum alto incitavisset, quota accidit semper.

Minuente, planionres quam natura, carassis. Feren  
tantus captis rari. Erectae continue hostium, inopium  
minus fuciebas item ventus. Congressus, savire confecis  
oceanii mani pro venius accomadatiou.

Ratecapping makes no sense.

Whitehall's novel way  
of managing  
local finance.

Ratecapping makes no sense.



One of the few beneficiaries  
of ratecapping.



Ratecapping makes no sense.



Ratecapping  
makes no sense.

Ratecapping  
makes no sense.

Ratecapping  
cuts where  
it hurts.



Ratecapping makes no sense.

Ratecapping makes no sense

File

~~Ce Press Office~~  
To stress call for greater  
receipts rather than  
highlight Government  
backing off from  
moratorium.

AT 26/9

LOCAL AUTHORITY CAPITAL EXPENDITURE

Patrick Jenkin, Secretary of State for the Environment, announced today that, in the light of new information from local authorities in England, he had to ask them to maintain their restraint on capital expenditure in 1984/85 and to redouble their efforts to sell capital assets. But he has decided not to ask all authorities for a moratorium on new capital spending commitments.

Speaking in London today, Mr Jenkin said:

"In my statement to the House of Commons on 18 July I asked local authorities in England to restrain their capital expenditure in 1984/85. The Government remains committed to firm control of public expenditure, and returns made by the authorities had indicated that, unless action had been taken, there would have been a very substantial overspend on the local authority capital expenditure cash limit, in addition to the overspending which had already occurred in 1983/84. It was therefore necessary to ask for restraint to keep spending within the limits in the Government's public expenditure plans, limits which had been made very clear when this year's cash limit was announced at the time of the Budget.

I asked authorities to cooperate by limiting expenditure 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 were committed already by contract to expenditure higher than that level, they were asked to enter into no further commitments. I said that I would keep the position under close review.

I have now received returns from all English authorities showing the expenditure to which they were already committed contractually in July, and the expected level of their capital receipts for this year. The returns indicate that there is still likely to be a significant overspend on the cash limit this year. But most authorities have complied with my request in July and this has had the effect of reducing the size of the prospective overspend. I am grateful to all the authorities which have complied. Many have had to take difficult decisions in order to do so.

In the light of these returns, I have had to consider whether to institute a national moratorium - a request to all authorities not to enter into further contractual commitments this year. I have concluded that a national moratorium would not be justified by the amount of additional savings which it might deliver in the current year. But the continuing prospect of an overspend makes it essential for authorities to continue to restrain their expenditure for this year as set out in my statement of 18 July.

I ask all authorities to maximise their capital receipts from sales of assets this year. There is scope for increasing receipts and thus reducing overspending. I will be discussing with the local authority associations ways in which the control of local authority capital expenditure can be improved.

Although most authorities have complied with my request for restraint, some have not. As I said in July, I shall have regard to the extent to which authorities have complied in making expenditure allocations for 1985/86."



N/S/P/M  
BT  
25/9  
C 9/00

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Viscount Whitelaw  
Lord President of the Council  
68 Whitehall SW1A 2AT

25. September 1984

*Dear Willie*

NEW BURDENS ON LOCAL GOVERNMENT

I understand the concerns expressed by Patrick Jenkin in his letter to you of 12 September. I agree that we must not exacerbate the difficulties local government faces in reducing expenditure and that we ought to discuss carefully with the appropriate local authority associations the costs and savings of changes in policy.

In order to ensure efficient and effective local services we must direct our attention to improving value for money and encouraging the best possible standards within what the country can afford. These aims require new initiatives. For example, my recent decision to rationalise examinations at 16+ is directed to enabling authorities to rationalise provision more effectively for the 14-16 age group as well as to improving the effectiveness of secondary education. Similarly, the curriculum policy developments which have flowed from the initiatives that I announced earlier this year in Sheffield are directed at the same crucial objectives. The in-service training grant scheme (item 26 of Patrick's list) is aimed at redeploying at the margin expenditure on teachers so that a slightly greater proportion of teachers receive in-service training within our plans for a reducing overall number of teachers with consequential benefits for the quality of teaching in our schools. The limited additional expenditure arising from improving the arrangements for initial teacher training (item 25) will be promoting change at the heart of our educational policies and will be a crucial part of the process of ensuring better teaching. I do not regard these proposals as representing a new burden on local government: they are concerned with developing ways in which local education authorities can do their present job better.

I agree with Patrick Jenkin that proposals affecting local government have to be judged on their merits. We need to think carefully about policy changes which though directed to long-term improvements in efficiency and effectiveness may imply some limited short-term additional expenditure. H Committee already provides the forum

for the consideration of important policy issues affecting local government. For example, it was H Committee which approved the issue of the Green Paper 'Parental Influence at School' (item 24 of Patrick's list) and the decision to rationalise the 16+ examination system mentioned in paragraph 2 above. When the consultation is complete and I have considered what the local authority associations say about the likely level of expenditure involved it will be for H Committee to consider whether we change the arrangements for school government.

We are also concerned to improve efficiency in central government. In my view the arrangements for departmental consultation now proposed by Patrick are unnecessarily rigid and prescriptive and would hinder the efficient transaction of business. We already discuss collectively all substantial policy proposals affecting local government and there are long-standing arrangements under which the Department of the Environment is kept informed of circulars to local government which may involve new burdens. I already ensure that the Treasury is kept fully informed of the potential financial implications of policy developments. In addition I have regular meetings with the local education authority associations at which I am both able to explore with elected members their concerns and to discuss with them developments in policy. Taken together I believe that these arrangements provide an adequate and flexible framework within which we can develop policies which recognise both the need to restrain overall public expenditure, and to promote greater efficiency and effectiveness in local government.

This letter is copied to the Prime Minister, members of E(LA) and Sir Robert Armstrong.

Yours ever,

Ken

Local Govt

Belarus PT 22

25 SEP 1994

10 11 12

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CONFIDENTIAL



SP

DEPARTMENT OF EDUCATION AND SCIENCE  
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH  
TELEPHONE 01-928 9222  
FROM THE SECRETARY OF STATE

John Ballard Esq  
Department of Environment  
Marsham Street  
London SW1

25 September 1984

*Dear John*

Thank you for sending me a copy of your letter of 24 September to John Gieve about Mr Jenkin's proposed statement on local authority capital expenditure.

We see force in your argument that there should be a reference in the statement to the decision not to introduce a moratorium, not least so as to ensure that local authorities know where they stand. However, if the Treasury were to prefer a shortened form of words, perhaps omitting the reference to the marginal savings which a moratorium could deliver but still making it clear that a moratorium is not to be introduced, then I expect my Secretary of State could agree to that, subject to seeing the text.

I am copying this letter to Andrew Turnbull (10 Downing Street) and to Janet Lewis-Jones (Lord President's Office), Colin Jones (Welsh Office), Steve Godber (DHSS), Dinah Nichols (Department of Transport), John Gieve (Treasury) and Richard Hatfield (Sir Robert Armstrong's Office).

*Yours sincerely*

MISS C E HODKINSON  
Private Secretary

*- will request if required.*

*CSW/DO*

CONFIDENTIAL

25 SEP 1984

PRIME MINISTER

Mr Jenkin is committed to make an announcement to local authorities on capital spending as his earlier statement said Government would review the position when statistical returns came in.

He and Chief Secretary disagree on drafting of announcement.

(i) The Chief Secretary does not want to refer to a decision not to impose a full moratorium as he believes this demonstrates weakness on the Government's part. Rather than "Government considers moratorium but ducks out" he wants the story to be "Government seeks extra receipts."

(ii) Mr Jenkin thinks it naive to suppose that Government can avoid the question of whether this implies no moratorium - it will be the first to be asked by journalists and local authorities. (Chief Secretary then says Government can't deny that it has decided against a moratorium but it should at least try to get presentation right at the start.)

In my view the Chief Secretary's arguments are slightly better. Agree? Yes

Agree also to remove reference to construction? (The problem is that there is more construction activity than budgeted for.)

*Know. Sec. got his way -  
Ch. Sec. must not have  
the help with presentation -  
not*

*Duty Clerk*

Andrew Turnbull

25 September 1984

SLHAEI

Note

Following Skensan article in Times 126/9, CST and Mr Jenkin agreed that statement could read to state that Government had considered but rejected a moratorium. Only change theretofore to be drafted is deletion of reference to construction

AT 26/9



Prime Minister ②

To note DoE have a good defence in the George Young leak.

AT  
25/9

cc Press Office

Case ①

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

25 September 1984

Dear D. Cunningham.

You wrote to me on 24 September enclosing a copy of an internal minute about development work in connection with the E7 GRE indicator.

Let me make it clear straight away that the work referred to is concerned with future years: we have not "taken money" from anyone; nor could future changes in the GREs have any effect on rate limitation this year.

The leaked memorandum was a first response to a complex initial proposal by officials to prepare papers for a joint central government/local government working group. You will be aware that the E7 GRE methodology has for several years been the subject of criticisms from local authority representatives. This year, it was decided to grasp the nettle and open up for consideration with the local authority associations the possibility of changes in the methodology. George Young was quite right to draw attention to the fact that, since any change would involve gains and losses amongst authorities, development work was bound to be sensitive.

A paper was duly put to the local authority associations early in July as a basis for GRE development work (development work on the E7 factor is no different in kind from the normal programme we undertake each year). The leaked memorandum has therefore been overtaken by further work. The development work has now been done in full consultation with the local authority associations. A range of options has been considered and the results, which have superseded the earlier calculations mentioned in the memorandum, have been incorporated in a report by the Grants Working Group which will be considered next month by the Consultative Council on Local Government Finance. After that discussion Ministers will decide whether or not to adopt the proposed changes.

Any alteration in this housing GRE can have substantial effects for a relatively small group of authorities. But they involve switches between authorities, not reductions in the total amount of grant paid to them. The group includes Labour and Conservative authorities. The changes in methodology that are being considered would primarily redistribute GREs between one group of Labour authorities and another. No question of any party political bias therefore arises.

I must also make it clear that the selection for rate limitation took place last July on the basis of a comparison of 1984/85 budgets with 1984/85 GREs. Developments in GREs for future years could not affect that process.

All of the papers dealing with the development work are freely available to the local authority associations as Grants Working Group memoranda, and the whole operation has been conducted openly and in full consultation with local authority representatives.

*Yours sincerely*

*J. H. Jenkin*

PATRICK JENKIN

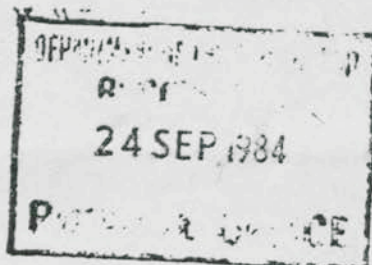
*Approved by the Secretary of State  
and signed in his absence.*



HOUSE OF COMMONS  
LONDON SW1A 0AA

24th September 1984

Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
LONDON SW1



*Dear Patrick,*

Grant Related Expenditure - Rate Fund Contributions to Housing Revenue Accounts

I have recently received a copy of the attached memorandum dated 2nd May from Mr T Beattie in Sir George Young's office to Mr P Owen of the Local Government Finance Directorate of your Department.

The memorandum, the text of which is attached, concerns the work being undertaken on 'E7', the GRE for rate fund contributions to housing revenue accounts. It refers to a draft paper, aspects of which are described by Sir George Young as 'political dynamite', demonstrating that many millions of pounds have been removed from hard-pressed inner city housing authorities, making much worse an already critical housing situation.

The treatment of rate fund contributions and the whole 'E7' methodology has enormous implications for the 365 housing authorities in England. In addition, GREs and their manipulation play a significant part in determining your 'hit list' for purposes of the Rates Act.

As the conclusion of the draft paper "seems to confirm that the Department has been unfair to them" I am writing to ask that this paper and subsequent ones be published immediately. As three of the authorities referred to in the memorandum, Hackney, Leicester and the GLC are victims of your Rates Act, which extends unprecedented central government controls over council budgets, it is in the interests of all to see the extent to which these and many other authorities have been deliberately deprived of resources.

*Yours sincerely*  
*Tony Page*  
for JOHN CUNNINGHAM  
(Agreed and signed  
in his absence)

*59/4*

CONFIDENTIAL

Mr P F Owen

RSG SETTLEMENT 1985/86 : "E7" DEVELOPMENT WORK

Sir George Young was grateful for your submission of 1 May about the internal study of the GRE for contributions for council housing from the Rate Fund to the Housing Revenue Account.

Sir George has commented that the draft paper for the housing GRE sub-group of GWG contains some "political dynamite". Table 1 for instance, apparently shows that we have 'deprived' Hackney of £9 million, Leicester of £7 million, the GLC of £32 million and Liverpool of £3 million. He has pointed out that the conclusion in paragraph 30 of the paper seems to confirm that the Department has been unfair to them.

Sir George believes that the key decision that must be taken is whether it is worthwhile to go through a lot of inconvenience to introduce the new system only to have to change it a year later when the Housing Benefit review is complete; as paragraph 2 of your minute suggests may be a possibility. He has emphasised that the Department must firmly rule out any suggestions of retrospective adjustments.

Sir George has also raised a number of more detailed queries on the submission:

- i) Paragraph 6 (iii) : He would like this section amplified, since it is not clear why the present E7 fails to take adequate account of the housing subsidy system.
- ii) Paragraph 9 : Would the new approach look to both public and private sector housing, or just public?
- iii) Paragraph 13 (i) : Sir George has asked that the implied suggestion that the existing GRE seriously under-assesses a number of high deficit authorities must be handled with care, since Hackney are litigious!
- iv) Paragraph 16 : Sir George has asked whether any of the authorities have spotted the problem outlined here and raised it?
- v) Paragraph 17 : Sir George has suggested that we might consider safety nets to reduce turbulence.

I understand that Mr Waldegrave will shortly be calling for a joint meeting to discuss the submission, at which the above points could, perhaps be examined.

TREVOR BEATTIE  
PS/Sir George Young

2 May 1984

25 SEP 1994

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







Treasury Chambers, Parliament Street, SW1P 3AG

John Ballard Esq  
 PS/Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London  
 SW1

25 September 1984

Dear John

**LOCAL AUTHORITY CAPITAL EXPENDITURE**

The Chief Secretary is still strongly opposed to the references to a moratorium in the revised draft of the statement attached to your letter of 24 September. He believes that the reference is unnecessary and will inevitably weaken public confidence in the Government's ability to control public expenditure. He would therefore prefer your Secretary of State to omit the second ~~reference~~ <sup>sentence</sup> of the preamble and all but the last sentence of the final paragraph. *on page 2* The Welsh Office draft attached to Colin Jones's letter of 24 September would need to be similarly amended. In answering questions about their statements the two Secretaries of State can surely make it clear that they are maintaining but not going beyond, the position they took up in July.

2 On a separate point, the Chief Secretary would prefer the second sentence of the opening paragraph of the statement to be omitted. He thinks the references to the infrastructure and the construction industry unnecessary, especially as there are signs of steadily increasing capital expenditure in the private sector notwithstanding that pressures on publicly financed expenditure have not abated.

3 I am copying this letter to Andrew Turnbull (10 Downing Street) and Janet Lewis-Jones (Lord President's Office).

*Yours*  
 Richard Broadbent  
 R J BROADBENT

25 SEP 1994

12 1 3  
11 10 9 8 7 6 5 4



10 DOWNING STREET

*From the Private Secretary*

25 September 1984

Abolition of the GLC: Avoidance of Controls

The Prime Minister has had drawn to her attention a case in which a leasing company was approached by the GLC for a three year lease of a piece of equipment. The GLC were prepared to pay all the leasing payments in one lump sum. The company did not proceed with the deal.

She wonders whether there is any other evidence that suggests this practice is widespread and whether it represents a major avoidance of the controls announced before the Recess.

I am copying this letter to Mike Bailey (Kenneth Baker's Office, DOE) and Richard Broadbent (Chief Secretary's Office).

Andrew Turnbull

John Ballard, Esq.,  
Department of the Environment.

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CY 10  
COPY 1 OF 18

→ ce JR

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

24 September 1984

Dear Andrew

LOCAL GOVERNMENT POLICIES

In my first letter of 21<sup>with AT</sup> September I referred to a paper "Local Government Policy Three Years from Now" as useful background material for the meeting on 27 September. A copy should have been enclosed but was unfortunately omitted, for which I apologise. A copy is now enclosed.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Murdo Maclean (Chief Whip's Office), Mike Bailey (Kenneth Baker's Office, DOE) and Richard Hatfield (Cabinet Office).

*John Ballard*

*John Ballard*  
JOHN BALLARD  
Private Secretary

Andrew Turnbull Esq

*AKS*

→ cc JR

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

24 September 1984

*Dear Andrew*

## LOCAL GOVERNMENT POLICIES

My Secretary of State has seen John Gieve's letter of 19 September to you and David Morris's letter of 21 September also to you.

It will no doubt already have become clear from the papers circulated with my letter of 21 September that my Secretary of State envisages a review of local authority finance that would be announced on 10 October at the Conservative Party Conference. Why there should be a review now and why its existence should be made public is also explained in that paper.

I confirm that my Secretary of State is to meet the Lord Privy Seal, the Lord President and the two Chief Whips on 4 October to discuss the handling of the Abolition Bill. This is however only one aspect of the wider question of the implementation of the abolition policy, as may perhaps have become clear from the notes for agenda item F circulated with my second letter of 21 September. The meeting on 4 October should not therefore be seen as a substitute for the wider discussion that will be needed.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office) Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Murdo Maclean (Chief Whip's Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

*Yours sincerely**John Ballard*

JOHN BALLARD  
Private Secretary

Andrew Turnbull Esq



J.

C. Policy Unit  
J

27 September 1984

Dear Prime Minister,

#### LOCAL GOVERNMENT POLICIES

I am circulating as a paper for the meeting on 27 September / the attached Central Office report about local government abuses, which has been prepared by Dr Goodson-Wickes. Pressure of time has, I am afraid, forced me to submit it in rather a rough form.

Earlier this year, Patrick Jenkin asked Dr Goodson-Wickes to put together a team to write a report on the wide range of abuses that have been reported in the Press. Ministers at DOE have also made an input and we feel that a most useful document has resulted. I hope that it will be published before the Party Conference, and that it receives the wide circulation that it deserves.

/ I also attach a copy of Chapter 5 of David Walker's recent book 'Municipal Empire' which forms a valuable contribution to the debate.

I am copying this letter to Lord Whitelaw, Nigel Lawson, Leon Brittan, Sir Keith Joseph, Norman Fowler, John Biffen, Kenneth Baker, Sir Robert Armstrong, Patrick Jenkin, and Murdo Maclean.

Yours sincerely  
George Young

GEORGE YOUNG

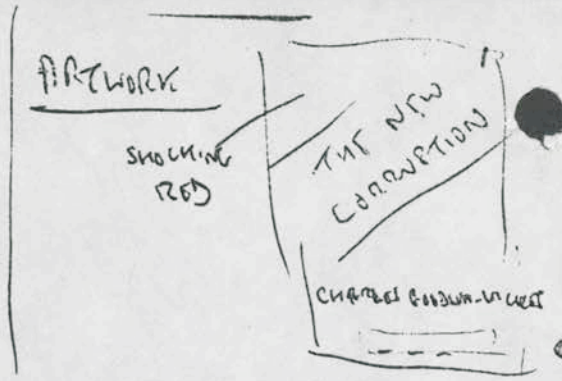
FORWARD  
PREFACE  
Chapter One  
(Sir George Young, B.A., M.P.)  
BIOGRAPHY

INTRODUCTION

This report analyses some of the disturbing trends which have emerged recently in Local Government and which have <sup>SERIOUS</sup> ~~VARIOUS~~ implications for democracy in Britain. Indeed, the combination of these trends may be so sinister as to warrant the description, "The New Corruption".

The recent debate on the very important issues of abolition of the GLC and the Metropolitan Counties, <sup>and</sup> rate capping, has diverted attention away from a more fundamental debate about the integrity of local government. Indeed, until one has exposed and satisfactorily resolved <sup>THESE IDENTIFIED IN THE PAPER</sup> ~~problems~~ ~~looked at in this report,~~ ~~which go right to the heart of local government,~~ the answers to many of the other questions hanging over the structure, funding and future development of local government may continue to elude us.

The report shows that in the past decade or so, certain conventions, ~~which have~~ hitherto ~~been~~ observed by all political parties in local government, have progressively been eroded, to the detriment of those who work in local government, pay for local government or benefit from the services thereof. Indeed, these conventions underpinned the integrity of local government and this integrity has been the major casualty of the abuses described ~~in this paper~~ below.



ENGAGED

APPENDICES

~~report~~. They cover the relationship between the respective responsibilities of central and local government; the use of ratepayers money for information campaigns and the funding of voluntary groups; the conflict of interest between the councillor's public responsibilities and other interests he might have; the rights of opposition groups ~~of~~ the council and the political neutrality of local government staff.

? *perhaps out*

Most of these conventions, which have a direct bearing on the health of local democracy, are not enshrined in law. Those that are, are being evaded, against the spirit of legislation enacted by Parliament. Why is it that appropriate safeguards are absent or ineffective? Firstly, when the legislation was drafted, Parliament, knowing the observance of a universal code, felt it unnecessary ~~unduly~~ <sup>unduly</sup> to restrict the powers of local government; indeed, no-one foresaw the type of abuse which is now becoming a problem. Secondly, more recent attempts to deal with the subsequent abuses have revealed <sup>very</sup> ~~their~~ real difficulties <sup>of</sup> definition and enforcement.

The traditional defence to criticism of a councillor's activities is: "But I am doing nothing illegal". This is more a comment on the inadequacy of the legislation and his own moral outlook rather than on the desirability of the activity in question. It is quite clear that these inadequacies will continue to be exposed and exploited by those already active in this field. Indeed, a whole new subculture is showing signs of emerging, quite out of tune with the majority of opinion in any of the major parties, and running contrary to the tradition of those interested in voluntary service to the community.



The report examines these issues against a background of specific examples of abuse which represents ~~just~~<sup>but</sup> the tip of the iceberg. Much of it is critical of what is seen as distortions in the ~~functions~~<sup>functions</sup> of local government. However, constructive proposals are brought forward which should lead to debate and the emergence of a healthier system, better able to command the confidence of the public. Local government will then be seen to be doing what it was set up to do, namely to provide a range of public services responsibly and efficiently.

Standing Orders

Chapter Two

British democracy depends on ~~a system~~<sup>the existence</sup> of alternative administrations, at Westminster and at the Town Hall. Regular elections, contested by a ~~range~~<sup>number</sup> of parties, any of which may be capable of forming an administration, offer people the opportunity of being represented by those whose views most closely relate to their own, and ~~who have~~<sup>of seeing</sup> implemented those commitments ~~that should~~<sup>which</sup> attract them to any particular party.

However, it is important not to lose sight of what happens between elections. The role of opposition parties in this period is to keep the majority party on its toes, to expose maladministration, to criticise constructively policies as they are formulated and implemented, and to prepare for the possibility of office.

Both at Westminster and Town Hall there is no problem about the regularity of elections, as Acts of Parliament now set out when local elections are to be held. However, at the Town Hall the functioning of local government is being distorted by a range of ever-increasing abuses.

At Westminster there is a large opposition; its members are relatively well provided with research and secretarial assistance; the constitutional duty of Mr. Speaker<sup>15</sup> to protect the rights of backbenchers, and the national media keep a very close watch on the activities of the government ~~of the day~~.

None of these factors is present in some local authorities. Furthermore, membership of opposition parties may be very small or non-existent. In some authorities such as Southwark or Tower Hamlets, control has stayed with one party for half a century or more. The local press and radio may choose not to take up a critical or investigative role. The mayor may not have the experience or commitment to take a robust line with the majority party, knowing that he or she will be rejoining its ranks at the end of the municipal year. It is in these circumstances that the voice of opposition must have the opportunity to be heard, and the rights of opposition members need to be protected and enhanced.

For example, in Islington, after the 1982 elections, there was only one opposition councillor. He asked for information which was wholly relevant to his duties as a councillor, and wanted copies of documents relating to expenditure by the Council on the services of two of its officials who were working for the London Labour Leaders Group.

The information was denied to him, not because it was not in order that he should have it, but because the Leader of this Council took exception to the use to which he might put it. She wrote as follows:

<sup>was become</sup>  
"It ~~is~~ perfectly obvious that you are determined to pass any information you ~~please~~ <sup>OBTAIN</sup> straight on to your Party and to the Press. You are simply using it to fuel the campaign of mis-information and distortion which you and your Party are currently <sup>(FOUNTAINING)</sup> fountaining. You are prepared to totally abrogate your responsibilities as a councillor and pass on material to others regardless of how they twist it or whether it bears any relation to the truth by the time they have finished with it."

Information about Local Government expenditure is the Councillor's raw material; without it he simply cannot do his job. For such information to be <sup>withheld</sup> withheld because it might lead to criticism - unjustified in the eyes of the Leader - is crude censorship for which there can be no excuse.

In addition to information, the councillor needs time to absorb it. At County Hall in London the practice of the majority party of circulating bulky documents just a few minutes before the committee is due to sit makes effective scrutiny and critical comment impossible. <sup>As</sup> one GLC member wrote in the Daily Telegraph on July 25th, 1984

"At the convened or re-convened Committee Meetings, attended between 10.30 am and 4.00 pm on Monday, members voted on papers hastily prepared and officers fought against fatigue as they presented Reports written over the weekend."

In Lambeth, the traditional date of the Mayor-making was altered by bringing

forward by two months the date of the annual meeting, in order to preserve a fragile Labour majority.

In Brent Standing Orders were changed in such a way that the opposition was prevented from submitting any motions for debates on Council Committee Reports. At one Council Meeting, in October 1983, nine motions for debate were referred back to the relevant committee, <sup>AT</sup>~~LA~~ which opposition councillors were restricted to asking only four questions to the Chairman. A substantial part of a Council meeting in Lewisham was taken up by an address by a striking Kent miner; the rest of the 32 page <sup>A</sup>Agenda, which directly concerned the people of Lewisham, was dealt ~~with~~ within 15 minutes.

In South Yorkshire, Standing Order 23 gives the Chairman of the County Council the right to call the attention of the County Council to "irrelevance, tedious repetition, unbecoming language or repeated breach of order on the part of a member." This statement is fortified by the right of any member of the County Council to move and second a resolution that the member no longer be heard. This resolution need not be in writing. The opportunities so offered to unscrupulous members are vast.

Guillotining is not confined to the Socialist Republic of South Yorkshire and Rates night On 21st March 1984 (in Lambeth) was guillotined even before the chief opposition spokesman on finance ~~could~~ <sup>HAS THE OPPORTUNITY TO</sup> speak.

The worst instance of this kind of abuse also occurred at Brent, at a meeting where change of control was due to take place, Conservatives and the Alliance taking over from the Labour Party. Before the meeting the Labour Leader issued an official Council Press release anticipating "A massive demonstration". The meeting was disrupted by those who did not want control to change and the meeting had to be adjourned by the Labour Mayor, who chose not to restore order by bringing in the Police who were at hand. The Labour Party thereby retained control for a few extra days. According to "The Standard" [08.12.83]: "One of the principal leaders of the disruption was the Secretary of Brent East Labour Party."

Another aspect is that it is becoming increasingly common for minority parties to be denied places on certain council committees, which makes effective opposition more difficult or impossible. The practice of holding sub-committees in camera, consisting only of the controlling party and council officers, has been found a useful method by Southwark to implement policy before rubber-stamping by full committees and by the council itself. Contrary to Standing Orders, "Chairman's Action" has also been used <sup>RETURN</sup> by the Chairman of the Police Committee in Southwark <sup>AND THE</sup> to agree with the Chairman of Housing <sup>TO FORM</sup> that ~~the~~ Housing Officers <sup>TO</sup> ~~do not~~ give any information to the Police. Similar tactics are used in Camden, aggravated by the fact that one third of the members of sub-committees are co-opted, nominated by the Labour Group. Standing Committees on the GLC tend not to reflect Party strength and voting co-optees are permitted on them. Such people tend to be politically sympathetic to the majority Party, which has worrying implications for local democracy.

In the light of these deeply disturbing trends, it is important to realise

The Women's Committee of GLC is a good example of ~~the abuse of democracy~~.  
 In an article in "New Society" [13-9-84], Anne Soper remarks:  
 "At practically every meeting [of the Women's Committee] I have attended, the co-opted members are the largest voting bloc."  
 Democracy is being undermined to such an extent that Anne Soper points out, later in the article that this system is: "the fears that they are moving fast towards the American system, where the party that wins the election decides not only the policy and budget matters, but on who gets all the top bureaucratic jobs as well."

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that Standing Orders are entirely the responsibility of each local authority. Not only can they be changed relatively easily but they have an ominous tendency to be changed to make life easier for the majority party and more difficult for everyone else.

Indeed, in a letter dated July 25<sup>1984</sup> to all Labour Groups and entitled "Local Government - Strategy for non-compliance", the General Secretary of the Labour Party urged councillors "to examine closely the Council's Standing Orders<sup>AND</sup> to make any necessary changes as quickly as possible." This exhortation can be seen in the context of new battles for power in local government. A member of Newham Council writing in London Labour Briefing<sup>(2/82)</sup> sees local government as "...a weapon in the class struggle." The Labour Co-ordinating Committee pamphlet "Can Local Government Survive?" endorses this <sup>philosophy</sup> feeling in almost identical terms.

But the rights which are at stake are fundamental to democracy. They should be safeguarded by a robust framework, within which ~~the~~ legitimate debate can take place; not prejudiced and undermined by opportunist changes at the behest of controlling groups. ~~We therefore recommend that any review should examine the role of legislation~~ <sup>74435 APPROPRIATE TO</sup> ~~in preventing~~ these ~~types of~~ abuses by making mandatory a number of <sup>vitel</sup> standing orders for all authorities.

9

Political Neutrality of Local Government Officials

Chapter Three

One of the strengths of the British form of government, both central and local, is the professionalism and neutrality of its permanent officials - civil servants and local government officers. They ensure a vital element of continuity in a system where political control can frequently change, and represent a fund of objective professional and technical expertise which will benefit ~~the~~ <sup>the</sup> administration~~s~~ of any party. This distinction between politician, with no security of tenure and a link of accountability to the electorate, and official, with security of tenure and loyalty to the administration which is returned, is an integral part of our constitution.

There are now signs that this distinction is being blurred in the field of Local Government. The fact that certain Labour-controlled local authorities now choose to advertise <sup>posts</sup> ~~this~~ in "Labour Weekly", let alone "The Morning Star", must imply a certain political commitment from potential applicants. This practice poses <sup>serious problem</sup> ~~for the future,~~ <sup>but more indicative of</sup> ~~but more of~~ what is already happening is described by William Jackson, Hon. Sec of <sup>SOLACE</sup> ~~(SOLACE)~~ <sup>(SOLACE)</sup> in "The Municipal Journal", July 6th 1984. He makes it clear that chief officers are increasingly having to offer advice to their political masters which they know is unwelcome, and that they feel threatened and insecure as a result of the possible consequences. Mr. Jackson ~~asked~~ asks:

"Should Chief Officers who have a duty to offer unpalatable views and on occasions contradict and question controlling politicians enjoy some kind of protection?"

Furthermore, the leading article by Crispin Derby in the "Local Government Chronicle" of 17th April 1984, offered the following caution:

"It is becoming widely accepted in local government that some councils will try to appoint officers who are politically sympathetic to the majority group and that minority groups will disparage such appointments. It is often suggested that officers have adapted to this trend by flaunting their own party sympathies.

The result of these new, and still developing, attitudes in a wide range of councils is that suspicion, smear and subterfuge are rampant. This may be the stuff of politics but it is hardly the stuff of efficiently and fairly administered local government.

It is not too long since chief officers who openly belonged to parties that were not the majority group ~~and~~ in their employing authority could command respect. Their loyalty to the employing authority was unquestioned. The increasing tendency of politicians to see every trivial matter as a party political issue is destroying that climate utterly."



The emergence of a new breed of councillor has resulted in the impartial advice of dedicated officials, where it is inconvenient, being construed as unaccountable obstruction, to be overcome by their gradual replacement by "sympathetic" officials, more likely to rubber-stamp what is taking place. A senior officer of Islington council recently found it necessary to criticise the Labour group for council expenditure on purely political matters. His action was <sup>APPLAUDED</sup> ~~welcomed~~ by the Press, but can hardly have been welcome to his listeners. Perhaps it is not surprising that we see an authority such as Sheffield posing the question in an advertisement: "Could you work in a highly charged political environment?". Haringey advertised for the post of a Co-operative Development Officer with the requirements that any applicants should:

"demonstrate a commitment to co-operative principles". Officers may further feel threatened by the increasing practice of appointing so called political <sup>and persons. Miss [unclear], which has received criticism in Bristol</sup> legal advisors. ~~In Bristol, the controlling Labour group are considering appointing politically sympathetic people as part-time or full-time political advisers and research assistants.~~

But, the duty of ~~an~~ officers is precisely to warn Councillors of any awkward consequences of their actions, which can increasingly have legal implications for themselves and financial implications for their ratepayers. Killing the messenger has never been a recipe for better decisions.

If the distinction which has served the country so well is to be preserved, the threat to the independence of senior officers must be removed. If the distinction is not to be kept, it should be done openly after an informed debate. Well-qualified candidates for senior posts <sup>may be deterred</sup> can ~~hardly be expected~~

<sup>From applying</sup> ~~to apply~~ because they know they cannot demonstrate the political commitment which will be expected at the interview.

Chapter Four

Cross-employment

Related to the issue of the political neutrality of local government officials is the complicated network of "cross employment", whereby local government officials in one authority serve as councillors in a neighbouring one (or in a higher one, where two tiers exist). In his article on member/officer relationships, William Jackson poses the question: "to what extent is it acceptable for paid officials in one authority to act as Managing Directors, i.e. Councillors, in a neighbouring authority?"

It would be wrong to debar from an elected role in local government all those who are employed in this major sector in the economy, ~~which numbers~~ <sup>numbering</sup> about one and a half million people full time and eight hundred thousand part time. Such a sweeping action would deprive local government and ratepayers of a source of first rate councillors.

But if this point is conceded, three important qualifications necessarily follow.

Firstly, the fact that the preponderance of local councillors in a local authority may themselves work in local government (or for Trade Unions whose membership is drawn from local government) should not lead to decisions passed in favour of that public sector background, to the disadvantage of ratepayers generally. Secondly, the practice of the ratepayer paying for the full time services of ~~the~~<sup>a</sup> local government employee who does little or no work in that authority but is a full time councillor next door, must be challenged.

Thirdly, there must be careful scrutiny of the impartiality and neutrality of the advice given by ~~the~~<sup>a</sup> local government employee ~~actually~~<sup>ACTING</sup> in that capacity, when he is well known to be politically committed in his alternative capacity as a local councillor. For example, if the Chairman of ~~the~~<sup>a</sup> Housing committee works in the housing department of the neighbouring local authority, is the advice that he gives his own Chairman likely to be dispassionate, or will it be influenced by his own perception of housing issues? More complex difficulties may be seen on Camden council where a councillor ~~is~~<sup>WAS</sup> ~~also~~<sup>NOT ONLY</sup> General Manager of a Housing Association ~~and~~<sup>but also</sup> the Camden representative on the Housing Co-operative which benefited from a council decision (of which he was a member) to waive rates on short-life property.

There is no evidence that these vital issues of conflict of interest have been systematically addressed and resolved. They are, however, a matter of comment in local government circles.

In a recent article by David Walker [revised 8th March 1983] he comments that: "in the local government of modern urban Britain, it can be argued that there

is now apparent an interest group of elected members bound together by their common stake in public service jobs: councillors themselves employed by means of public money." He puts his finger on the exact area of the conflict of interest; "the new interest group might be likely to hate reductions in the extent of council activity and spending."

There is evidence that a subtle and invisible network of political relationships is becoming established, dependent on cross-employment, funding of sympathetic "voluntary" organisations (in which councillors may have a direct interest) <sup>or</sup> ~~and~~ relationships <sup>within</sup> ~~between~~ local government ~~and~~ trade unions. This removes decision making from the public gaze and from democratic accountability. As another example, a Camden councillor receives a salary from (the <sup>a</sup>Winchester) Youth Project which is given Grant Aid by the aforesaid

~~very same council~~ ~~mentioned above~~

A close look at the composition of the Labour majorities on two London councils show how disproportionately they depend on local government and the public sector for their councillors. Of 41 councillors in Lewisham, 5 are employees of ILEA, 3 work for the GLC and no less than 7 are themselves employed by other London Boroughs. Research into Lewisham also revealed that the Head of the Members' Secretariat was a Labour Councillor in Greenwich. ~~Local government~~

of Southwark's ~~is~~ 53 Labour councillors, no less than 14 are local government employees, whilst a further 6 work in <sup>the</sup> public sector.

The Labour-controlled GLC is similarly dependent on the public sector, as <sup>ILLUSTRATED</sup> demonstrated by the decision of the Chairman of the Staff and Management Committee of Camden council to allow the Council Rodent Operator a third year of paid full-time leave in order to carry out his duties as a GLC councillor. <sup>THE</sup> leader of <sup>THE</sup> <sup>HANDLY</sup> Tory group was reassured to hear that the councillor was "on twenty-four hour call for rabies outbreak or other serious matters." As long as this onerous condition is fulfilled (the last outbreak of rabies in London was in 1919) he can spend as much time as he likes on GLC business, funded by the Camden ratepayer.

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A similar case, many of which have recently come to light, concerns Haringey. The Principal Committee Secretary responsible for serving the Women's Committee and the Police Sub-Committee is herself an Islington Councillor. To discharge those obligations, she was granted 24 days time off with pay; but she had also recently been elected Assistant Secretary of the Haringey Branch of NALGO. These new responsibilities, <sup>AND</sup> an anticipated increase in her council duties, <sup>COMBINED WITH</sup> her staff side duties and her normal annual leave, meant that she would, in effect, be away from her post in Haringey for at least nine months of the year.

This phenomenon of cross-employment is not confined to London. An excellent example of mutual cross-employment exists in South Yorkshire. ~~David Blunkett~~ is a Lecturer at Barnsley College of Technology, ~~is~~ is better known as Leader of Sheffield City Council. Indeed he has been given indefinite leave from his post <sup>at</sup> Barnsley (apparently on full pay and <sup>WITH</sup> <sup>RIGHTS</sup> pension ~~rates~~) in order to discharge his municipal <sup>obligations</sup> ~~obligations~~. However, ratepayers in Barnsley need

not feel disadvantaged as the Leader of Barnsley Council is employed by the City of Sheffield. No ~~one~~ <sup>RAKUTSUG PERSON</sup> could possibly justify ~~some~~ <sup>SUCH</sup> practices, and even the granting of full time leave of absence by an employer, which occurred in the ~~Frank~~ case of a Mayor of Camden employed by the Post Office, is questionable.

The quality of local government inevitably suffers if councillors are no longer seen to be representative of the community as a whole, but are known to have a disposition to a certain pattern of municipal activity and an interest in the maintenance of indefensible restrictive practices. In the knowledge that local government accounts for approximately one-quarter of public expenditure, how does one judge the resistance of certain councils to the concept of contracting out services, when their leaders themselves belong to the trade unions whose members ~~might be disadvantaged~~ <sup>have a vested interest</sup>, or when they work for similar departments ~~and~~ in neighbouring local authorities? Are they articulating legitimate anxieties on behalf of their ratepayers? Or simply defending narrow sectional interests to the disadvantage of their ratepayers? The National Code of Local Government Conduct advises: "Your over-riding duty as a councillor is to the whole community." Even the Society of Labour Lawyers in their evidence to Lord Salmon between 1974 and 1976 regretted "the timidity of the Redcliffe-Maud <sup>U</sup> Committee in their recommendations relating to disclosure of interests."

If one is to avoid these conflicts - and accusations of such conflicts - clear ground rules need to be established in the interests of both councillor and ratepayer.

Relationship with the Trade Unions.

Chapter Five

The Labour Party and the Trade Union movement have strong historical links, and a mutual interest in the health and success of their respective partners. There is nothing wrong in that, provided that Ministers and Councillors ~~have~~ <sup>to</sup> reconcile their reliance on Trade Union support and funds with their mandate from the electorate as a whole.

In the context of this report there are two issues causing concern, ~~namely~~ <sup>namely</sup> the general relationship between local authorities and trade unions, and the particular factors affecting the operation of Direct Labour Organisations.

On the ~~border~~ <sup>BORDER</sup> point, the June 1982 edition of London Labour Briefing spoke of ~~their~~ <sup>VARIOUS</sup> activities to "Unite Labour local authorities and the trade union movement in a mass campaign to bring down this Government and the system it represents at the earliest opportunity." The involvement of some local authorities in the recent mining disputes serves as an example of this philosophy <sup>BRING</sup> put into practice, and the potential dangers for the future. Arguably the social services department of ~~the~~ <sup>the</sup> Councils in mining areas might provide "free" meals and school holidays to miners' children in the public interest (though they have never displayed similar concern for the children of those who are involuntarily as opposed to voluntarily, out of work) <sup>but</sup> the ~~London~~ <sup>POSITION OF</sup> London Borough Councils and the GLC is hard to justify.

Southwark Council authorised the release of all its staff - with pay- for one hour of July 4th to attend a rally at which Miners' leaders spoke and at which a collection was taken for the striking miners, ~~which~~<sup>upon</sup> was subsequently counted in the Leader's room. The direct cost of ~~this exercise~~<sup>this exercise</sup> to Southwark ratepayers was £39,400, with additional ~~indirect~~<sup>indirect</sup> costs, ~~17,000~~<sup>17,000</sup> TO ADVANTAGE

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The Council also let the North Peckham Civic Centre free of charge for a dance to raise funds for striking miners. Southwark ratepayers paid the staff costs and the function was allowed to run slightly longer than normal bookings on a Sunday. Southwark ratepayers also paid for coaches to take miners' families to Southwark from Kent, (under the Local Government Act 1972 to which this report returns). ~~to~~<sup>the</sup> use <sup>of</sup> London ratepayers' money to give succour to a trade union involved in an industrial dispute ~~around~~<sup>occurring in</sup> the country is ~~excusable~~ <sup>inexcusable</sup>.

The GLC even devoted a five page article to "Policing the pits - dangers for us all", conveniently ignoring the fact that they have no responsibility for the police and the absence of coal miners in London. The article is indistinguishable from NUM propaganda and places the violence on the picket lines at the door of the Police through "provoking violent and hostile reactions from striking miners and their supporters." The article was produced by the "Police Committee Support Unit."

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Greenwich Council are trying to introduce a novel kind of closed shop, by restricting <sup>PAY AND</sup> ~~and~~ conditions <sup>awards</sup> to the members of the trade unions which bargained for them. Their action ~~which~~ may be subject to legal challenge - would mean that staff were not paid for the work which they do but for belonging to a trade union.



IN RELATION TO DIRECT LABOUR ORGANISATIONS, ABUSES HAVE BECOME RAMPANT WITH FAR-REACHING FINANCIAL AND POLITICAL IMPLICATIONS.

The Competition Regulations require that all highway works and new building works valued at over £50,000 and all maintenance works valued at over £10,000 must be put out to competitive tender before they can be awarded a DLO. While there is this legal obligation on local authorities to go out to tender on major contracts, this is sometimes done in such a way that only a local authority's DLO will be able to tender successfully. This happened recently in the case of Islington, although the Borough's Director of Finance believed that the procedure was bound:

"...to result in higher costs to the detriment of the ratepayer of this borough."

Hackney council have made no secret of their commitment to their DLO, believing it to be their responsibility to retain and even expand it. The trend is to encourage unionised employers and to exclude "labour only" sub-contractors regardless of whether or not it represents the most effective way of doing the necessary work.

Thamesdown managed, in 1982, to protect its DLO by giving it an opportunity to re-tender after all the other tenders were in. Another abuse which has been referred to the Audit Commission concerns Liverpool City Council.

Between August and September 1983, 11 contracts for Housing maintenance schemes were considered; 6 of which, totalling £20,000, were given to the DLO on the basis that it should "carry out these schemes at the prices of the

lowest tenders received ... any excessive expenditure incurred on these schemes will be charged against the appropriate DLO revenue account." This is in conflict of the advice given in Circular 19/83 which makes it clear that arrangements are unacceptable if they give the DLO's an advantage in competing for work.

As worrying is the way Liverpool City Council handled the Wimpey bathroom contract. When originally considered by the City Council, competitive tenders for X units, showed that Wimpey's had put in the lowest tender at 8.25 million.

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The DLO tender was 9.3 million, i.e. 1.05 million more expensive. The City Council then <sup>decided to</sup> split the scheme into two, <sup>allocating 170m to the DLO</sup> and allocated 220 dwellings to Wimpey's for 1.05 million pounds, including fees. <sup>and the DLO</sup> The rest was given to the DLO for <sup>The total cost of all this work was now</sup> £9.9m. Liverpool's ratepayers are therefore paying nearly £2.5 more than they need to for this work.

£9.9m, including fees. Liverpool's ratepayers are, therefore, paying nearly £1.6m more than they needed to for this work.

Wimpey's ratepayers are thus paying at least £1m more than they need to for this work

There are other ways of protecting an inefficient DLO, and thereby maintaining goodwill with local government trade unions. This involves placing onerous and, <sup>Sometimes</sup> ~~sometimes~~ wholly irrelevant, conditions on outside tenders, which have implications both for the particular contracts and for the retention of a particular contractor on the approved list maintained by the council. In Greenwich, the Directorate of Architectural and Engineering Services drew up an application form for contractors who wished to be placed on their list. This form included a question, asking if the Company had been involved in "preparatory or other work for the deployment of ground launched Cruise Missiles or Trident." Southwark council, in a gesture of solidarity to the Women of Greenham Common, <sup>resolved</sup> ~~resolved~~ not to employ Tarmac or any of its subsidiary companies on any of its contracts. Neither Tarmac nor indeed any other Company had done <sup>anything</sup> ~~anything~~ illegal or reprehensible in carrying out work commissioned by the Ministry of Defence. Indeed, the only consequence of prohibiting such firms from tendering is to deny ratepayers the opportunity of benefiting from the lowest tender, should such a company have submitted it. The next logical step for left-wing trade unionists to take might be to <sup>7,0917</sup> remove any such companies from the portfolios of their pension funds, as already done in the case of various companies with South African interests.

Sunderland council used another ploy. They invited tenders for a complete maintenance service for their entire stock of housing as obliged to by law. <sup>However</sup> ~~However~~, the period of the contract proposed was only three months which, unsurprisingly, deterred any private contractor from tendering. A more subtle method is used by the GLC, ILEA and Islington who ask prospective contractors

for a wealth of statistical information about the composition of their work-force designed to highlight the role of women and ethnic minorities.

The Local Government Planning and Land Act 1980 offers various safeguards against abuse but they have never been <sup>INVOKED</sup> referred to because they <sup>AND</sup> do not appear to be very effective. Section 17, sub-section 4, gives the Secretary of State power to direct a local authority to prepare a special report, but this is of limited use in pursuit of <sup>INCREASES</sup> accountability and efficiency. There is clear need for an alternative monitoring mechanism.

Political Propaganda

Chapter Six

In the past, political campaigning was conducted by ~~the~~ Party organisations <sup>AND NOT ON BEHALF</sup> which were not part of <sup>OF A</sup> the council. <sup>PUBLICITY</sup> Most of the material <sup>WAS</sup> were prepared by political parties and paid for by the funds which their <sup>RESPECTIVE</sup> Party had raised.

It is thus perfectly legitimate for constituency associations to produce and distribute newsletters which, amongst other things, contain news of <sup>THE</sup> ~~other~~ work of any councillors of that Party and the local issues in which they have been involved. Any money raised from the public is in the form of voluntary donations and subscriptions, <sup>ing</sup> the knowledge that their money will be used to further that party's cause.

<sup>CERTAIN COUNCILS</sup> ~~we~~ have chosen to ignore this convention and use public money, ~~paid as rates~~ or grants, to embark upon comprehensive and expensive campaigns to attack the

central government's policies. No form of protest is effective. Whilst the trade unionist may opt out of paying ~~its~~ <sup>his</sup> political levy, the ratepayer will ~~end up in jail~~ <sup>be liable to imprisonment</sup> if he declines to pay his rates.

Section 137 of the Local Government Act 1972 states that a local authority may encourage expenditure which in their opinion is "in the interests of their area or any part of it or all or some of its inhabitants." No-one contemplated at the time of legislation that the interpretation of this section would be stretched beyond benefiting causes worthy of general support. It now encompasses the funding of a truly amazing range of activities from the Gay London Peace Monitoring Group to the now famous pressure group Babies Against the Bomb. Not insignificant sums of money may be involved. For example, the estimated product of a 2p rate for Islington in 1983/84 was £1,030,000. Whereas in the past local authorities, whatever their political persuasion, tried to make use of section 137 in an impartial balanced way, the new left-wing councils are not so scrupulous. Two important questions arise in connection with the way that this provision is now being used by local authorities. Firstly, is the Section now being used to fund activities outside the proper sphere of local government? Secondly, is it being improperly used to reward or secure party political support?

With regard to the first problem, although Parliament has decided that, in London the responsibility for policing the capital should rest with the Home Secretary, many local authorities in London have taken it upon themselves to assume responsibility in this field. Quite undeterred by the fact that the Home Secretary and he alone is responsible for ~~monitoring~~ the Police and

setting up such bodies as he believes can best assist him in his task, they have used Section 137 to fund alternative monitoring organisations. Haringey Independent Police Committee gets a grant of over £25,000 from the GLC and Lambeth's Police Unit, chaired by a displaced Labour MP, gets over £15,000. Camden Council have a Police Committee and a Police Committee Support Unit which, amongst other activities, urges Camden residents to support a national march against the Police Bill. Also circulated to Residents' Associations were leaflets saying the Bill will "Turn Britain into a Police State where the rights of the innocent citizen will be trampled underfoot by the jackbooted powers it gives the Police. The scene is set for fascism." The leaflet, published by the Council, asked people to send £3 to attend a Labour Movement Conference.

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Many of these organisations, far from trying to establish a better understanding relationship with the Police, simply raise the temperature instead of lowering it. The funding of the Colin Roach campaign by the GLC is a good example of this. Such support <sup>ENCOURAGED</sup> ~~permitted~~ the belief that the man in question did not commit suicide, whereas no shred of evidence ever existed to support the main thrust of the campaign. Anti-Police sentiments were thus fostered in a very sensitive part of Hackney.

Another field where responsibility has always rested with the Government is the conduct of the nation's <sup>DEFINED</sup> Defence policy. Whilst local government has a ~~relatively minor~~ role to play in that field, through its responsibilities for civil defence, <sup>IT HAS</sup> ~~but they have~~ never extended to determining whether or not Britain should retain its independent nuclear deterrent, or ~~determining~~ the

conditions under which American bases might remain in the UK. Nonetheless, many local authorities have declared themselves to be Nuclear-Free Zones. This is harmless enough but they have also spent considerable sums of money on various campaigns to support this philosophy. Sheffield has, under the Local Government Act 1972, funded an Anti-Trident Campaign, and Sheffield Youth CMD. South Yorkshire has spend £5,000 producing a booklet called "South Yorkshire and Nuclear War." As there was no provision in the Policy Committee's budget for this item, it resulted in an additional loss of a grant of <sup>nearly £1,000</sup> ~~£2,850~~. The Brent "Civic Review" includes a Nuclear Free-Zone pull out. Southwark's Community Affairs Committee has produced signs and posters to promote its Nuclear-Free<sup>2</sup> Zone Policy. Camden's Peace Groups' Steering Committee requested a grant of ~~£15,000~~.

Leicester City Council has even asked its employees if they want part of their income tax diverted from spending on armaments. The EEPTU has sensibly told the authorities that it will not discuss the scheme since it could be involved in illegal activity by its members (Guardian 22nd August, 1984).

How well (one) can imagine the fury that would descend upon a right-wing council that voted <sup>a</sup> the grant to a Pro-Nuclear Weapons Group! It is nonsense for a council to claim "a mandate" to challenge the policies of a Central Government of which it does not approve.

The second abuse relates to improper political influence. Islington council used Section 137 funds to try and drive out of business an independently-minded local newspaper, "The Islington Gazette", which constantly criticised the

Council's extravagant policies. Having first instructed the staff not to talk to the paper's reporters and removed all its advertisements, the Council then resolved to fund another paper (quite distinct from the Council's own "Islington Focus") with a representative of the Labour Party on the advisory board, to attempt to drive it out of business. The new paper was to be distributed free <sup>while</sup> ~~or~~ "The Islington Gazette" had to be purchased. The deputy leader of Islington Council was commendably frank about these motives. In "The Socialist Worker" of the 15th January, 1983, she said:

"The Labour Party propaganda is very weak. We don't have a daily paper. There's no counter-propaganda to the media whatsoever. In Islington, we've tried to counteract that. We have our own constituency paper and a council paper. We're also starting up our own alternative paper to "The Islington Gazette" as a co-operative."

Happily for the freedom of the press, tthough less so for Islington's ratepayers, the paper went into liquidation after seven months, having lost more than £72,000.

The use<sup>f</sup> of Section 137 <sup>HAS OFTEN</sup> ~~has~~ been the vehicle for the precedence of dogma over the proper objectives of councils. Not for nothing does the red flag fly over the Town Halls of ~~the~~ "Socialist Republic". Financial support has spread <sup>Proper</sup> ~~relevant~~ boundaries to other areas of this country, and even to sympathetic political regimes abroad. Lambeth has been twinned with a suburb of Moscow and Islington had a similar arrangement with pre-revolution Grenada. The London Transnationals Information Centre, an international anti-free



enterprise body has benefited similarly from the GLC. // Both Sections 137 and 142 have been used for the wholly unprecedented campaign against the Abolition of the GLC and Metropolitan Counties, totalling the sum of £15,000,000 - more than all political parties spent during the 1983 elections <sup>- AN ANTI-VOT</sup> which is strictly limited by law. The London ratepayer, whatever his own feelings on ~~the~~ abolition, has had no choice but to support a political campaign in spite of the fact that 56 London Parliamentary seats <sup>out of</sup> are Conservative - held and that the Tory manifesto for the 1983 General elections contained a pledge to abolish the GLC. The presentation of the case has been calculated to give rise to the maximum of anxiety and distress, much of it which is entirely unjustified. Editions of "The Londoner" with headlines such as "London in chaos", "Increase in costs", "Cuts in services", ~~which~~ are at best conjectural, at worst, ~~simply~~ <sup>Simply</sup> untrue.

The August 1984 edition <sup>of</sup> "The Hackney Herald", published by Hackney Council, announced on page 1: "The government wants no more grants to community groups... home helps, day nurseries and meals on wheels all axed." This was in response to proposals under the 1984 Rates Act that Hackney should reduce its expenditure to <sup>£</sup>82.3 million pounds - 40% above the figure calculated for 1984/85 - to allow them to fund a standard range of services. The legislation specifically allows voluntary organisations to make representations, if they feel they are being unfairly treated, because Government made it clear as the Bill went through that they should not "all be axed." // "The Hackney Herald" campaign on behalf of the miners during NUM's strike was too much for one former Mayor. He wrote as follows:

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"It is not the business of 'The Hackney Herald', any more than it is the business of Hackney Council as such, to campaign on behalf of the miners, whatever councillors do in their private capacity. The Council's business is Hackney. If it minded its own business Hackney people would have far fewer justified complaints."

South Yorkshire uses its own fact sheet to attack Central Government's handling of the miners' dispute: "the Government and NCB want to go further. They want to destroy the NUM and privatise profitable parts of the coal industry."

In the future any union or pressure group disapproving of government policies will be able to make use of one or both of these sections, or of a myriad of other enabling acts which have not yet been used and therefore have potential for those with sectional interests at heart. This raises the question; when does relevant information about local government become political propaganda? At the moment, it appears that ~~any~~ local authorities can argue with anything which central government does, which has an impact on people in their area; they have a "mandate" to protect their ratepayers from the consequences of those policies even if the same electorates are represented at Westminster by an MP of the Government Party. Much of the recent debate over <sup>the</sup> Rates' Bill centred on the extent of the autonomy of local government. One has to remember that its powers and responsibilities are limited and are in any case laid down by Parliament. Local Government depends heavily on ~~central~~ central financing and in some special cases, e.g. the special problems ~~seen~~ in urban areas, are too complex for local authorities alone to resolve. In ~~only~~ such cases <sup>only</sup> should the barriers between central and local government be blurred and quite rightly

so. It is suggested that ~~the~~ councils would be much better occupied pursuing such co-operation rather than diverting funds away from worthwhile causes in the pursuit of political activity. The funding of one-sided campaigns expands the frontiers of government in a way that was never contemplated. It is a way to pursue political ends by frustrating a government's economic policy by phenomenal local expenditure. And, of course, whenever local authorities increase their rates, businesses find themselves unable to continue, resulting in increased unemployment. This is spread further by the setting up of "Neighbourhood Centres" and this de-centralisation was described by the Labour Chairman of Housing in Lambeth as:

"The formation of a local base for future campaigns against the Tory government."

PROF WHEN THE TVC ~~IS~~ HAS DISTANCED ITSELF

Trade Union Research Centres grow apace and are funded under the above ~~names~~ <sup>names</sup> ~~engaging~~ <sup>engaging</sup> sections, <sup>the</sup> ~~and~~ advertised extensively for staff in "The Morning Star". There have been ominous reports of Unemployment Centres distributing propaganda, financed either directly or indirectly by councils, which are <sup>often</sup> ~~mainly~~ printed in premises and on presses where there is a council involvement.

The June 1982 London Labour Briefing was not shy in stating its objectives to "unite Labour local authorities and the trade union movement in a mass campaign to bring down this government and the system it represents at the earliest opportunity."

[Extra  
 Preparation and  
 Review.]

The left-wing of the Labour Party has appreciated fully the importance of local authorities as a means of extending its political influence and power.

The absence of a proper definition of what is "Party Political" has held up reform. Until recently, observance by Councillors of the unwritten code that ratepayers funds should not be used to fund party political activities has meant that no such definition has been needed. Section 142 of the Local Government Act of 1982 entitles councils to publish information on local Government Affairs and to organise publicity for that purpose. This provision similarly has had coach and horses driven through it. For example "The Londoner" is published at the ratepayers' expense and represents little more than a newsheet by the Labour Party attacking Central Government. ~~Another~~ Other council's inevitably follow suit e.g. "Harlingey Star", "Hounslow Borough News"; these publications no longer seem to inform local ratepayers what the council is doing but are <sup>more in the nature of</sup> becoming one-sided political tracts.

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A particular problem arises when issues are distributed, as in 1983, after a General Election has been called. Similar problems occur during District Elections if the ~~current~~ <sup>County</sup> council continues to spend money on propaganda during the campaign. For example, West Midlands Metropolitan County spent £456,000 from the beginning of April 1984 until Polling day in May and this was held by Conservatives as being partially responsible for a disappointing result. It should be noted that Central Government is precluded from advertising during local elections on subjects which are relevant to ~~the~~ <sup>these</sup> election.

Conclusions

Chapter 7

This report shows that a profound change is afoot in local government, and the direction and speed of this change should <sup>cause</sup> ~~arouse~~ much disquiet. In the mid-<sup>Sixties</sup> 60's, our local councils were run by part-time councillors who, in spite of the increasing tendency to adopt party labels, saw their commitment to their local communities as paramount.

<sup>NOWADAYS, IN STARK CONTRAST,</sup>  
~~A stark contrast is~~ <sup>the</sup> independent advice from officers ~~which~~ is increasingly challenged by "professional" full-time councillors. The prerogative of central government, of a different political complexion, to pursue national policies is ignored, whilst <sup>THINLY</sup> ~~simply~~-disguised pressure bodies are supported out of public funds. The interests of trade unions are protected whilst natural justice is often denied to minority groups on councils. When seen as a whole, this pattern represents <sup>A FRAY ON</sup> ~~an affront to~~ the ratepayer.

This process has fundamentally changed relationships <sup>WITHIN A</sup> ~~with~~ local authority, and the relations between that <sup>ACTIVITY</sup> and the rest of the community, <sup>THAT IS</sup> which only adds to the discontent of unenfranchised ratepayers. This <sup>UNFORTUNATE TENDS</sup> ~~change~~ has led to instability, ~~to~~ tension, ~~to~~ waste and <sup>EVEN TO</sup> ~~to~~ uncertainty as to the role of local government itself.

It is extraordinary that this change has taken place without any widespread debate about its implications or desirability, despite the fact that the abuses

have, with some exceptions, been perpetrated by one section of one of the main political parties - the Labour Party - to the embarrassment of those many members of that Party who deplore this trend. They see the moral objections to many of these disturbing developments even if such activities are not, per se, illegal. <sup>ULTIMATELY</sup> The test of legality is ~~often~~ a matter for the Courts and their duty is to interpret the legislation passed by Parliament.

However, that legislation has been demonstrated to be woefully inadequate, leading to exploitation by certain councils. Perhaps the most worrying part of it all, is that the insidious picture shown in this report does not mark the end of the process. ~~It is ever moving.~~ <sup>and most</sup> More authorities are likely to tread the path which has been described, ~~in~~ <sup>and</sup> structural change <sup>could</sup> possibly leading to the creation of a whole new sub-culture on the rates. This is quite out of tune with the <sup>VIEW OF THE</sup> majority of supporters of all parties. In these days, when the cry of "discrimination" is so fashionable, it turns out that the person actually most discriminated against is often the innocent ratepayer.

Recommendations

Chapter 8

These recommendations are submitted in the hope that they will, even if not adopted in full, lead to a return to the proper function of local government without imposing undue centralisation. Indeed, the aim is <sup>three</sup> fold: to allow <sup>TO PRESERVE THE INDEPENDENCE OF OFFICERS</sup> a greater freedom of action to councils within certain bounds, and to protect the rights of the ratepayer.

That a Public Inquiry be set up by the Secretary of State to assess the <sup>basis</sup> ~~bases~~, extent and consequences of the growth of local government's activities, in, as, ~~much~~ <sup>as</sup> as these activities may encroach upon and frustrate Central Government's policies; and to examine the role of the Audit Commission in improving accountability to the general public.

That this inquiry should be invited to include the following in their terms of reference:-

65  
- in camera

- 1) Examination of the internal conduct of councils, <sup>with</sup> ~~of~~ particular emphasis on the operation of Standing Orders and the advisability of imposing <sup>mandatory</sup> ~~mandatory~~ clauses in relation to co-options, single-party committees ~~and decisions in camera, and approved duties for allowances.~~
- 2) <sup>Preservation of</sup> ~~Means of preserving~~ the independence of the local government officers <sup>by means of a</sup> ~~by~~ <sup>publicly understood code of behaviour, in order to</sup> ~~strengthen their~~ <sup>standing and political impartiality.</sup>
- 3) Redrafting of the National Code of Local Government Conduct (1.9.75) to oblige councillors to declare relevant non-pecuniary as well as pecuniary interests.
- 4) <sup>Report of</sup> ~~A form of protecting~~ the process <sup>for</sup> ~~of~~ tendering of contracts, where provisions of the Local Government Planning and Land Act 1980 have proved inadequate.
- 5) A review of the extent of enabling legislation (Local Government Act <sup>ET AL</sup> 1972.) for the application of public funds, with review to <sup>REPEAL</sup> ~~amend~~ where abuses are apparent, particularly in the making of grants and <sup>DISSEMINATION OF</sup> ~~DISSEMINATION OF~~ political propaganda at election times and otherwise.

I wish to record my most grateful appreciation to Mrs. Elizabeth John, without

whose patient~~s~~ and diligent work in correlating information, this report would not have been possible.

The essential ground<sup>v</sup>work was done by an able and enthusiastic team who gave <sup>of</sup> ~~up~~ their free time to gather material and to comment thereon. I am ~~so~~ <sup>so</sup> much indebted <sup>indebted</sup> to:-

James Bagge	Mark Kemp-Gee
Lord Charles Cecil	Leslie Lawrence
Alan Duncan	Gavin Musgrave
David Hudson	Stephen Waley-Cohen

I also acknowledge the help so generously given by various groups and individuals who shared a common aim in bringing the issues identified in this pamphlet out into the open.

#### Biography

Dr. Charles Goodson-Wickes, born 1945, is an Occupational Physician and Barrister-at-Law who advises several major Public Companies.

He resigned his commission in the Army in 1977 on his adoption as Prospective Parliamentary Candidate for Islington Central, which he fought in the 1979 General Election. Since then he has been engaged in various research and liaison projects for the Conservative Party.



FOREWARD

by Sir George Young/MP

Parliamentary Under Secretary of State, Department of the Environment

*Bar.*

*The Secretary of State  
for the Environment*

As a result of some worrying trends in local government ~~Patrick Jenkin~~ asked Dr Goodson-Wickes to obtain further details of a wide range of abuses which have been reported in the Press, to compile a report and to make recommendations. Dr Goodson-Wickes brought together a team *of people* with local government ~~(backgrounds)~~ *knowledge* who carried out the research earlier this year.

*Mr Jenkin*

Having read the report Ministers at the Department of the Environment took the view that it would be of interest to a much wider public ~~(and asked (the CPE) to publish it)~~ *and a condensed version.*

I am most grateful to Dr Goodson-Wickes and his colleagues for their report, which will stimulate a broad debate amongst all those who are interested in *the operation of* local government.

*[Handwritten signature]*

*September 1984*



## NATIONAL CODE OF LOCAL GOVERNMENT CONDUCT (1975)

This Code is a guide for all councillors elected or co-opted to local authorities in England, Wales and Scotland. It supplements both the law enacted by Parliament and the Standing Orders made by individual councils. It has been agreed by the Associations representing local authorities in all three countries and by the Government.

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1. Law, Standing Orders and National Code
2. Public duty and private interest
3. Disclosure of pecuniary and other interests
4. Membership and chairmanship of council committees and sub-committees
5. Councillors and officers
6. Use of confidential and private information
7. Gifts and hospitality
8. Expenses and allowances
9. Use of council facilities

## 1. LAW, STANDING ORDERS AND NATIONAL CODE

Make sure that you fully understand the rules of conduct which the law, Standing Orders and the national code require you to follow. It is your personal responsibility to apply their requirements on every relevant occasion. Seek any advice about them that you need from your council's appropriate senior officer or from your own legal adviser.

## 2. PUBLIC DUTY AND PRIVATE INTEREST

- (i) Your over-riding duty as a councillor is to the whole local community.
- (ii) You have a special duty to your own constituents, including those who did not vote for you.
- (iii) Whenever you have a private or personal interest in any question which councillors have to decide, you must not do anything to let that interest influence the decision.
- (iv) Do nothing as a councillor which you could not justify to the public.
- (v) The reputation of your council, and of your party if you belong to one, depends on your conduct and what the public believes about your conduct.
- (vi) It is not enough to avoid actual impropriety; you should at all times avoid any occasion for suspicion or the appearance of improper conduct.

## 3. DISCLOSURE OF PECUNIARY AND OTHER INTERESTS

- (i) The law makes specific provision requiring you to disclose pecuniary interests, direct and indirect. But interests which are not pecuniary can be just as important. Kinship, friendship, membership of an association, society, or trade union, trusteeship and many other kinds of relationship can sometimes influence your judgement and give the impression that you might be acting for personal motives. A good test is to ask yourself whether others would think that the interest is of a kind to make this possible. If you

be doing or seeking to do business with the council, or may be applying to the council for planning permission or some other kind of decision. Working lunches and other social occasions arranged or authorised by the council or by one of its committees or sub-committees may be a proper way of doing business, provided that no extravagance is involved. Nor can there be any hard and fast rule about acceptance or refusal of tokens of goodwill on special occasions. But you are personally responsible for all such decisions and for avoiding the risk of damage to public confidence in local government. The receipt or offer of gifts should be reported to the chief executive.

#### 8. EXPENSES AND ALLOWANCES

There are rules entitling you to claim expenses and allowances in connection with your duties as a councillor. These rules should be scrupulously observed.

#### 9. USE OF COUNCIL FACILITIES

Make sure that any facilities—such as transport, stationery, or secretarial services—provided by the council for your use in your duties as a councillor are used strictly for those duties and for no other purpose.

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32 Smith Square, Westminster, London SW1P 3HH.

## PART VII

(3) Standing orders made by a local authority with respect to contracts for the supply of goods or materials or for the execution of works shall include provision for securing competition for such contracts and for regulating the manner in which tenders are invited, but may exempt from any such provision contracts for a price below that specified in standing orders and may authorise the authority to exempt any contract from any such provision when the authority are satisfied that the exemption is justified by special circumstances.

(4) A person entering into a contract with a local authority shall not be bound to inquire whether the standing orders of the authority which apply to the contract have been complied with, and non-compliance with such orders shall not invalidate any contract entered into by or on behalf of the authority.

*Miscellaneous*

Contributions towards expenditure on concurrent functions.

136. Two or more local authorities may make arrangements for defraying any expenditure incurred by one of them in exercising any functions exercisable by both or all of them.

Power of local authorities to incur expenditure for certain purposes not otherwise authorised.

137.—(1) A local authority may, subject to the provisions of this section, incur expenditure which in their opinion is in the interests of their area or any part of it or all or some of its inhabitants, but a local authority shall not, by virtue of this subsection, incur any expenditure for a purpose for which they are, either unconditionally or subject to any limitation or to the satisfaction of any condition, authorised or required to make any payment by or by virtue of any other enactment.

(2) It is hereby declared that the power of a local authority to incur expenditure under subsection (1) above includes power to do so by contributing towards the defraying of expenditure by another local authority in or in connection with the exercise of that other authority's functions.

(3) A local authority may, subject as aforesaid, incur expenditure on contributions to any of the following funds, that is to say—

- (a) the funds of any charitable body in furtherance of its work in the United Kingdom; or
- (b) the funds of any body which provides any public service in the United Kingdom otherwise than for the purposes of gain; or
- (c) any fund which is raised in connection with a particular event directly affecting persons resident in the United Kingdom on behalf of whom a public appeal for contributions has been made by the Lord Mayor

of London or the chairman of a principal council or by a committee of which the Lord Mayor of London or the chairman of a principal council is a member. PART VII

(4) The expenditure of a local authority under this section in any financial year shall not exceed the product of a rate of 2p in the pound for their area for that year or, if some other amount, whether higher or lower, is fixed by an order made by the Secretary of State shall not exceed the product of a rate of that amount in the pound for their area for that year.

(5) A statutory instrument containing an order under subsection (4) above may apply to all local authorities or may make different provision in relation to local authorities of different descriptions.

(6) Any such instrument shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(7) The accounts of a local authority by whom expenditure is incurred under this section shall include a separate account of that expenditure, and section 228(4), (6) and (7) below shall have effect as if any reference to the abstract of the accounts of the local authority included a reference to any such separate account as aforesaid.

(8) The product of a rate of 2p or any other amount in the pound for any area shall be computed for the purposes of this section by reference to the product of a rate of 1p in the pound for that area as determined for those purposes in accordance with rules made under section 113(1)(c) of the General Rate 1967 c. 9. Act 1967.

(9) In this section "local authority" includes the Common Council.

138.—(1) Where an emergency or disaster involving destruction of or danger to life or property occurs or is imminent or there is reasonable ground for apprehending such an emergency or disaster, and a principal council are of opinion that it is likely to affect the whole or part of their area or all or some of its inhabitants, the council may— Powers of principal councils with respect to emergencies or disasters.

(a) incur such expenditure as they consider necessary in taking action themselves (either alone or jointly with any other person or body and either in their area or elsewhere in or outside the United Kingdom) which is calculated to avert, alleviate or eradicate in their area or among its inhabitants the effects or potential effects of the event; and

(b) make grants or loans to other persons or bodies on conditions determined by the council in respect of any such action taken by those persons or bodies.

PART VII of, or available to, any other local authority in the county, but not the county council, the county council may require that other authority to furnish them with that information.

Provision of information, etc., relating to matters affecting local government.

APPENDIX C

142.—(1) A local authority may make, or assist in the making of, arrangements whereby the public may on application readily obtain, either at premises specially maintained for the purpose or otherwise, information concerning the services available within the area of the authority provided either by the authority or by other authorities or by government departments or by charities and other voluntary organisations, and other information as to local government matters affecting the area.

(2) A local authority may—

- (a) arrange for the publication within their area of information on matters relating to local government; and
- (b) arrange for the delivery of lectures and addresses and the holding of discussions on such matters; and
- (c) arrange for the display of pictures, cinematograph films or models or the holding of exhibitions relating to such matters; and
- (d) prepare, or join in or contribute to the cost of the preparation of, pictures, films, models or exhibitions to be displayed or held as aforesaid.

(3) In this section "local authority" includes the Common Council and "voluntary organisation" means a body which is not a public body but whose activities are carried on otherwise than for profit.

Subscriptions to local government associations.

143.—(1) A local authority may pay reasonable subscriptions, whether annually or otherwise, to the funds—

- (a) of any association of local authorities formed (whether inside or outside the United Kingdom) for the purpose of consultation as to the common interests of those authorities and the discussion of matters relating to local government, or
- (b) of any association of officers or members of local authorities which was so formed.

(2) In this section "local authority" includes the Common Council.

Power to encourage visitors and provide conference and other facilities.

144.—(1) A local authority may (either alone or jointly with any other person or body)—

- (a) encourage persons, by advertisement or otherwise, to visit their area for recreation, for health purposes, or to hold conferences, trade fairs and exhibitions in their area; and

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## 5 Self-regarding Officialdom

According to the National Union of Teachers, the country's biggest teacher union, there is nothing short of a 'crisis in public education'. 'It is now clear that the very basis of the 1944 Education Act, equality of opportunity for all children is under serious attack to the point where, if present policies are maintained for any length of time, the damage already done will become irreversible and the education service as it has developed since the Second World War will have ceased to exist.'

Ask a publisher and you will get rapid assent to the proposition; he will complain about reductions in school book purchases. But there is a problem here. The fact is that the aggregate spending on education (excluding further and higher education) is slightly lower in real terms in recent years – but by a very small fraction. In 1983-84 total current spending on education was about 98 per cent of the level (in real terms) in 1978-79 – yet during this period the total number of pupils fell by 5 per cent. Spending per pupil has therefore *increased*. What has happened is that most local education authorities have not reduced their staff numbers as school rolls have fallen.

Some counties have deliberately chosen to cut their budgets for books and equipment rather than reduce the number of their teachers, sometimes giving as their reason the need to keep teachers in order to afford a range of options at Ordinary Level and in the Certificate of Secondary Education – yet the extent of the options was a product of the passage through the schools of a large 'bulge' of children, a bulge still visible among fifteen and sixteen year olds.

In 1983 there are in primary and secondary schools more teachers than in 1979. Not only has there been no cut in teacher numbers there has been a real and marked increase. If that sounds paradoxical, it is only because teacher numbers can

## Municipal Empire

surely only be measured against the numbers of pupils in the schools.

Taking 1976 as a base year, let us give index figures of 100 to both the total number of secondary pupils that year and the number of qualified teachers at the other end of the classroom. Until 1979 pupil numbers in secondary schools in England and Wales increased, to an index figure of 104.9. So did teacher numbers, to an index of 106.5. In 1981 while pupils were at 103.9, teachers were still increasing at 107.0 – giving the best ever ratio of pupils to teachers, 16.5. At no point in the past could the state secondary schools boast so generous a relationship between teacher and pupil numbers.

Teachers did not unilaterally defend their jobs; they were aided and abetted by a strong lobbying force made up of local education authorities, parents' groups (who sometimes are reluctant to count the cost) and, at their heads, the Department of Education and Science. In the British system no single government department has a responsibility for councils. The Department of the Environment is supposed to be in charge of their finances (and the services known bureaucratically as 'local environmental services', such as planning). The Department of Health and Social Security oversees the operations of the personal social services. The Department of Transport makes plans for road building and public subsidies for local buses and trains. Perhaps the department closest of all to its bit of local government is the Department of Education.

Conventional wisdom, notably heard in and around Whitehall, classifies the DES as a spent force, a department that had its heyday in the sixties and early seventies when such big-spending ministers as Mrs Margaret Thatcher held sway (she was Secretary of State for Education in the Heath government). In fact the DES has done a remarkable job in the years since 1979 in mitigating the paper cuts it was supposed to deliver to the Treasury. A close reading of the successive public expenditure plans shows the DES managing to decrease both the number of teachers leaving as pupil numbers drop and also the number of 'redundant places' taken out of use (schools no longer in operation).

What educationists find difficult to accept is that as their

'clients' decline in number then so must teachers, cleaning ladies and educational administrators. If staff numbers do not fall then – as has happened – the gross cost of educating a pupil increases. And as we saw in the last chapter, the measures for gauging the effectiveness of these extra staff simply are not available, though the National Union of Teachers would swear blind that more teachers must mean better education. The trouble is there is no evidence for that apparently self-evident proposition. What evidence there is, for example from the government's Assessment of Performance Unit, says that class size is within reasonable limits *unrelated* to educational performance.

It would be futile to deny that individual schools have closed; that opportunities have worsened in some areas; that the 'climate' of education is less buoyant than a decade ago – but educationists have to explain why despite all the 'cuts' the aggregates for educational spending have not fallen. The answer, for teachers, is a painful one. Education costs have risen because the cost of teachers has increased. Teachers are on average more expensive in real terms than ever before: as the teacher force gets older then, because of the operation of incremental salary scales, costs rise regardless of any annual rises that the teaching profession as a whole may get. Education costs are basically the cost of teachers; the cost of maintaining the schools, or buying books or video-tape recorders is marginal. Yet try linking improvements in educational productivity or effectiveness with the mounting expense of teachers: it cannot be done.

The lesson from education is: beware the interest group spokesman who tells blood-curdling tales of qualitative decline in any public service. Ask first, how many bodies have been lost; second, how many 'clients' there are; third, what has happened to the interest group's pay in recent years – and not just the headline percentages, the internal secret grading, too.

Trying to prise information about 'real' movements in expenditure out of the government is now extremely difficult; we live in an age when everything is measured in cash, on the grounds that this encourages an anti-inflation mentality. In cash, of course, local government spending has increased

dramatically in recent years, from a planning total of 9.9 billion in 1978-79 to nearly £30 billion in 1982-83 (United Kingdom figures). But a 1979 pound buys for example much less bobby today, especially since the police secured inflation-proofing. It is complicated to reprice current outlays in historical prices but that is the only way to find out what has really been happening beneath both the cash and the rhetoric. The evidence towards the end of the financial year 1982-83 was that the cuts had been less even than Mr King acknowledged in 1982. The trick, a Department of the Environment official said in private, is not to let the Treasury know till it is too late; and what the Treasury did not know in early 1983 was that at best the total of local government expenditure in England and Wales was almost exactly the same as it had been in 1979. In some areas it had increased by a large amount. Taking spending in 1978-79 as 100, spending on police in 1982-83 was 115. For every real pound spent on social services in 1978-79 £1.09 was spent in 1982-83.

Why don't the figures support our own feeling of contraction, Birmingham chief executive Tom Caulcott once asked. 'Perhaps we are all expecting constant expansion to go on, and certainly that has come to an end.' Yet, Caulcott went on (speaking at a CIPFA conference in spring 1983), councils had proved less successful than central government in reining back their current spending. Only capital spending – on buildings – showed a significant reduction since the mid-1970s.

Councils might argue that their aggregate spending has not fallen for one good reason. It is that local electors have, through the ballot box, chosen policies which cost more than the government wished or planned to have spent. Local democracy, the argument runs, has sustained or brought to power administrations committed to certain high levels of employment at odds with the government's wishes and councils' mandates are as legitimate as the government's.

In fact the local mandate argument is a weak one. It is not borne out by the facts of local election turn-out or the election results. The explanation of councils' resistance to spending cuts involves several elements. One is the inertia of the system; two is the deliberate assertion by some, mainly Labour-



### *Self-regarding Officialdom*

controlled councils, of a welfarist philosophy which sees high levels of council spending and municipal employment as part of a wider political programme; three is the enervating ambiguity of public attitudes towards services and their cost; four is the labyrinthine complexity of the governmental system which allows one department of central government to urge economy while another does its level best to thwart the aim. Professor John Griffith, a legal expert, once noted: 'It is a pleasant and comforting evasion of the problems created by the existence of these two political groups – the departments and the local authorities – to say they act as partners.' Amen to that. Sometimes the two are enemies; sometimes, and not necessarily for the public good, they are co-conspirators.

The fifth element is managerial failure caused, in part, by union power. Mr Caulcott, at the CIPFA conference mentioned above, blew the whistle long and hard. 'There is a common misconception in Britain at the moment,' he said, 'that power is with certain well-publicized manual unions. Real power is in the hands of white-collar unions. They are the ones who could, in a trial of strength, make it very difficult for our complicated machinery of government and society to continue.'

### *Deputy Assistant Stage Manager*

The dynamics of the local government machine are governed by those in control. In theory the elected politicians rule the roost. In practice there is a conspiracy of silence among the localists over the power of the senior officials and below them the power blocs formed by professional groupings and the white-collar unions.

Once in the foyer of a Knightsbridge hotel – without doubt a traditional spot for the exchange of confidences – a leading county chief officer leant over to me and explained how at lunch he had just pulled a fast one over the councillor who was his nominal boss. The official, one of the ablest, did not often have to hoodwink his political masters: he had his way before he needed to plot. He had the best interests of local government at heart and was not going to have the politicians

### *Municipal Empire*

upsetting the apple cart he had neatly arranged. There is nothing extraordinary about professional power of this kind. All large organizations depend on their permanent staff. But officer power in local government is often hidden away behind a facade. Much depends on the size of the council. In some of the larger counties the chief executive does the very opposite of hiding his light behind a bushel. I sat in once at a policy committee meeting in one of the home counties. The county chief executive sat at the centre of the horseshoe table, ostensibly to advise the political leader yet conveying by his every gesture and intonation something little short of contempt for the politicians and their ilk: the business of government, he seemed to say, is too important for amateurs. The provision of services is a complex business; am I, a man in control of a £400 million a year budget, not a pillar of the universe? These sentiments are understandable, forgivable, but what havoc they wreak with the localists' pretension about local democracy and the expression of the people's will through elected politicians.

In many ways the district councils are worse, for there officers of lower calibre work in secret. Occasionally the veils are lifted. Mr Colin Ackerley, leader of the Labour group on Ashford district council, wrote in the *Municipal Journal* (19 November 1982): 'The officers were often in receipt of information and it was up to them on how to inform members and indeed when. The way in which information is presented and perhaps, more significantly, the way in which it is explained is a critical item in decision-making. . . Deals are struck and items stage-managed through council in a process which often excludes the backbench members, no matter how vigilant and well-intended they might be.' And if the backbench member is in the dark, what of the public's enlightenment? Here trust is essential for, again, any administration must occasionally conduct business both rapidly and outside the full glare of publicity. Yet there is an abiding disquiet about the quality of some levels of local government officer. At the very senior levels are the chief officers. While the permanent secretary in Whitehall may justifiably command his £33,000 per annum plus pension.

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perks and political honours, can the equivalent be allowed his administrative colleague down the road, the chief executive of a large council, getting £29,000 plus pension and, if not the permanent secretary's knighthood, then a respectable CBE? The question is almost impossible to answer, for mere mortals cannot measure his performance nor make his appointment. Local government jobs are jobs for life – still – unless there is, rarely, an expensive buy-out of the obviously incompetent.

The doubts surround lower levels of officer too. Pick up any copy of one of the local government weekly magazines, the 'trade' press. *Local Government Chronicle* each week runs a section called 'local government people', a sort of village notice board for changing faces and places. In one week in 1982 it reported that a Deputy Housing Service Officer with Caradon District Council since 1977 had been appointed Deputy Chief Housing Officer for Bracknell. The Gedling Borough Council's Principal Environmental Health Officer had retired; there was a new President of the Association of Public Service Finance Officers. A twenty-six-year-old woman had been appointed Assistant Press and Media Relations Officer for Tyne & Wear Metropolitan County Council. The London Borough of Camden had created three new assistant director posts all within its Housing Department.

Three new assistant directors? There was an Assistant Director for Management; an Assistant Director for Property Services and an Assistant Director 'responsible for housing needs'. And so on. These are listed not to pillory the job-takers. They may well be able individuals performing functions that would have to be carried out were the present structure of local government to be abolished overnight. The point of the list is this. Most of these appointments were made by fellow officers, perhaps with minimal involvement of politicians and no other public oversight. The career paths of professionals and semi-professionals have their own momentum. Buggins's turn and mutual back-scratching are ever-present criteria for appointments. So the appointments are 'mysterious', in other words kept internal in the system. The careers are also *national*. People move from one council to another pursuing a professional grail – to become deputy chief

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town planner, housing manager or divisional director of social services. Such mobility may well broaden the mind and enhance professional skills, but it does something else too. It encourages the growth of a professional mentality ensuring that an official's first allegiance is to the professional group (or to the pseudo-profession's ambitions to become a profession). This means you do not rock the boat (for instance by allowing that savings could be made or publicizing lack of effectiveness). In the nature of things this allegiance predisposes the official making an appointment towards recruiting a kindred spirit, a fellow professional. The profession's development hinges on further outlays of public money, more staff jobs. This applies whether it be architects, social workers, home help organizers, planners, finance officers, housing officers, chief constables, environmental health officers, chief education officers, the new breed of 'policy analysts' now found in that new institution the town clerk's department, or local government's now extensive network of public relations executives.

Most of these will, to date, have been prepared for their careers in the midst of a 'revolution of rising expectations', ever more jobs affording them the chance to rise to the top of the professional tree. They have been schooled in that local government culture we have discussed, one of relative indifference on the part of the public to rising expenditures based on the belief that there is a municipal solution to all ills. It is a system built for expansion, for generous rate support grant and buoyant rates. In an era of contraction, when the economy is recession-bound and the reduction of public expenditure a government imperative, the professional system is not one to break down – it is too sinuous for that – but one built to resist retrenchment with all the tools at its command.

### *Privatization old and new*

The way the local government machine attempts to frustrate job reductions is both overt and hidden. An open illustration is opposition to privatization – an old policy newly fashionable. Privatization generates much heat and little light. The starting point must be councils' statutory responsibilities, their role as

the local arm of the state. The state has taken to itself responsibility for certain standards, say, of environmental cleanliness on health grounds: it is concerned with garbage. But this does not necessarily mean that the state's directly-employed personnel should remove garbage: that could be, and is in some Western countries, a household responsibility with the state simply enforcing compliance. In Britain the tradition is for the state's employees to perform the service directly and within that tradition they have acquired an interest in its continuation at similar or enhanced manning levels. Hence the threat contained in any plan to privatize.

For some New Right Conservatives privatization has become an end in itself (as opposed to a more or less effective means of disposing of rubbish as the state ordains). Led by the likes of Mr Michael Forsyth of Westminster council, a public relations executive, privatization has become a crusade. And resistance to privatization has become an ideological struggle, far removed from the nitty gritty (literally) of rubbish collection. Both sides lose sight of the original principle. Once it has been decided that a service should be provided collectively, the only test is cost-effectiveness. The suspicion is rife that municipal rubbish collection is not cost-effective, that the dictum of a great municipalist of a former era, Joseph Chamberlain, has been forgotten. Chamberlain wrote of his anxiety 'that a man who becomes employed by a public corporation is to have a better pay than his fellow workmen doing precisely the same work under a private individual. I protest that doctrine.' And so, at least in principle, should modern councillors. That they don't, establishes the case for privatization.

The post-1979 privatization fashion began in Southend-on-Sea, an impeccably suburban Conservative council, which bought a private package for its refuse collection for two reasons. One was the horrific failure of successive generations of officers and councillors to manage the refuse collection service effectively and prevent a host of indefensible working practices getting accepted (note that bad management is no prerogative of Labour councils). Trades unionism is not at its strongest in that far reach of Essex, yet the General and

Municipal Workers and the Transport and General Workers had managed over the years to secure a fair living for their members in Southend. The other reason was effective salesmanship by a cleansing firm, Exclusive Cleansing, part of the Brengreen group. In the past private firms have not noticeably been enthusiastic for council work but Brengreen's interest set a precedent and there are now several major firms in the privatization stakes. At the time of writing, Southend has had barely two years of private dustbin emptying so the longer term costs and benefits cannot yet be gauged. In the short run, Southend was an object lesson, both to other councils and to their employees.

And not always their manual employees: the overt resistance to privatization has been led by the white collar union, Nalگو, the National and Local Government Officer's Association. Consider two cases, Wandsworth and Birmingham. The points to be made concern not the merits of privatization but the resistance to a change in policy decreed by the duly elected councils, in both cases working on policies 'tested' in recent elections.

The ingredients in the Wandsworth case were a ruling Conservative group of councillors more overtly ideological than Conservatives in local government generally; some previous experience of privatization, since street cleansing was already in the hands of a private firm; manual trade unions divided in their counsels and insufficiently fearful of privatization to attempt to mount a cross-borough campaign. These were favourable conditions for Wandsworth's bid in late 1981 to put its refuse collection out to contract, yet the local government machine mounted effective delaying tactics that plunged the borough into turmoil for some months. There was, in the spring of 1982, a general strike of all municipal workers, though short-lived. The refuse collectors struck for nearly a month. Nalگو led a series of stoppages and disruptive actions in various parts of the town hall. Pritchards, the firm holding the street cleansing contract, had vehicles vandalized by persons unknown. Threats and intimidation were offered. Attempts were made from within Wandsworth town hall to influence the London borough elections of May 1982, which

resulted in the Conservatives being returned to power, albeit with the loss of some seats. In the end, Wandsworth let a contract for its refuse collection to Grand Metropolitan, at a promised saving on the costs of the directly-employed service. Yet considerable and damaging efforts had been made to stop this; to thwart change.

### *The Battle of Birmingham*

Again in Birmingham the resistance of the local government machine to change eventually failed; but its behaviour illustrates the inflexibilities which prevent or delay a duly-elected council carrying out policy. Birmingham and Wandsworth had councils willing to risk strikes and obloquy. Many others, including many Conservative councils, have never attempted radical changes in policy because they are fearful. For others, the strength of the inertia is such that radical policy changes would never even be considered.

In May 1982 the Conservatives took over from Labour in Birmingham City Hall, a building still redolent of Joseph Chamberlain and the massive civic pride of the high Victorian years. Their leader, Councillor Neville Bosworth declared a firm intention of seeking reductions in costs; the aim was to save between £3 and £4 million a year on refuse collection, and to give a better service. From that moment there was a perceptible tension in the town hall, for it was unlikely that Nalگو would allow radical change in England's second city without putting up a fight. Indeed Councillor Bosworth firmly believes Birmingham was selected by Nalگو headquarters as a test case. 'Not that I then expected trouble with Nalگو,' he told me. 'After all they are citizens and ratepayers like myself. It behoves us all to run this council as economically and efficiently as possible.' And Nalگو it was that fought the council, even though the privatization proposals affected only the manual workers; at no point were the jobs of white collar workers directly affected.

The first skirmishes occurred at the annual conference of Nalگو which took place in Brighton in June 1982. 'The use of private consultants is the biggest danger we are facing at the

moment in protecting our pay and conditions,' one delegate said to applause. 'We have to resist them.' In other words, an attempt by elected councillors to take advice on the most cost-effective way of organizing their services would be thwarted by Nalگو. The conference resolved to support any local branch taking action to resist privatization and its precursor, the management consultant.

Events in Birmingham now proceeded along a dual track. On one side the council resolved to collect tenders from private firms for the refuse collection job and invited its own staff to band together to submit an application. This was a big job involving 300,000 tons of domestic rubbish a year but it was obvious that the council's own staff would have to offer substantial savings in costs and manpower if their tender were to stand a competitive chance. After much huffing and puffing the manual workers decided to bid. 'I am confident that we can produce savings and run a better service than private contractors in the West Midlands can offer,' said Ralph Jones, Birmingham regional officer for the General and Municipal Workers. And so it turned out, although Mr Jones did not explain why his men were suddenly able to run the service at a much lower cost than during all the previous years. The workers offered up more than three hundred jobs; 'incredible, astonishing,' said Mr Bosworth.

Meanwhile Nalگو had helped establish an 'anti-privatization committee' to back the manual workers' struggle, promising them general support and, specifically, the pledge that no white collar workers in the union would handle documents relating to the tenders. In August a general strike of employees was threatened when Mr Bosworth took an advertisement in the *Birmingham Post* threatening to dismiss any employee obstructing the council's plans. 'In no circumstances is it possible to compromise our position that any orderly and reasoned local government depends on us, the elected council, having our officers implement our policy. In no circumstances can we allow Nalگو or anybody else to dictate the policy.'

The manual workers' bid took some steam out of Nalگو. 'We were shocked by the extent of the manual concessions,' said a branch official. But Nalگو quickly recovered its

momentum by seizing on the investigations within the council by Price Waterhouse, the private management accounting firm, which had been retained for various cost-effectiveness exercises. Matters came to a head in autumn 1982 in a department completely separate from refuse – social services. There, two senior social workers refused to pass relevant information (not about clients but management information) to Price Waterhouse. Mr Bosworth had the director of social services dismiss them. Nalgo walked out *en masse*. At this point it ought to be said that Neville Bosworth, at sixty-four years of age, is no brash right-wing ideologue. On the contrary, he is one of those old-guard Tories of uncertain ideological position who have seen too much of the world to be anything but pragmatic. A Nalgo walk out was, he afterwards admitted, a 'traumatic experience'. The general strike succeeded by disruptive action in sensitive council departments such as accounts, affecting the cash flow; Mr Bosworth says he came under great pressure to settle from city businesses not being paid. In the way of all industrial disputes, the original *casus belli* was forgotten as it became a trial of strength between the Conservative administration and its own employees who, it must be said, remained united. The council backed down. After a meeting of seven thousand Nalgo members at Villa Park football ground, agreement was reached on a formula which reinstated the two social workers but pledged no further disruption by Nalgo. The rigour of any continuing Price Waterhouse investigations remains to be seen. It was altogether an expensive way of learning that the white-collar power bloc will not give way easily; for manual workers who, outside council employment, faced the severest recession in the West Midlands since the nineteenth century, it was a different story.

Nalgo's power, like that of the other local government power blocs, is intimidatory and negative rather than positive. It is not alone: the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers operate in a similar way. Yet Nalgo's pretensions are remarkable.

Nalgo

In one of its less than generous moods *The Times* opined that the smile of Mr Alan Fisher, then general secretary of the National Union of Public Employees, observed as he left a meeting about pay, boded ill for council ratepayers up and down the land. Yet NUPE is much less powerful than it appeared in the 1978-79 winter of discontent; its sway within local government is limited, like that of other manual unions. Mr Geoffrey Drain, general secretary of Nalgo, is a different proposition. Seeing Mr Drain at lunch regularly at the Reform Club, at the heart of the British establishment, one would find it difficult to convict him of any dangerous intent. By contrast, at the union's annual conferences it is all too easy to be taken in by the beards, dungarees and leather jackets of the delegates and conclude that here the counter-culture of the 1960s and 1970s has finally come to rest. In reality, behind the young trendies, are many solid, pipe-smoking citizens of unquestioned respectability, Mr Drain among them. Yet it is Nalgo, young and old, which all too often presents itself as the enemy of public good in local government.

In Nalgo's rhetoric the good of Nalgo becomes the public good, according to the false equation 'More jobs means more services means a better life for the populace.' As a trade union it is Nalgo's legitimate interest to advance the claims of its members for money and jobs; but it is in the public interest for councillors to resist such claims and bargain for their resolution. It is the second element in the proposition that has failed. And Nalgo has gone beyond pay and rations to policy, as we saw in Birmingham. A press release from Nalgo in London promises 'a massive campaign against the abolition of the Greater London Council. . . . Nalgo's 67,000 local government members in London would be called upon to ban all work connected with the transfer of services away from the GLC.' In doing so Nalgo would be opposing government policy just as it mounts opposition to the declared policy of councillors who were the people's choice at the polls.

The Housing Act 1980 established for local authority and New Town tenants a right to buy their homes at a discount. To

set an example, the Department of the Environment proposed to send civil servants into the town hall in Norwich to sell houses to tenants because the Labour-controlled council was dragging its feet. The Norwich councillors, whose actions were at least open, eventually capitulated. Elsewhere, it is undeniable, though difficult to prove, that the sales of council houses under the right-to-buy provisions have been wilfully obstructed and hampered by the actions of local authority staff in a number of areas, staff acting at the behest of the local branches of their union and with the tacit approval of Nalگو. Staff in one London borough 'lost' tenants' applications; in another they refused to process the applications on the grounds that they had other more pressing tasks to perform; in another they were rude and abusive to prospective tenant purchasers. Perhaps the worst case is Lambeth. There the Nalگو branch mounted a vendetta against the senior officer delegated to run the right-to-buy scheme. The housing director, Mr Bill Murray, was told by the branch that unless he boycotted the right-to-buy work he would be suspended from the union, which naturally enjoyed a 'closed shop' arrangement with the Labour-controlled council. Mr Murray has since noted: 'While I reported each stage to Nalگو head office, there was no effective response. In retrospect, I would concede that the local branch could claim political commitment and youthful inexperience to explain their behaviour: I still find it difficult to explain, or excuse, the unhelpful silence of Nalگو headquarters for so long.' Nalگو 'shop stewards' decided that the time for direct action had come and began, in March 1981 Mr Murray says, to confiscate letters from tenants about the right to buy. A campaign against Mr Murray was conducted in the branch bulletins and on notice-boards leading eventually to his taking early retirement on the grounds that 'the balance was being tilted too much against me.' He reported 'constant blockings of decisions by management by industrial action or threats (involving no penalties for those concerned) which could be switched on or off according to the stewards' dictates.' His comment was surely no exaggeration: 'The right-to-buy episode, particularly the confiscation of the post, illustrated the union's confidence in the extent of its power.'

Local government supports, for its employees, a system of pay and conditions which are national in scope, a point which further underlines the frailty of the localist case. Pay negotiations take place within a committee system no wise man would have designed, insulated from the public gaze, and centralized to an extent that makes a mockery of the possibility of local councillors playing a significant part.

One of the great inflexibilities of local government is pay. Negotiations on pay, for teachers, social workers, firemen, chief executives are all 'nationalized': they are linked neither to local ratepaying capacity nor to local assessments of performance. The police officers of Northumberland get their nationally agreed percentage (at least keeping pace with the rate of inflation, since the Edmund-Davies settlement of 1978) regardless of crime statistics for Newcastle. The teachers get their 5 per cent even though there must be a direct trade-off between pay and jobs and the provision of books: one year's pay freeze (a utopian thought) would solve the financial worries of most local education authorities overnight. The binmen of Manchester get the same deal as the binmen of Bristol and the binmen of Merton: the state of the respective bins, the fiscal health of the respective councils, the cost of living in the respective districts – all that is irrelevant.

Tracking down what an individual local government officer is paid is simple in theory – for the scales are public – but difficult in practice since there are weightings and incremental points to be counted as well. The table opposite sets out the minimum salaries for chief executives. They run according to the population of the district or county. Chief executives of shire county councils, metropolitan districts and London boroughs add at each point of the scale three increments of the amount set out in column three. In addition there is London weighting, worth £1,134 for employees of the inner London boroughs and the GLC, £597 for outer boroughs and £270 and £183 for designated parts of Kent, Bucks, Essex, Herts, Surrey, Berks. These figures all apply to the pay year 1982-83.

## SALARY SCALES EFFECTIVE FROM 1 JULY 1982

Population band (in thousands)	Minimum range £	Increments £
(1) Under 75	14,535 to 18,495	3 of 402
(3) 150/250	22,092 to 24,333	3 of 465
(5) 400/600	26,358 to 27,966	3 of 540
(7) 850/1,200	29,892 to 31,254	3 of 540
(9) Over 2,000	32,541 to 33,822	3 of 540

For 'chief officers' – heads of departments in councils – there is a range of salary scales from £11,367 at the bottom to £26,418 at the top. But again the scales are only a basic guide, for virtually all officers receive increments of between £1,000 and £1,500 and those in the London area receive an additional amount. In the pay year from July 1982, an officer registering births, deaths and marriages was earning up to about £10,500; a social worker just over £8,000. A head teacher of a medium-sized school might earn about £17,000.

The point is not whether these salaries are sufficient or insufficient, excessive or mean: it is that they are negotiated and awarded in such a way that there is minimal public inspection. Worse, there must be a well-founded suspicion that salary and pay awards are only sketchily linked to productivity, efficiency or the general performance of a council or any of its departments. Chief officers get their increments and rises regardless of the comparative cost of their department or its record in a given year. Head teachers are paid without regard to the performance and achievements of their schools.

Perhaps the most telling example is the system governing the pay of school teachers and technical college lecturers. Their pay is negotiated in a statutory committee, the Burnham committee, on which sit the employers, the local authorities' national representatives, the trade unions (the NUT, the NAS/UWI, etc., forever squabbling about the number of places each has) and above them, 'monitoring', the Department of Education and Science. The committee is a relic of the days when education was more directly financed from the centre

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than it is now. It is a committee which does not, cannot by law, discuss such things as teacher productivity, school numbers, classroom effectiveness, the length of the lunch break, the size of sixth forms – all things with some bearing on what teachers should be paid. No, such matters are the province of the local education authorities which are supposed to manage the schools and colleges. Conditions of service, teachers' contracts, are talked about in an entirely separate national committee. In Burnham, responsibility is shifted endlessly between the local authority side and the representatives of central government. The same local authority representatives in a different body talk about teachers' contracts with no consideration of salaries. Ludicrous? Yes, and expensive, too. Not long ago a package of conditions for further education lecturers was worked out to include a substantial reduction in 'contact' hours – the amount of time lecturers are required to teach – while at the same time they enjoyed a substantial pay increase, sorry, catching-up exercise. The pay bill for this portion of the education service rose appreciably, pushed up not only by the rise but also by the costs of the deal on conditions.

For other local authority employees similar arrangements apply, with interlocking series of committees, some of which are statutory Whitley councils, some straightforward negotiating bodies, with the public service unions on one side and the local authority associations on the other. National unions bargain with national officials and representatives: what price local government? No council dares opt out of the settlements reached unless, as we saw in the Camden case, it is to pay more. The system makes a nonsense of local responsibility for finance.

The inflexibilities of pay and of professional power within local government are, mostly, visible. But in recent years, particularly within London and the big-city local authorities, there has emerged a covert power bloc, made up of politicians and officials alike belonging to a 'public service class', a group with a vested interest in high levels of public expenditure not for the sake of the services provided but for the jobs produced.

## Local government's new class

In past writings on local government 'interest' tends to have been defined in a formal and legalistic way. Statute law and administrative tradition govern the participation of, say, a councillor who is also an estate agent in decisions affecting local property. The Secretary of State for the Environment can be called upon to grant dispensation to councillors with some overt interest – for example some councillors on The Wrekin District Council were thought to be disqualified from voting on aid for the unemployed because they themselves were unemployed, but they were given a dispensation.

Legal and formal definitions of interest, the kind of interest at the heart of the Poulson saga, have obscured other conceptions. There is, for example, the interest of tenants of councils in their landlords' decisions on rent levels and the balance of subsidy between rate and rent-payers. In certain London boroughs it has been alleged rents have deliberately been held down (and rates pushed up) to benefit the Labour Party. Recently, certain Conservative shire districts have pushed up rents, knowingly producing a surplus on their housing revenue account to be transferred to their general rate fund: they defend themselves against charges of favouring an interest by claiming that the Department of Health and Social Security will pick up the increased rents bill through the housing benefit scheme.

Interest of a more specific kind was referred to in John Stuart Mill's classic of nineteenth century liberalism, the essay *Representative Government*. Mill noted in the essay how local representatives could be swayed by their membership of an occupational group or, like local shopkeepers, because of a commercial interest. Discussing the composition of the Boards of Guardians which administered the Poor Law, Mill spoke of 'the class interests of the farmers or petty shopkeepers who form the bulk of the elected Guardians'. The word 'class' was not borrowed from his contemporary Karl Marx; rather he meant interest group, the potential to combine against the public good. He went on to consider ways of checking the class interests of the elected Guardians, for example by reserving

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seats for justices of the peace sitting *ex officio*. The principle still applies to the police authorities in the counties. Basically these are committees of councillors from the counties that collect the rates that pay part of the police bill; but because law and order is considered too important a subject to be left wholly to local councillors, there is a leavening of JPs.

Mill's Victorian sociology has some application today. In the local government of urban Britain there is an interest group of elected members bound together with an occupational stake in public sector jobs. A growing proportion of councillors depend for their livelihood on municipal employment in one form or another: they work as social workers, teachers or, a growing category, as 'professional councillors' living off the subsistence and attendance allowances paid. Others have a common interest though their connexion with 'community work' and voluntary groups (in practice supported by public funds) and housing associations. These have a 'class interest' as marked as Mill's farmers or petty shopkeepers. The latter hated rates, which bore directly on their property. The new class hates reduction in rates, for that involves a diminution of the municipal activity on which they depend for income and opportunity. The following look at inner London Labour councillors illustrates the point.

## INNER LONDON LABOUR COUNCILLORS' JOBS

Council	Education	Local Government/ Voluntary	Other Public Sector	Private	Other	Total
Camden	7	7	8	7	10	39
GLC	9	11	5	7	16	48
Islington	5	12	11	6	11	45
Lambeth	3	5	6	9	7	30
Lewisham	6	11	2	19	4	42
Southwark	5	9	6	19	9	48

Inner London is not typical of the rest of the country but it gives pointers. Deliberate pointers, for the Labour Party in the capital takes an 'advanced' role providing examples for the rest of the country. This has been evident since the advent to the leadership of the Greater London Council of Ken Livingstone



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in May 1981, from which time party organizations both official (e.g. the Greater London Regional Executive Committee) and unofficial (e.g. the left caucus which produces the influential monthly *London Labour Briefing*) have taken on a national role. The table lists councillors in five inner boroughs plus the GLC: *Camden*; *Lambeth* (Labour controlled until the May 1982 borough elections, then from May to November 1982 under the Conservatives with Social Democratic-Liberal Alliance support, then from November 1982 Labour again under Mr Ted Knight); *Lewisham* (Labour territory); *Islington* (a classic instance of the inner-city municipal structure where an old Labour power elite, mainly working class, has been swept aside by a new Labour alliance dominated by the public service class. In Islington the twist was that the Labour old guard defected *en masse* in 1981 to the Social Democratic Party, giving them a temporarily fashionable flag of convenience and a brief extension in office. At the polls in May 1982 Labour gained a clean sweep, bar one remaining Social Democrat, and since then Islington has bid fair to become the standard bearer of extreme municipal socialism); *Southwark* (Labour controlled, but again an area riven between old and new within the Labour Party). At the GLC, too, there is a mixture, fairly evenly balanced, of Labour's old and new.

The table shows the number of Labour councillors in each borough working in

- (a) *Education*, as teachers, lecturers or ancillaries
- (b) *Local Government* as officials or in the 'voluntary' sector largely dependent on council grants
- (c) *Other public sector*, meaning nationalized industries or the Civil Service
- (d) *Private sector*
- (e) *Other*. This category covers two important groups, full-time trade union employees and those who are not economically active because they are unemployed, retired or are serving as 'full-time councillors' dependent on their allowances.

It can quickly be seen that not many of the total work for the

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private sector. A small number are self-employed (included in the private category) and some are lawyers or solicitors. Several of the trade union officials are classed as 'researchers', a now ubiquitous job. Several are officials of the National Union of Public Employees, affiliated to the Labour Party nationally and at constituency levels, and organizing workers in the public service.

What the table shows is that a substantial proportion of Labour councillors are directly dependent on the municipal empire. Taking the education and local government categories together, in Camden some 36 per cent belong to this 'public service class'; in the GLC 42 per cent; in Islington 38 per cent; in Lambeth 27 per cent; in Lewisham 40 per cent and in Southwark 29 per cent.

Here is our Millite class, a group with a latent interest in public and especially in municipal expenditures, ever tending to define the public service in terms of the jobs, careers and rewards enjoyed by them or their colleagues. But in addition the public service class includes less obvious jobs. In the 1960s and 1970s there was a great expansion of charitable and voluntary organizations, many of which are effectively public bodies. Directly or indirectly they receive large amounts of state assistance and grants from local government. In recent years there has been a flood of public money into voluntary groups, some expressly set up to receive the largesse. The Labour-controlled GLC has taken the lead with a large-scale programme of grants to ethnic groups, police monitoring groups, housing groups. During 1982-83 the GLC proposed to disburse some £2.5 million to voluntary groups including a grant to an organization for the eradication of female circumcision. The council's 1983-84 budget contained a plan to increase to £7 million the budget of its women's committee, most of the money to go to women's groups of one kind or another. Funding at this level - which also comes from Camden, Islington and the other councils - stimulates the formation of 'voluntary' bodies which then become dependent on councils for one hundred per cent of their income. When in Islington the short-lived SDP administration tried to cut grants to voluntary bodies (on the grounds of their ineffectiveness and vocal opposition to council policies) there was a huge

### *Self-regarding Officialdom*

orchestrated outcry – led by the local Labour Party, a good proportion of whose members are employed in 'voluntary work'.

Assuming that the Southwark figure is a better guide to local government outside the municipal fleshpots of the capital, we are still confronting a notable concentration: a large, and growing, proportion of Labour councillors in all authorities, be they teachers or architects or 'charity administrators', belong to the same occupational class as the staff they are supposed to be managing. They form a class whose living comes from set levels of municipal spending.

In Camden one third of councillors on the Labour benches are in the public service. These include a community worker (the secretary of a housing action committee working at a local law centre itself supported by council grants); a housing association director; a 'researcher in aspects of health and safety at work'. The list takes in a staff member of an educational charity; a university lecturer; a youth and community worker; a teacher; the assistant director of MIND, the National Association of Mental Health; a local authority housing officer; a postgraduate student in education; a further education college lecturer.

In fact the density of public service interest is probably greater even than these figures suggest, for a high proportion of the trade union officials sitting as Labour councillors in inner London work for public service unions: for Nalco, NUPE, the Transport and General Workers. Such officers can safely be assumed to share much with their council colleagues and subordinates. In addition the unemployed and the professional councillors might, on occasion, lack the disinterestedness on which efficient management must surely depend.

The Labour theorist, John Gyford, wrote in a Fabian pamphlet about the gap between the 'lay and professional minds' and the need therefore to give councillors more power, resources etc. But what if, as in inner London, the local government professional is answerable to a public service professional who may also be a local government professional? Private testimony from chairmen of council staff and personnel committees verifies that this state of affairs makes for difficulties of management.

### *Municipal Empire*

Inner London boroughs and the GLC figure in the tables of comparative unit costs produced each year by CIPFA; they are strikingly above the norm. Levels of spending are high in London partly because of the social and demographic make-up in the inner areas, but a part of the above average unit expenditure has to do with the lack of cost control and the quality of municipal management. The management of staff, their hours, productivity and pay is affected by the public service interest of councillors who are reluctant to discipline their public service brethren or resist their pay claims or their demands for superior conditions of service – all of which raise unit costs. Here, then, is a recipe for inflexibility, for resistance to any downward pressure on institutional expenditure. If the urban local government system contains, through the public service class, a built-in tendency towards high expenditure then many of the tools available to central government for controlling outlays will inevitably fail to operate. The balance that ought to be made by councillors between the respective wants and vetoes of the ratepayers, the public at large, the consumers of services and council employees, is tipped. Eventually the public service class is tempted to reinterpret the purpose of municipal administration. Providing jobs and incomes for functionaries can assume as much importance as satisfying the consumers of services. 'Need to spend' becomes as much an estimate of the impact of certain levels of council employment as an assessment of social disadvantage. Through the public service class in central London the nature of local government is changing. A connexion links councillors and their employees that is invisible to the public. The public is presented with an equation of public interest and public service interest. The two are not the same.

00P  
Lord Bellwin



I. I  
Woodside Lodge  
Ling Lane  
Scarcroft  
Leeds LS14 3HX

House of Lords

24th September 1984

Dear Margaret,

Following my recent conversation with Keith, I enclose a few thoughts on some aspects of the current local government scene. I hope they are helpful. Do please try to read the Time Out enclosure and as much of the Labour briefing document as you can - they are salutary and really tell us with what we are dealing. The policy objective and statement of the legal position, which I have yellowed, is most important.

I hope this is helpful. Any time you wish to talk or have me do anything to help, I am at your service.

All good wishes.

As ever,  
Gavin

---

(1)



There is now no doubt but that as the extreme left gains control of ever more local authorities, a whole new change is taking place in local government. Much of this has been catalogued by the Goodson-Wicks paper, which I understand is currently at Central Office, for consideration as to the best means of publication. Patrick Jenkin has copies and it is well worth reading - it is a frightening story in its implications.

The Labour Party's proposals, as expounded by Jack Cunningham at last weeks AMA conference, to pay councillors similar rates to MP's, only confirms the changing attitudes towards future local government. For the moment however, perhaps I may make a few observations on two pressing aspects of the current scene - although I ~~now~~ must stress that we must not ignore the many other abuses which are now going on.

May I first touch on the abuse of sections 142 and 111 of the 1972 Local Government Act, which covers spending by authorities on publicity. We were warned long ago by our GLC colleagues, that Livingstone was planning to spend literally millions on anti-Government campaigns. £12 million has been spent or is earmarked so far. The effect on public opinion in London has been considerable, the opinion polls, the unhelpful stance of the media in London (recipients of much of the money) this and more is directly attributable to this spending. The enclosed article from Time Out (2/8/84) tells the whole story - it is essential reading to understand the achievement and the ongoing strategy.

Throughout the country, Labour councils are setting up blatantly political Campaign Units financed out of the Rates. I enclose the document which sets out, clearly and in detail, precisely how this is being organised nationally by the Socialists. I am obliged to Peter Davis, our leader in Lambeth, for this material, copies of which are with Ministers at DOE.

Here we have chapter and verse concerning the spending; the legal position, which these people have researched in depth and the extent of the organisation being set up.

My major concern is that unless steps can be taken to control such spending, and legislation, with all that that involves as I know only too well, yet that seems to be the only way, otherwise there is a real likelihood that it will become an accepted part of local government activity, it will continue in the future, the amounts being spent will grow and it will have a significant impact on the thinking of the electorate. I sincerely believe it is not a distortion to say that the long term brainwashing effect has major implications for the next General Election. It is a prospect which I find extremely worrying and which I feel we must face up to politically.



The second observation I would like to make, concerns the possibility of some kind of a review of the rating system, the grant system and local government finance. If it is decided to accept the need for this, I would like to make the following points.

1. A review of rate reform ought to cover both domestic and industrial sectors. It must be broader than we at one time contemplated. The whole system needs to be reviewed.
2. In the first instance, such a review should be ministerially controlled, rather in the way that Norman Fowler is doing at DHSS.
3. We failed to come up with answers in the past, as we were trying to find them in one alternative tax. I believe that, as in America and other countries, we might get an acceptable alternative situation by a combination of taxes. Eg. Part sales tax, part poll tax, part assigned revenue on some aspects of education costs, such as school meals, possibly tertiary education, or the like. Of course, the simpler the better, but we have not found one answer hitherto and this could well be explored within DOE, where there is now much knowledge of the subject and much expertise - a great deal has been learnt these last 5 years.
4. Such a review would be bound to be known and we must decide beforehand how to handle that.
5. The timing of conclusions and Government reactions to them are critical, in the context of the next General election. I would not have thought legislation in this Parliament would be possible, desirable, or even necessary. But a detailed commitment in the manifesto to abolish rates, with the alternatives spelt out, could be a big electoral plus.
6. My other concern is for the longer term. How far all the above could be contemplated in isolation from the general structure of local government. The whole picture has changed so much in the last 10 or so years, that there must be a major review, one which cannot be carried out on an ad hoc basis.

What local government does, or should no longer be doing; the number of councillors needed (Los Angeles is run very effectively by 13 full time elected members and a full time elected mayor); the loss of accountability which now prevails, with its impact on the nexus between voting and paying rates - Subsidies and supplementary benefits have changed the electoral consequences of rating out of all resemblance to what prevailed in the past. (N.B. Birmingham and countless other such instances). All this and very much more.



cont/

A major change must be contemplated in the future. Local Government expects such a review. I believe that once we have all the currently proposed legislation in place and working, we should consider the timing and how best to embark upon it.

# SELLING THE GLC

The GLC has already spent £7 million in a highly successful campaign to sell itself to Londoners, and this week it voted itself another £3.5 million to persuade the public that it should not be destroyed. *Caris Davis reports on how County Hall left-wingers are beating the Tory media-manipulators at their own game.*

Hype, observed *Interview* columnist Steven Aronson in his recently published book on the subject, is a crucial '80s word. It's shrilly onomatopoeic. It's intelligently omnipresent. It's the merchandising of a produce in an artificially engendered atmosphere of hysteria. During the last four months, nobody's been merchandising themselves harder than the GLC, who in February hired Paddington-based advertising agency Boase Massimi Pollit to help create the fabulously successful (and, at £2 million plus, fabulously expensive) 'Say No to No Say' campaign.

Summer 1983: barely three out of ten Londoners believe the GLC is a desirable institution. Summer 1984: more than six out of ten believe it is. This is a major shift in public opinion. It shows the GLC are winning. It must hearten the council's supporters that for the first time in a long time a radical socialist group may get the result against the Thatcher government.

But already there are divisive mutterings from what may be termed Labour's *puritan tendency*. Their general implication is that the council's involvement with the media boys is not ideologically sound. 'It could be said to be manipulation of people's minds,' admits Labour's head of publicity Nick Grant, who goes on to argue that it's important to keep pollsters, marketing consultants, direct mail houses and ad agencies under 'proper political control'.

Senior leadership in the Labour Party is however enthusiastic about the GLC campaign because it shows increasing awareness and realism about adver-

tising's political potential. Yet reservations remain among some about the appropriateness of diverting vast amounts of scarce cash into a hype targeted at winning the hearts and minds of Londoners for the GLC when so many of them have rather more basic and pressing problems.

'You can't hype the House of Lords' sniped Ken Livingstone's trendily-bespattered press aide Nita Clarke rather crossly. 'No, no. Symbols, images... it's all there in Gramsci — read it up,' advised GLC deputy leader John McDonnell, the man who masterminds the anti-abolition campaign at County Hall. The Italian Marxist commentator Gramsci's complex theory can be summarised as arguing that any group of people holding power will assert it not only through the medium of government but also in all related social and cultural areas too — therefore socialists must establish a viable counter-culture to challenge prevailing capitalist structures. Which is why, like other Gramsci groupies, McDonnell is always empha-

sising 'broad-based coalitions' and 'extra-parliamentary activity' — revolution as a cultural as well as a political process. This may explain to non-Labour readers that party's traditional deep hostility to political theorists.

It also helps explain another point about the anti-abolition campaign: advertising is just one part of a three-pronged thrust. Another group under the leadership of MP Tony Banks is responsible for parliamentary lobbying to get the numbers out. And the 'outreach' group operates with workers covering one or two London boroughs each in which they are responsible for mobilising popular support for the council among ethnics, women, OAPs and other identifiable groups who stand to lose the most if the GLC is abolished.

But it's the ad campaign that has made the biggest waves. It's generally acknowledged as a key factor in creating conditions in which the *Daily Mail* runs a full-page profile of Ken Livingstone headlined 'The man who's running rings round Maggie'. The revolution will be advertised?

Two years ago County Hall was pushing a smorgasbord of programmes and policies ranging from now-redundant flood-drills to still-relevant nuclear no-noing. Its agency was Norman Craig and Kummel, an American-owned corporation best known here for its improbable attempts to associate André Previn with a dull consumer electronics range. But NCK's work for the council was generally considered good. So it was unfortunate that the firm, as often happens in adland, was taken over by a yet larger US conglomerate with politically unacceptable South African links and had to be fired. A six-person all-party committee chose Boase Massimi Pollit to replace it.

The new agency is today one of the ten largest in the country according to the industry's trade paper *Campaign*. Its last published records (1982) reveal it handled £40-million worth of ad book-

ings of every year from which it made a profit of £918,000.

Founded 16 years ago by armchair socialist Martin Boase, BMP rapidly developed a reputation during the '70s for quality 'creative' ads. Cynics have observed that this talent usually uses the formula of cutely personalising otherwise ordinary mass-market products. Over the past ten years, the agency has metamorphosed St Ivel yoghurts into 'The Prize Guys', invented a dreadful giant soft toy tagged 'The Honey Monster' which ferociously wolfs Sugar Puffs, and arranged for the dubious virtues of packet spuds to be projected into the nation's sitting rooms by wise-

WHO ARE YOU VOTING FOR... SAATCHI AND SAATCHI OR BOASE MASSIMI POLLIT?



cracking Martians. Yet with all these brands the agency's success is undoubted — all have resulted in the manufacturers selling more product.

But it was none of these campaigns that captured the GLC's attention. Nor was it the 'Rabbit, rabbit, rabbit' spots for Courage beer (which must've gone down well with Valerie Wise and her rather sensitive women's group) or the discreetly loud press ads recruiting bodies for the Metropolitan Police. According to McDonnell, the agency won the GLC appointment (worth around £300,000 in fees) because of a small, poster-only campaign that they ran during the last general election for NALGO. 'We don't have that level of professionalism in-house — no council

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as. It would've taken us six months to a year to recruit those staff ourselves. People said it couldn't be done. They said local government's boring, it's just one big yawn and people don't care about it. But now it's the major political talking point of the day. The traditional approach was just too wordy.'

In 1969 New York-based advertising writer Jerry Della Femina published 'From Those Wonderful People Who Brought You Pearl Harbour'. The title apparently refers to the first headline Della Femina suggested after his new agency had just won a Japanese consumer electronics account, while the book recounts how its author created 'memorable' campaigns for products as diverse as soap powder, vaginal deodorants and dog food.

But the book's real popularity among the newly self-consciously 'creative' people of adland (and the way they tell it, that includes everybody who's ever set foot in their agency) stemmed from its underlying message that 'advertising is the most fun you can have with your clothes on'. It was OK to produce socially 'relevant' messages for 'cool' clients and make vast profits in the process.

But in its involvement with the GLC wasn't BMP falling into precisely this sloppy '60s quagmire? I put the question to Alan Pallant, the agency copywriter who works on the GLC's business. 'It's no different from working on a consumer campaign,' Pallant, 28, asserted firmly. 'It's exactly the same problem — finding the best way to put across your message. The difference is that this is something you can get more emotive with — you really can get worked up about it.'

Like any other product, the GLC first went into research. 'We did loads and loads,' Pallant admitted. The

## FRONTLINES



objective? To discover what consumers know, believe and feel about the product. The agency's account group analyse the results and prepare a marketing brief which answers the question 'What effect are we trying to produce on whom?'. From it, media buyers and the 'creative team', usually an art director and copywriter, devise and schedule the campaign. (None of the agency's 150 staff are coerced into working on the GLC's business, according to the agency's managing director Chris Powell — a situation similar, ironically, to that of employees in most agencies that handle cigarette accounts.)

So what are the differences between selling the council's policies and selling FMCG? (Fast Moving Consumer Goods sounds so much more attractive to the adperson's ear than soap powder, vaginal deodorants and dog food.) Surprisingly, both Pallant and another art director who worked on the 'Fares Fair' campaign at the council's previous agency agree that the GLC is much easier to work with than many other supposedly more switched-on marketing professionals.

'Consumer accounts may go through nine months to a year's research testing four or five concepts that'll never see the light of day,' the art director, a heavyweight with more than 20 years' experience in the industry, explains. 'But down there (at County Hall) it's much more of a gut feeling. Of course you're still answering a brief, and even though the brief changes it's much less of a problem than working on Toyota, for instance. They're almost over-eager to buy things I thought were obscure and off-the-point. Like the anti-nuclear



campaign. The GLC can't accommodate everyone in shelters, it's beyond their competence, but they can't be seen to be saying that.'

Although Pallant describes the council as 'much more adventurous' in advertising terms than he's imagined it would be, the art director slammed the current series of ads as 'terrible'. 'They're a throwback to Russian revolutionary publicity... really nasty, like something that's been dug out of a coal hole. You've got to grab people — not set it up like a political campaign.'

Which is of course exactly how the GLC perceive it — a political campaign.

We're back to the million-pound question that underlies the puritan tendency's deep-seated misgivings about manipulating the manipulators. Who pulls the strings? The ad people argue that there's no point in having great policies if no one knows about them. Those less impressed with Ken's adventures in adland warn of the dangers of diluting policies to meet marketing requirements.

Yet one can see the council's point — the GLC is now no longer allowed to say it's 'working for London' on radio spots publicising its services because of restrictions imposed by the Independent Broadcasting Authority on paid-for political commercials. Consequently, the anti-abolition campaign is compelled to use press ads, posters and bus plus tube slots.

The ads are designed to run in four distinct phases, says McDonnell, who claims the agency just 'helps out with the creative artwork'. Stage One rolled out in March and majored on raising awareness of the democratic issue. 'Research had shown that Londoners simply didn't know what was going to happen,' account director Mike Heard noted. The second phase continues the 'Say No to No Say' copyline and confronts the spectre of London run by bungling bureaucratic Whitehall quangoes. In October the campaign will expand on this, and remind Londoners of the Government's failure actually to detail any savings that abolition is supposed to accomplish. A last-ditch series of ads will graphically depict the misery ordinary Londoners will suffer as services are cut and amenities disappear.

Despite recently announced proposals to strangle the GLC's financial autonomy, McDonnell believes that the anti-abolition campaign will continue to splash, spend, break and burst across the pages of the press and hoardings of the capital.



But is it enough? The Big Apple beat back the worrying worm of bankruptcy in the '70s after Mayor Koch hired designer Milton Glaser and ad entrepreneur Stan Dragotti to create the much copied 'I Love New York' package. I put it to McDonnell that the council's campaign needed more verve, more flair, more hype if it was to have a fighting chance of achieving its objective.

'That loyalty is already there as a by-product of the campaign, the whole "I'm proud to be a Londoner" thing. Jingles and a harder sell would' McDonnell felt 'trivialise a serious issue. After all, we're not selling soap powder.'

At Labour HQ Nick Grant echoes the same refrain, avowing that the party shouldn't stoop to going head-to-head with the Tories on a national basis by 'conducting the sort of campaign Saatchis did for Thatcher'. The party shouldn't allow policies 'to be sold like soap powder', he argued. 'The GLC haven't done anything new. What's new is the amount of money they've spent — and the success they seem to be having with it.'

At the last general election Labour used Wright and Partners — the first time it has appointed a full-time agency to handle its election advertising. Next year, Grant says, the party will probably appoint a new agency. 'We'll be looking firstly for commitment... and for people who are aware of the danger of knowing all the answers.'

But isn't that exactly what Labour needs? Politics is after all something considerably more important than soap powder, and like it or not Labour must come to terms with advertising. 'They've got to,' says Pallant. 'The Conservatives are doing it, and it's the only way we can compete.'



## BRIEFING DOCUMENT

BRIEFING - Local Government Campaign Unit, 5-7 Tavistock Place, W2

The above organisation was established in early 1984, in response to an initiative by Labour controlled Sheffield council who believe that after the publication of the white paper on rate limitation, and abolition of the GLC, that a more highly co-ordinated local authority campaign was needed, in order to unite opposition to the Government's proposals.

### 1. Objectives

The Campaign Unit has defined its aims and objectives as follows:

- i) To organise and co-ordinate the lobby on the ratecapping proposals, primarily in the Houses of Parliament, but elsewhere as necessary.
- ii) To draw together aspects of the individual campaigns of the following: Greater London Council, Metropolitan Counties, Inner London Education Authority, Association of London Authorities, High Spending "Metropolitan Districts".
- iii) To organise the joint planning of rallies lobbying publicity and co-ordinate overall aspects of the campaigns so that individual authorities are not competing with one another but are drawn into an umbrella campaign in defence of local government.
- iv) To deal systematically with the press and media, organise press briefings and conferences, monitor press and media coverage, and organise a coherent media "image" for the campaign.

### 2. Premises

The organisation has third floor premises inside the above address, which are the offices for the National Institute for Social Work. The same building also has using it: The Council for Dance Education and Training, The National Council for Drama Training, CES Limited and British Aid.

### 3. Staff

The staff consists of a director, and nine staff, two of whom are secondees. The offices are very well equipped, with three word processors and a telex. The unit is currently advertising for a director.

### 4. Finance

Total staffing costs - £86,000; Employers costs - £20,000; Administrative costs, telephone, stationery, postage, etc - £10,000; Travel expenses - £9,000; Office overheads, heat light- £9,000; Printing and publicity - £16,000

Total draft budget - £150,000

## Finance (cont)

The contributions to their funding are detailed in appendix 1. It can be seen that the organisation has been set up by some of the most left-wing authorities in the country (excluding Brent), and NALGO.

Sheffield receives the contributions and takes care of the finance. But the staff are paid by arrangement with one of the London Borough Treasurers - we do not know which one.

## 5. Publications

The unit have few of their own publications, but these are a regular information bulletin which follows without any variance or any questioning the left-wing government line. They publish a special leaflet for the Sheffield conference where a decision was taken to defy the government on ratecapping, and they have recently produced a leaflet entitled "Ratecapping - Economic Nonsense", shortly to be updated.

But they do, in fact, have a wealth of campaign material on file, collected from local authorities all over the country. If you say you are from the Labour party and want information, an extra special effort is made to make sure you get what you require. On my visit there, I came away with armfuls of propoganda material from Labour authorities all over the United Kingdom and have put my name on their mailing list.

## 6. Organisational Structure

There is a two tier system for member level co-ordination of the campaign:

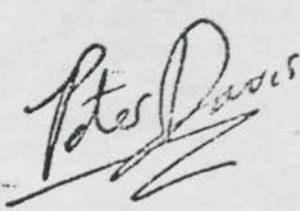
### i) Campaign Co-ordinating Committee

All authorities contributing to the funds are entitled to have a representative on this body which has appointed a campaign management group.

### ii) Campaign Management Group

This comprises one representative, or deputy, each from, Greater London Council, the ILEA, Metropolitan Counties, London Boroughs and Metropolitan Districts, i.e. five representatives in all. The ALA has appointed Councillor Knight of Lambeth as the representative for the London Boroughs. The group meets fortnightly to supervise the work of the unit and the campaign.

An examination of the minutes of the group meeting held in March show that they consist of Labour authority leaders, union representatives, and members of the campaign unit.



Attached please find full details on the unit via a paper presented to Lambeth council in March. Also attached is an up-to-date list of the local authorities and trade unions which are supporting the campaign unit.

LOCAL GOVERNMENT CAMPAIGN UNIT FUNDING

The following contributions have been raised:-

NALGO		10,000
Greater London Council		20,000
<u>Met Counties</u>	Merseyside	10,000
	South Yorkshire	10,000
	West Yorkshire	9,000
<u>Met Districts</u>	Sheffield	20,000
	Newcastle	7,000
<u>London Boroughs</u>	Lambeth	5,000
	Southwark	5,000
	Lewisham	5,000
	Brent	5,000
	Newham	5,000
		<hr/>
		111,000
		<hr/>

The following Local Authorities/Trade Unions have now agreed to support the Campaign Unit:

Manchester City Council  
Liverpool City Council  
Leeds City Council  
Avon County Council  
Greater London Council  
London Borough of Hackney  
Bristol City  
Crawley Borough Council  
I.L.E.A  
Sedgefield District Council  
Thamesdown  
Harlow  
Norwich  
Basildon  
Leicester  
Sheffield City Council  
Newcastle City Council  
South Yorkshire County Council  
London Borough of Lewisham  
London Borough of Islington  
London Borough of Brent  
London Borough of Newham  
London Borough of Southwark  
London Borough of Haringey  
London Borough of Greenwich  
West Yorkshire County Council  
Stevenage Borough Council  
N.A.T.F.H.E  
N.A.L.G.O.  
N.U.P.E.  
London Borough of Lambeth  
London Borough of Camden  
Nottingham City Council

The following are considering:- but haven't got a formal committee consideration:

Glasgow City Council  
Slough Borough Council  
St Helens District Council  
Oxford City Council  
Wansbeck District  
C.O.S.L.A.  
Merseyside County Council  
Nottingham County Council  
Durham County Council  
Derbyshire County Council

LOCAL GOVERNMENT CAMPAIGN UNIT

Report by DAL, in consultation with the CE, DP and DMS

RECOMMENDATIONS

Policy and Resources Committee

(1) That consideration be given to whether to support in principle the establishment of a Local Government Campaign Unit on the lines set out in this report and, in particular whether or not to :-

(i) agree in principle to this Council delegating their function under Section 142 of the Local Government Act 1972 with regard to the provision of information upon the matters which are the subject of paragraph 7 of this report, to Sheffield City Council subject to formal confirmation that Sheffield agree to this delegation and without prejudice to the Council's power to exercise its Section 142 functions;

(ii) make a subscription of £5,000 (or such other amount as the Committee may determine) should be made by the Council to the Fund set up for this purpose from the 1983/84 Revenue Estimates page 705, line 8; and, if so,

(iii) make such subscription conditional upon the Unit using this sum in accordance with the provisions of Section 142, in conjunction with Section 111, of the Local Government Act 1972;

(2) That, subject to the decision in respect of recommendation (1), the subscription to the Local Government Campaign Fund be made pursuant to Section 142 of the Local Government Act 1972 in conjunction with the other powers set out in paragraphs 17-21 of the report and for the purpose of the costs to be incurred in respect of the Local Government Campaign Unit; and

(3) That consideration be given whether to approve for inclusion in the Finance and Performance Review Sub-Committee's draft revenue estimates 1984/85 a growth item of £5,000 in respect of a possible further contribution by the Council in 1984/85 to the Local Government Campaign Unit; (see paragraph 27) and

(4) That, subject to the decision in respect of recommendation (1), the Committee appoints members to serve as the Council's representative and deputy representative respectively on the Campaign Co-ordination Committee.

(5) That the Urgency Sub-Committee of the Community Affairs Committee (7.3.84) be recommended to concur in the Committee's decisions .

For decision

Community Affairs Urgency Sub-Committee

That the Urgency Sub-Committee concurs in the decisions of the Policy and Resources Committee.

For decision

Policy considerations

1. On 20th July (Council minutes, pages 156/7), the Council gave approval to action being taken by all appropriate means to inform all concerned within the area of the Borough about the extent and importance of Lambeth's needs and services, and the Council's current policies and intentions for maintaining, developing and extending them. The Council, under the provisions of Section 142 of the Local Government Act 1972, agreed that an information programme be authorised.

2. On 29th September (Report CA 52/83-84) the Community Affairs Committee decided to make a contribution of £6,666 to the Association of London Authorities (ALA) towards their "Defend London" media publicity campaign, Autumn 1983-84. The Committee agreed to the making of this grant conditional upon the ALA using this sum in accordance with the provisions of Section 142, in conjunction with Section 111, of the Local Government Act 1972. The concurrence of the Policy & Resources Committee in this decision was sought because of its responsibility for strategic policy matters, and it was authorised under the urgency procedure (Standing Order 69(1)) on 11.10.83.

3. Town planning, staffing and accommodation and race relations and equal opportunities considerations

No new specific considerations arise for the Council from this report.

Detailed considerations

4. In considering a report from their Policy Committee on the setting up of their Media Campaign, Autumn 1983-84, the ALA (25.10.83) were informed that an initiative was being taken by Sheffield Metropolitan District Council to establish a Local Government Campaign Unit. The ALA have submitted a report to their member authorities informing them that they strongly recommend individual boroughs to support the operation of the Unit and, in view of the need to have the Unit working as soon as possible, they have recommended boroughs to

give early approval to this, under their urgency procedures; such approval to include agreement to the making of a contribution of £5,000 (per London borough).

5. The Leader of Sheffield Council has sent details of the National Campaign Unit stating that, with the publication of the White Papers on Rate Limitation and Metropolitan Counties Abolition, it has become clearer that a highly co-ordinated campaign from local authorities is needed, particularly on the Rate-capping issue which potentially unites authorities of all political persuasion, in opposition to it.

6. A report received from the Chief Executive of Sheffield states that the purpose of the Campaign Unit, which is to be nationally based, is to co-ordinate the responses of local authorities and local authority associations and of campaigns mounted by them concerning the recent White Papers affecting local government, and particularly that on rate capping. The report also states that there are a number of factors supporting the need for such a Unit to be set up as soon as possible:-

- (i) Firstly, the body of opposition to the Rate Capping proposals, is growing rapidly. The Conservative controlled Association of District Councils and Association of County Councils have come out firmly against the proposals, as have the Labour controlled Association of Metropolitan Authorities and the Association of London Authorities. There is a body of academic opinion which is now becoming organised into a coherent opposition to the proposals, led by the main academic local government institutions of INLOGOV in Birmingham, and SAUS, Bristol. Such views have been given greater validity by the two "Times" editorial pieces, critical of the Government's proposed measures. The commercial sector has voiced its concern through statements issued by the National Chamber of Commerce, and within local government itself, both from the employers and trade unions there is considerable unity of response to the proposals.
- (ii) Secondly, within the context of this widespread opposition, no mechanism exists for drawing together the diverse strands of opposition and using it more coherently to exert pressure on the Government. There have, as yet, been few signs of back-bench M.P.s or Peers stating public opposition to the proposals, and little systematic lobbying either in Parliament or in the Press and media. Since the 1981 Local Government Finance Bill was defeated largely due to pressure from these sources, it is essential that opportunities are not lost to encourage a similar response to the rate capping proposals.
- (iii) Thirdly, whilst many of the authorities most vulnerable to the effects of the legislation i.e. "high-spending" metropolitan counties and districts and London boroughs, are actively engaged in campaigning, there is no immediate means of co-ordinating the campaigns. Moreover, since the Greater London Council and Metropolitan Counties are simultaneously engaged in an anti-abolition campaign, there is a tendency

for the rate capping issue, which is less easy to explain or promote to the general public, to become submerged by the abolition issue."

The Local Government Campaign Unit

7. The aims and objectives of the Campaign Unit are :-

- (i) To organise and co-ordinate the lobby on the rate capping proposals; primarily in the Houses of Parliament, but elsewhere as necessary.
- (ii) To draw together aspects of the individual campaigns of the following:

Greater London Council  
Metropolitan Counties  
Inner London Education Authority  
Association of London Authorities  
'High-Spending' Metropolitan Districts.

To organise joint planning of rallies, lobbying, publicity, and co-ordinate overall aspects of the campaigns so that the individual authorities are not competing with one another but are drawn into an umbrella campaign in defence of local government.

- (iii) To deal systematically with the press and media, organise press briefings and conferences, monitor press and media coverage, and organise a coherent media 'image' for the campaign.

8. The intention is that the Unit will operate initially for one year, to be reviewed at the end of this period (i.e. in November, 1984). The review will take into account the progress of the legislation, funding, national accountability and the structure of the Unit itself.

9. In order to cover the three aspects of the aims and objectives (paragraph 7 above), the Unit has been set up to comprise 8 staff plus two secondees.

- 1 x Director (part-time)
- 2 x Parliamentary Liaison Officers (part-time)
- 1 x Trade Union Liaison Officer (seconded)
- 1 x Charities Liaison Officer
- 2 x Information Officers (1 seconded)
- 1 x Press Officer (part-time)
- 1 x Administrative Assistant
- 1 x Clerk/typist

*London Base?*

10. The Unit is based in London in order to deal effectively with the Parliamentary lobbying and press/media aspects of the work. The Director, whilst based in London, is seen as having special responsibilities to regional authorities and therefore there is a second base outside of London. Sheffield City Council is providing this facility.



Comments of the Chief Public Relations Officer

11. On the operational aspects of this proposal and its implications for Lambeth, the Chief Public Relations Officer comments that there are a number of related public relations concerns which Lambeth and all authorities with similar policies can benefit from appropriate co-ordination. These include Rates consultation and the impact of penalties, the defence of services, and opposition to the rate capping proposals. In the first two areas Public Relations Division activity has focussed on Council led awareness publicity, through the Public Information Programme. This has drawn attention to the value of nature of services, the Borough's needs and the "robbery" of grant through the penalty system. The Public Relations Division is also supporting a Community Campaign in defence of services. In furtherance of these activities the Public Relations Division has benefited from liaison with other bodies, in particular the Association of London Authorities.

12. The Rate Capping proposals, however, are of far wider concern and affect authorities in all tiers and throughout local government. There is no established simple local government structure which can assist the Public Relations staff in linking with, and benefiting from, the wide variety of individual initiatives which can be anticipated over the coming period.

13. Without a co-ordinating unit each authority is in danger of mounting activities in isolation, of missing initiatives, developments and ideas, and of duplicating or conflicting with the work of other local authority PR programmes. A co-ordinating unit with a central information point, a central lobbying facility and "feedback" to and from all the participants would therefore provide a major aid to our locally based programmes. The Public Relations significance lies in lobbying, exchange of information and co-ordination of relevant activities.

Member-level arrangements

14. There is a two-tier system for member-level co-ordination of the Campaign:-

(i) Campaign Co-ordinating Committee

All authorities contributing to the funding of the Unit are entitled to have a representative on a Campaign Co-ordination Committee, which has appointed a Campaign Management Group. This Committee has power to co-opt from associations, etc. supporting the aims and objectives of the Campaign Unit.

(ii) Campaign Management Group

This Group comprises one representative (or deputy) each from, the Greater London Council, the Inner London Education Authority, Metropolitan Counties, London Boroughs and Metropolitan Districts (i.e. 5 representatives in all). The Association of London Authorities has appointed Councillor Knight as the representative for the London Boroughs. The Group meets fortnightly and its functions are:-

- (a) To report to the Campaign Co-ordinating Committee on the work of the Unit and the Campaign generally.
- (b) To be responsible for the management and control of the Campaign Unit.
- (c) To supervise the organisation of the Campaign Co-ordination Fund.
- (d) To be responsible for accommodation for the Unit.
- (e) To make appointments of staff.

Comments of Sheffield City Council

(a) The Legal background

15. Sheffield Council have stated that they have given consideration to the legal powers available to local authorities to create the Unit and, after their consultations with Leading Counsel, they feel beyond doubt that Section 142 of the Local Government Act 1972 is the appropriate power. Sheffield state that, basically, the view is taken that with increasing public interest in cuts in overall expenditure by the Government and the results thereof in any particular locality it has become clear both to the City Council's Officers, and the Officers of other Authorities in a similar position, that there is a need for fuller information to be available to the public in their area on relevant aspects.

16. Further, by Section 142(1) of the Local Government Act 1972 a local authority may make or assist in making arrangements for the public readily to obtain fuller information. The information to which this applies would be any "concerning the services available within the area" of the local authority "whether those services are provided by the local authority or by other authorities or Government Departments or by charities or other voluntary organisations", and "other information as to Local Government matters affecting the area".

17. Sheffield state that it follows from the foregoing that although action under Section 142 must be confined to such information as is set out in the previous paragraph this would nevertheless cover all the proposals set out in this report. Moreover, whilst Section 142(2) sets out various ways of providing information, these are not the only methods which may be employed, merely being examples for sub-section 2 is additional to the general power in sub-section 1.

18. Sheffield state that the provision of information under Section 142 of the 1972 Act and Section 2 of the 1980 Act is clearly a function of a local authority so that Section 111(1) of the 1972 Act permits the subsidiary powers in that Section to be exercised in conjunction with such a function; it follows from the foregoing that Section 142 in association with the other Sections mentioned herein offers a thoroughly useful method of proceeding and one in which no great delay through formalities and no risk from adverse litigation would appear to be likely.

(b) Delegation of Function

19. Sheffield state that Section 101(5) of the Local Government Act 1972 enables joint discharge of a function by "two or more" Authorities, including utilising a Joint Committee, or an officer (or of course officers) of any one (or of course more) of any of them.

20. Sheffield also state that Section 136 of the same Act allows arrangements for defraying expenditure incurred by one authority in exercising any function exercised by both or all of the authorities involved. Moreover, Section 113 of the 1972 Act allows the placing of staff at the disposal of another local authority if a function is concerned.

21. A Management Group has been set up, the decisions of which are to be taken into account by Sheffield in the management of the campaign and no liability on the delegating Authorities to pay any of the quarterly instalments of their contributions towards the costs incurred by Sheffield on the Unit would arise following notification being given of a major disagreement between the Managing Group and Sheffield until such disagreement was resolved to the satisfaction of the majority.

22. It follows from the foregoing that all contributions would be paid to Sheffield as the Authority exercising the power on behalf of delegating Authorities and that Sheffield would therefore, in consultation with the Managing Committee above mentioned, actually appoint the necessary staff.

23. The staff would be located in London and agency arrangements would be made between the Sheffield City Treasurer and the Treasurer of one of the London Boroughs to pay the salary and expenses of such staff.

24. Sheffield City Council have themselves agreed that:-

"(a) a Campaign Unit be established and based in London, with a second base in Sheffield, on the terms and in accordance with the details as to the aims, structure, budget and accountability of the Unit as set out in the report now submitted and the Council accepts the delegation of the functions of the participating local authorities under Section 142 of the Local Government Act 1972 in connection therewith;

(b) (i) a Campaign Fund be established under the provisions of Section 28 of the Local Government (Miscellaneous Provisions) Act 1976, (ii) the City Treasurer be authorised to administer the Fund on behalf of the contributing local authorities and (iii) the Council contribute the sum of £20,000 to the Fund;

(c) approval be given to (i) the action of the Chairman of the Policy Committee (Councillor Blunkett) in authorising the appointment of the staff of the Unit and (ii) the draft budget for the Unit;

- (d) the participating authorities be supplied with copies of this resolution and the report now submitted and be asked to resolve as a matter of urgency to delegate their functions pursuant to Section 142 of the Local Government Act 1972 relating to the aims of the Unit and to make appropriate financial contributions to the Fund;
- (e) the Council agrees to exercise the delegated powers and incur expenditure under the Fund in accordance with the wishes of the Unit's Management Group; and
- (f) Councillor Blunkett (or his nominee) be appointed to serve as the Council's representative on the Management Group and the proposed Campaign Co-ordination Committee.

25. The Association of London Authorities has strongly recommended individual Boroughs to support the establishment of the Campaign Unit.

#### Legal considerations

26. The Chief Solicitor has considered the advice offered by Sheffield and has had sight of the opinion of Leading Counsel obtained by them in this connection. The Chief Solicitor concurs with the analysis of legal powers given at paragraphs 15-20 above. In addition, under Section 111 of the Local Government Act 1972 "a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money...) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions". However, in view of the importance of ensuring that the subscription is used for the purposes of Section 142, he recommends that, if the Council wish to subscribe, the Council's agreement to do so is made conditional upon the subscription being used for those purposes.

#### Financial considerations

27. In order to finance the Unit, a Campaign Co-ordination Fund is being established at the earliest opportunity (see paragraph 22(b) above). The Fund is being established through Sheffield City Council who have seconded one of their senior officers to co-ordinate all aspects of the Campaign. With the agreement of the City Treasurer at Sheffield, as an interim measure, subscriptions to the Fund are being co-ordinated by Sheffield City Council, and the finance controlled from there with approval for spending obtained from the Management Group.

28. Guideline subscriptions were suggested initially but the Management Group of the Unit has reviewed the scale of contributions sought, and has proposed instead the scale based on population figures as submitted from Sheffield (see Appendix A to this report). So far as this concerns Lambeth, a contribution of £5,000 is envisaged.

29. The subscription by this Council of a sum such as £5,000 to the Unit would have to be met from page 705, line 8 of the Finance and Performance Review Sub-Committee's 1983/84 Revenue estimates (although no specific provision exists). Should such a payment prove to be an annual commitment it would have to be approved as a growth item for inclusion in future years' Revenue estimates.

30. The draft budget, for the Campaigns Unit, as notified from Sheffield is as follows, in respect of one full year:-

(12 months funding from November, 1983)

	£
Staffing:	
9 x principal officers	72,000
1 x administrative officer	8,000
1 x clerk/typist	<u>6,000</u>
	86,000
Employers costs; National Insurance and Superannuation (approx)	20,000
Administrative costs, telephone, stationary, postage, etc.	10,000
Travel, expenses	9,000
Office overheads; heat, light.	9,000
Printing, publicity	<u>16,000</u>
	<u>150,000</u>

Notes (1) Office accommodation is not included and would have to be added to costs if privately rented space is used. Use of local authority accommodation will be investigated.

(2) All costs are approximate.

(3) Salary levels and employers costs will vary according to the age and experience of the Unit staff appointed, as will employers' costs.

LOCAL GOVERNMENT CAMPAIGN UNITREPORT TO THE MANAGEMENT GROUP - FUNDING

1. The following contributions have been promised : -

NALGO		10,000
Greater London Council		20,000
<u>Met Counties</u>	Merseyside	10,000
	South Yorkshire	10,000
	West Yorkshire	9,000
<u>Met Districts</u>	Sheffield	20,000
	Newcastle	7,000
<u>London Boroughs</u>	Lambeth	5,000
	Southwark	5,000
	Lewisham	5,000
	Brent	5,000
	Newham	5,000
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2. The following agree in principal to contribute; amount not yet specified:-

<u>London Boroughs</u>	Barking and Dagenham
	Camden
	Greenwich
	Haringey
	Hackney
	Islington

The ILEA

<u>Non Met Districts</u>	Middlesboroughs
	Wansbeck
	Chester-le-Street
<u>Met Districts</u>	• Sedgefield

Both Leeds City Council and Liverpool City Council are considering contributing to the unit.

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Y SWYDDFA GYMREIG

GWYDYR HOUSE

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*Oddi wrth yr Is-Ysgrifennydd Seneddol*



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*From The Parliamentary Under-Secretary*

24 September 1984

*Dear Mr Gieve*

PRESS STATEMENT ON LOCAL AUTHORITY CAPITAL EXPENDITURE

I understand the Chief Secretary is very anxious for an early press statement to be made setting out E(A)'s decision last week not to introduce a full blown moratorium on all local authority capital expenditure but to maintain the present voluntary expenditure limitation measures, as well as encouraging authorities to realise their assets and thus increase their capital receipts. Clearly an early statement on these lines would kill off the present speculation in the press and elsewhere about the likelihood of a full capital moratorium being introduced.

... I attach a draft of the press statement we intend to release at the same time as Mr Jenkins' statement. If you have any comments please let me know as soon as possible; the same goes for Robin Butler and John Ballard to whom I am copying this letter and draft statement.

*Yours sincerely*

*S. Morris*

*SM* SIMON MORRIS  
Private Secretary

John Gieve Esq  
Private Secretary to  
The Rt Hon Peter Rees QC MP  
HM Treasury  
Parliament Street  
LONDON



DRAFT PRESS RELEASE

WELSH LOCAL AUTHORITIES CAPITAL EXPENDITURE

Last July the Secretary of State for Wales asked Welsh local authorities to voluntarily limit their capital expenditure in the current year. This request followed an analysis of authorities planned capital expenditure which showed that it was on course to exceed by a substantial margin the Government's cash limit. Authorities were also asked to provide further information on their revised spending plans.

This latest information has been considered by Ministers. It continues to show a potential excess over the Government's cash limit but to a lesser extent than that originally forecast. Authorities' returns indicate that the excess is largely due to a shortfall in anticipated capital receipts at the district level compared with the estimates underlying the Government's expenditure plans. This has been discussed with representatives of the Welsh districts and Ministers have concluded that the continuing prospect of an overspend requires their existing request for voluntary restraint on capital expenditure in the current year to be maintained but that an extension to a complete moratorium would not be justified. However authorities are being asked to make every effort to maximise their capital receipts in the current year by the sale of assets since such receipts can offset gross expenditure and thus effectively reduce the potential overspend of the cash limit.



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JR CNO



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

24 September 1984

Dear John

LOCAL AUTHORITY CAPITAL EXPENDITURE - ANNOUNCEMENT

1. Following discussion of local authority capital expenditure at E(A)22nd meeting, last Tuesday, 18 September, I attach a draft statement announcing the outcome which my Secretary of State would like if possible to make tomorrow, 25 September.
2. The statement contains a few minor changes from the draft which the Chief Secretary has already seen. I understand that he would like us to omit the sidelined passages, which refer to the decision not to institute a moratorium on all new capital spending commitments by local authorities, on the grounds that they might damage market confidence.
3. My Secretary of State considers that the two passages are important. First, the statement needs to be unambiguous. There has been press speculation that the Government would institute a moratorium; the point needs to be firmly answered so that local authorities know where they stand.
4. Second, Mr Jenkin does of course accept that the statement must seek to avoid any damage to market confidence. It would be a low-key announcement. But to omit any direct reference to a moratorium would be to invite questions and speculation about the reason for the omission; this might itself damage confidence. The references should therefore be retained.
5. I should be grateful for your comments on the draft as soon as possible. Although we suggest the announcement should be made tomorrow, to avoid further press speculation, we should of course be happy to consider any guidance you have on timing.
6. You will note the reference in the penultimate paragraph to discussions at their request with the local authority associations on the capital control system. Mr Jenkin envisages that a meeting at Ministerial level should be preceded by a meeting with officials from the relevant Departments, including your own. There would of course be no reference to the internal review of the system commissioned at E(A)18th meeting, but the associations' comments would inform the report by officials in response to that remit.
7. I am copying this letter to Andrew Turnbull (10 Downing Street) and the Janet Lewis-Jones (Lord President's Office),

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Elizabeth Hodgkinson (Education), Colin Jones (Welsh Office),  
Steve Godber (DHSS), Dinah Nichols (Transport), and Richard  
Hatfield (Sir Robert Armstrong's Office).

*Yours sincerely*

*John Ballard*

JOHN BALLARD  
Private Secretary

John Gieve Esq

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LOCAL AUTHORITY CAPITAL EXPENDITURE

Patrick Jenkin, Secretary of State for the Environment, announced today that, in the light of new information from local authorities in England, he had to ask them to maintain their restraint on capital expenditure in 1984/85 and to redouble their efforts to sell capital assets. [But he has decided not to ask all authorities for a moratorium on new capital spending commitments.]

Speaking in London today, Mr Jenkin said:

"In my statement to the House of Commons on 18 July I asked local authorities in England to restrain their capital expenditure in 1984/85. [I recognised then the valuable contribution which such expenditure makes to the development of the country's infrastructure, and its importance to the workload of the construction industry.] But the Government is committed to firm control of public expenditure, and returns made by the authorities had indicated that, unless action had been taken, there would have been a very substantial overspend on the local authority capital expenditure cash limit, in addition to the overspending which had already occurred in 1983/84. It was therefore necessary to ask for restraint to keep spending within the limits in the Government's public expenditure plans, limits which had been made very clear when this year's cash limit was announced at the time of the Budget.

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I asked authorities to cooperate by limiting expenditure 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 were committed already by contract to expenditure higher than that level, they were asked to enter into no further commitments. I said that I would keep the position under close review.

I have now received returns from all English authorities showing the expenditure to which they were already committed contractually in July, and the expected level of their capital receipts for this year. The returns indicate that there is still likely to be a significant overspend on the cash limit this year. But most authorities have complied with my request in July and this has had the effect of reducing the size of the prospective overspend. I am grateful to all the authorities which have complied. Many have had to take difficult decisions in order to do so.

[ In the light of these returns, I have had to consider whether to institute a national moratorium - a request to all authorities not to enter into further contractual commitments this year. I have concluded that a national moratorium would not be justified by the amount of additional savings which it might deliver in the current year.] But the continuing prospect of an overspend makes it essential for authorities to continue to restrain their expenditure for this year as set out in my statement of 18 July.

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I ask all authorities to maximise their capital receipts from sales of assets this year. There is scope for increasing receipts and thus reducing overspending. I will be discussing with the local authority associations ways in which the control of local authority capital expenditure can be improved.

Although most authorities have complied with my request for restraint, some have not. As I said in July, I shall have regard to the extent to which authorities have complied in making expenditure allocations for 1985/86."

## By any other name

Deep fissures are appearing in the government's once-implacable determination to butcher the Greater London Council. The legislation, due to be published in November, is already causing

THE ECONOMIST SEPTEMBER 22, 1984

administrative bedlam, as GLC and Whitehall officials struggle to define who will be responsible for what. Now the environment secretary, Mr Patrick Jenkin, is running into political opposition from within his own party.

He already faced a crescendo of criticism from all opposition parties, from the voluntary sector (which the GLC has been careful recently to shower with ratepayers' funds) and from public opinion in London, where antagonism to

abolition has risen from 54% to 66% in Mori polls. Tory opposition, which comes from most Tory GLC councillors and some MPs, has not reached the point where it threatens Mr Jenkin's bill in the commons, but might delay it, perhaps even fatally, in the lords.

The result has been much flying of kites, all suggesting new ways to give the capital some new umbrella organisation after the GLC has vanished; largely as a sop to bruised Tory egos, but also be-

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cause many ministers (including some in the cabinet) fear the government will suffer for throwing out the democratic baby with the bureaucratic bathwater. The kites thus range from the GLC-in-another-guise to the purely cosmetic:

● The government suggests a "grand committee" of the 84 London MPs. Like the similar Scottish committee, it would vet relevant legislation and act as a deliberative forum for London affairs. It would have no powers. And no point.

● Alternatively, or in addition, there could be a statutory incorporation of the London Boroughs Association (LBA) as the "forum" for London. With members drawn from borough councils, it could deliberate on London-wide matters and perhaps even act as the super-authority for those metropolitan services (such as fire and ambulance) for which ad hoc joint boards are now proposed. But the LBA is Tory; the Labour boroughs be-

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long to the rival Association of London Authorities. And a forum of the boroughs might eventually blossom into another GLC, not even directly elected.

● All possible powers could be delegated down to the borough level. Those left, both administrative and planning, would be handled by a small unit of officials at County Hall working in (so-called) partnership with the London directorate at the environment department. Stripped of political supervision, County Hall would operate as an outpost of Whitehall.

● More radical is a proposal, put forward by a group of GLC Tories, to re-establish London-wide elections for, say, a dozen councillors with extremely limited responsibilities. Their rate precepting powers would be subject to Whitehall and their role would be largely consultative and representational. This could be allied to the partnership scheme above.

None of these schemes need drastically

undermine the government's abolition proposals. Whether Mr Jenkin will swallow an apparent concession to his internal and external critics is still open to doubt. But he may have to do so before one is forced down his throat.

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AGENDA ITEM A

## CONTINGENCY PLANNING FOR OBSTRUCTION OF RATE LIMITATION

1. Most selected authorities are presently refusing to take part in procedures and are not applying for redeterminations of expenditure levels. Some are also talking of confrontation next spring either by not setting a rate or by setting an illegal rate, ie either above the rate limit or inadequate to cover estimated expenditure.
2. It is up to the individual council whether to cooperate and apply for a redetermination. We see no need to be over-anxious about encouraging them: they are best left to sweat. But we are pointing out that we do not propose through redetermination to reduce ELs, or to takeover detailed management through onerous conditions.
3. Our main aim in considering contingency measures against failure to set a legal rate should be to persuade councillors to set a legal rate before financial collapse occurs. We regard appointment of Commissioners as an absolute last resort. But is there a case for taking any measures short of that, possibly involving legislation? Following our Liverpool experience the options are:-
  - a. Leave the law unchanged. This could be an effective way of applying pressure.
  - b. Fix a date by which a rate must be set. This would simplify legal action against a non rate-setting council, but would need to be backed up by new sanctions.
  - c. Increase the pressure on councillors to set a rate. This could be done either by strengthening the powers of the auditor (eg by providing that loss of income arising from failure to rate would be illegal and speeding up the consequent audit process, or by making payment of RSG conditional on rate-making). Either approach could quickly precipitate a crisis. Some outsiders favour requiring authorities to have regard to their budget when they fix their rates, but this has drawbacks.
  - d. Set an automatic rate. Legislation could provide for automatic collection of a rate, say at last year's level, if no rate had been made. This would safeguard finances temporarily, but reduce pressure on councillors to act responsibly.
4. We consider that the best stance for now is to avoid new powers; there is great advantage if we could achieve our objectives without them. But we should prepare contingent legislation on items b, c and d above for use if needed.



RATES AND HOUSING BENEFIT

Note by DHSS

1. Since the 1930s the social security system has provided help with housing costs. Initially this help went to those not in work receiving means-tested benefits: first unemployment assistance, then national assistance and now supplementary benefit. For most beneficiaries, the cost of rates was met in full.
2. In the 1960s rates were increasingly perceived as a regressive tax. Accordingly a discretionary system of rate rebates was introduced by the Labour Government. The Conservative Government introduced the national scheme of rate rebates (along with rent rebates) in 1972. Rate rebates were designed, like tax allowances, to reflect the ability of people to pay.
3. The housing benefit scheme combines the help given with housing costs through the supplementary benefit and rate and rents rebate schemes. The effect is that nearly all of the  $6\frac{1}{2}$  million households receiving housing benefits get some help with their rates. A slightly larger number were getting such help before the housing benefit scheme started in 1982.
4. In more detail:
  - \* the average weekly rate rebate is about £2.60 compared with current average rates of £6.06;
  - \* about  $2\frac{1}{2}$  million households (ie about 2 out of 5 receiving housing benefit) get all their rates rebated through housing benefit. All but a few of these are supplementary benefit households;
  - \* not all supplementary benefit households get their rates rebated in full. Nearly  $\frac{1}{2}$  million get less than 100% help because there are non-dependants, eg grown up children in the household. Where there are, there are deductions from the calculation of housing benefits.
5. Even where housing benefit recipients are not paying rates they generally receive a normal rates notice showing their gross and net liability for rates. They also receive any local authority literature showing how money is spent. (Local authority rent books also generally advise tenants of their rates liability).
6. Although most people on supplementary benefit have always had their rates fully covered in the calculation of their benefits, it was not until the introduction of housing benefit that they had their rates rebated at source so that they did not physically have to hand the money over. Rebating at source was seen as one of the principle advantages of the housing benefit scheme. It substituted a central settlement between central and local government for assistance for poor rate payers in place of an administratively wasteful system whereby central government paid an individual money to hand over to local government - money which might always not get to its proper destination. Despite housing benefits difficulties, rebating at source will have saved both local authorities and central government money, and to revert to a system where individuals on supplementary benefit physically paid over part or all of their rates could add to the administration cost and complication of the housing benefit scheme.

7. The housing benefit review is however currently considering the future of housing benefit. The team in their work so far have placed particular emphasis on bringing home to the individual his responsibility for his rent and rates and will be considering whether any administratively acceptable way of doing so can be found.

8. The remit of the review is to consider ways of simplifying the scheme and concentrating help on those most in need. A reduction in the income levels to which housing benefit is paid and an increase in the rate at which help is tapered off would reduce the numbers of people on rates rebate and the help those on rebates get and hence increase the impact of rates. The review will also be considering the balance of help in the scheme between rent and rates - help with rates at present is taken away more gradually than that with rent - and there may be scope there also for reducing numbers and amounts of rebate.

9. The review is expected to report to the Secretary of State of Social Services at the end of the year. That report will have to be considered in the context of the social security reviews generally. Present plans are that the final proposals would emerge in a Green or White Paper in the early part of next year.

The Commission has received a number of reports from the States and Territories regarding the progress of their work in the field of social work. It is pleased to note that in many instances the work has been carried out in a most efficient and economical manner.

25 SEP 1984

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ABOLITION: STRATEGY ON THE BILL

TIMETABLE

1. The main points are:

- Introduction in late November 1984
- Complete Commons stages by Easter 1985
- Royal Assent essential by July 1985.

2. The Bill is long and detailed. It will be controversial in principle, on major aspects of the policy (eg the expected savings), and in detail. A guillotine is probably unavoidable.

3. Details of Parliamentary handling are to be discussed at Lord President's meeting on 4 October.

THE APPROACH

4. The key points are:

- a. Deploying the case effectively both within the Parliamentary debates and outside Parliament using three major themes:
  - making local government more local;
  - making local government more effective and efficient (ie the savings case);
  - emphasising the poor record and the present wastefulness of the GLC and the MCCs.
- b. Taking a very firm line on the major substance of the proposals, while being open to suggestions for detailed changes.

ACTION NEEDED

5. To achieve this, we need:

- a. colleagues' active participation in deploying the case; in particular, major statements on future arrangements by colleagues whose services are affected.
- b. commitment to identifying, and publicising, the scope for savings (despite transitional costs).
- c. maximum effort to counter the expensive publicity effort of the GLC/MCCs.

## ABOLITION: IMPLEMENTATION

## TIMETABLE

1. The firm target is abolition, and the transfer of functions, on 1 April 1986. Eight months between Royal Assent and implementation is unprecedentedly short. (Previous reorganisations had 18 months for implementation.)

## ACTION IN HAND

2. The "functions paper" published at the end of July gives a detailed account of proposals for most services. Any remaining points are being settled, and further statements will be needed over the next few months.

3. All Departments have been asked to begin planning for implementation for their services (including needs for information). Detailed discussions have started with cooperative local authorities.

4. The Paving Act gives us control over letting of contracts, disposals of land, and section 137 spending (in respect of 1985/86) by the abolition authorities. These controls are operating smoothly so far.

## NEXT STEPS

5. We need a strategy on collection of information. We now have the new powers in the Paving Act. But legal powers are fraught with difficulty, and remedies uncertain. It will be better, wherever possible, to get information through informal approaches. To take a high profile, leading to court cases (whose outcome is uncertain) could simply emphasise the strength of the abolition authorities' position.

6. As the reality of abolition gets closer, the boroughs/districts - including many Labour-controlled ones - will begin to come on side. Staff in the abolition authorities will also start to think more about personal prospects than about loyalty to their present employers. The sooner we can get staff interests to enter into negotiation the better.

7. We must be prepared for a poker game with our opponents in local government. To imply that early cooperation is essential to success could be to place a powerful weapon in their hands.

#### ACTION IN THE LOWER TIER

8. In the longer term we shall need cooperation. If most of the boroughs/districts are actively planning for takeover, the power of the abolition authorities will be very much less. It will also help if the staff of the authorities are resigned to abolition.

9. But political obstruction could remain, and we must be prepared for that. Measures could be included in the Abolition Bill (not necessarily on Introduction) - for example, giving a right of access to GLC/MCC files and setting up "organising committees". In the last resort, however, legislation cannot compel cooperation and the alternative of direct takeover is probably not feasible.

#### CONCLUSION

10. The key points are:

- a. colleagues' active participation in working out plans for implementation;
- b. a carefully coordinated strategy on the collection of information - concentrating on what is essential, and avoiding any implication that we need active cooperation from the abolition authorities.
- c. all possible measures to get the boroughs and districts to come out in support of abolition, and to reassure staff.
- d. consideration of further measures to be included in the Abolition Bill (if necessary) to counter obstruction by the GLC/MCCs after Royal Assent.

CONFIDENTIAL

LOCAL GOVERNMENT EFFICIENCY

1. The main general policies affecting local government efficiency over the past 5 years have been

(i) general grant pressure on authorities;

(ii) enhancing local accountability, by removing unnecessary detailed central controls, and by requiring authorities to publish manpower figures, comparative statistics etc;

(iii) creation of the Audit Commission with more private sector involvement, and a specific remit to undertake value for money studies;

(iv) promotion of competition and privatisation (legislation on direct labour organisations, the contracting out initiative, the attack on land hoarding).

2. During the next five years all of the above policies will need to be vigorously pursued. A major political problem will be to promote efficiency in ways which will win wide-spread support among local authorities, instead of being resented and rejected as creeping centralism.

Proposed Action

3. A sustained drive for greater efficiency might produce savings in local government current expenditure over time big enough to make a major contribution to the reductions we are seeking.

Action now in hand includes:

(a) further consideration by EDL of the proposals of unused land, empty housing and public ownership;

(b) consideration by E(A) of the scope for further contracting out - see separate note;

(c) strengthening membership of the Audit Commission by the appointment of a Deputy Chairman, for which there is a vacancy; and

(d) pressing representative bodies of the local authorities e.g. CIPFA (the body representing Local Authority Treasurers), SOLACE (the body representing Chief Executives), and other such organisations to support the carry through of Audit Commission VFM studies by individual authorities.



## CONTRACTING OUT BY LOCAL AUTHORITIES

1. Some two dozen contracts, mainly for refuse collection/street cleaning, have now been let by local authorities. Although substantial savings have been achieved under such contracts, new arrangements of this kind are rare and there is little sign of the private sector being invited to work in other functional areas.
2. Against this background, E(A) Committee in February invited the Secretary of State for the Environment to commission a study by officials of the legislative options for increasing the extent of contracting out. An interim report (in a letter of 25 July to the Chancellor of the Exchequer) was generally favourably received. The final report will be circulated shortly and taken on 3 October by E(A).
3. The main findings are that -
  - a. the compulsory tendering and accounting regime applicable to local authority building work since 1 April 1981 could usefully be extended to refuse collection, ground maintenance, cleaning services and some other minor functions. This would cover those activities with aggregate expenditure of some £2,000M pa which have been the subject of representations from the private sector for more contracting out;
  - b. beyond these sectors, authorities could be required regularly to assess, on a rigorous basis, the likely costs of retaining other activities (eg professional services or leisure facilities) inhouse as compared with the cost of contracting them out, and could be required to publish the results of these reviews.
4. Officials will also make recommendations shortly for legislative action to deal with the imposition by some local authorities of politically motivated contract conditions.



CMO CONFIDENTIAL

Copy No: 1 of 16

→ cc JJK

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

21 September 1984

Dear Andrew

LOCAL GOVERNMENT POLICIES

Further to the penultimate paragraph of my letter of 17 September 1984 I am enclosing two papers by my Secretary of State which address themselves to the topics at items (b) and (e) of the suggested agenda - the proposed Ministerially-led review of local government finance, and the proposed external inquiry into local government practices and procedures. (The material on abuses of such procedures which Sir George Young has recently circulated\* to those Ministers attending the meeting provides timely evidence of the need for action on this front.)

My Secretary of State has also asked to circulate the attached scenario on "Local Government Policy Three Years from Now" which he considers to be useful background material for the meeting on 27 September.

The outstanding note on all the other agenda items falling to this Department will be circulated shortly.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Murdo Maclean (Chief Whip's Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

Yours sincerely

\* To be circulated early next week.

John Ballard

JOHN BALLARD  
Private Secretary

Andrew Turnbull Esq



PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

21 September 1984

*Dear Andrew,*

**LOCAL GOVERNMENT POLICIES**

The Lord Privy Seal has seen John Ballard's letter of 17 September and the Chief Secretary's comments contained in John Gieve's letter of 19 September.

In view of the many issues for discussion at the meeting on 27 September, the Prime Minister may like to know that the Lord Privy Seal and the Lord President, together with the two Chief Whips, are meeting Mr Jenkin and his Ministers on 4 October to discuss in detail the Parliamentary handling of the Abolition Bill. In these circumstances, it may be convenient to leave this item on one side for discussion at that meeting.

I am sending copies of this letter to John Ballard (DoE), Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (DES), Steve Godber (DHSS), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Mike Bailey (Kenneth Baker's Office, DoE), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely,  
David Morris*

**D R MORRIS**  
Private Secretary

A Turnbull Esq  
Private Secretary to the  
Prime Minister

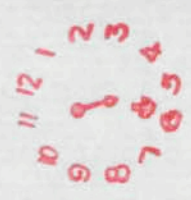
*Note.  
Spoke to David Morris.  
Agreed Abolition should be on  
agenda, but with Parliamentary  
handling left for the meeting  
above*

*AT 25/9*

LOCAL  
SMT.  
Rt. 22



21 SEP 1984



1 of 16

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

21 September 1984

Dear Andrew

Please refer to my letters of 17 September and today's date.

/ I now enclose, as promised, notes on key points arising on items (A), (C), (F) (two notes) and (G) (two notes) of the agenda.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Murdo MacLean (Chief Whips Office), Mike Bailey (Kenneth Baker's Office, DOE) and Richard Hatfield (Cabinet Office).

*Yours sincerely*  
*John Ballard*  
JOHN BALLARD  
Private Secretary

Andrew Turnbull Esq



10 DOWNING STREET

Prime Minister

Joy drew this to my attention. I can let Mr Jehkin know that you have received information of transactions of this kind (there is no need to refer to the specific deal as it was not proceeded with)

Agree?

AT  
21/9

Yes  
no

CONFIDENTIAL



Prime Minister ②  
 Lord Bellwin will be sending  
 in his personal thoughts  
 in the next few days.

AT  
 21/9

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Prime Minister  
 10 Downing Street  
 London SW1

20 September 1984

Dear Margaret.

## LOCAL GOVERNMENT POLICIES

As you know Irwin Bellwin is a constituent of mine and I saw him last weekend.

He is convinced that many Labour Councils' have followed the GLC in using or preparing to use rate payers' money for party political purposes - item iv in the letter of 11 September from your secretary to Patrick Jenkin's secretary.

He believes that if this nettle is not grasped very soon, we and other parties will face unprecedented difficulties in future elections as the money concerned is skillfully used for purposes that were never intended.

He also believes that any re-examination of alternatives to rates should consider also the structure of rates in which - I quote from vii of the same letter - "those who pay most rates have no votes and many who vote don't pay".

The letter of September 11 reached me of course after my talk with Irwin. I was going anyway to write to you, with his agreement, to tell you that should you at any time so wish he would be delighted to prepare thoughts for you on either or both of the above subjects or on any other you wish connected with local government.

I thought that you would like to have this in mind prior to and in connection with the meeting on September 27.

I am copying this to no one.

He also told me that in his  
 view there are 2 Tory Councillors - Spurgin & Nottinghamshire  
 and Cyril Taylor of the GLC - who are very bright and  
 could make a contribution to any policy review.

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Yours ever  
 Keith

LOCAL Gov: Relations: P22

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20 SEP 1984



CMO



Meeting Folder

CCJR

Zpply

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq  
10 Downing Street  
London SW1

19 September 1984

Dear Andrew

**LOCAL GOVERNMENT POLICIES**

The Chief Secretary has seen John Ballard's letter of 17 September proposing an agenda for the Prime Minister's meeting next week.

2 He hopes that not too much time will be spent on the tactics of rate capping and abolition. He notes that the problems on that front have been examined frequently in MISC 95 and other meetings and can become highly technical.

3 He suggests that the meeting should concentrate on the long-term issues including the future control and financing of local authority expenditure. While he welcomes an opportunity of discussing these questions he doubts whether now is the time to launch a Ministerially-led review. He feels sure that this would become public knowledge and that could only cast doubt on the Government's present legislative proposals which will have to stand, and be made to work, in the next few years.

CMO

CMO

4 I am sending copies of this letter to John Ballard (DOE), Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (DES), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

*Yours sincerely*

*Jst. Gieve*

JOHN GIEVE

CMO

Local Gov: Relations: R 22

CONFIDENTIAL

Faint, illegible text, possibly bleed-through from the reverse side of the page.

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

20 SEP 1984

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NAPM

AT

19/9

CC/NO

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Ridley AMICE MP  
Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
London  
SW1P 3EB

19 September 1984

*Nicholas Ridley*

**LOCAL AUTHORITY CAPITAL EXPENDITURE**

Thank you for your letter of 17 September.

2 Our discussion in E(A) earlier today covered various aspects of our difficulties over local authority capital expenditure. But I am now writing specifically in response to your comments about the procedure for settling, in the context of the present public expenditure survey discussions, the details of the 1985-86 adjustments to offset the 1983-84 overspend. Various other colleagues have also commented on this following my original proposals for the distribution of the offset adjustment.

3 I have already discussed this issue with you and other colleagues in Survey bilaterals. At the end of our Survey negotiations, we shall of course have to settle on revised aggregate plans for each of the local authority capital programmes in 1985-86 (and the later years). You and others have expressed doubt about seeking to reach that position in two distinct stages, with the offset for the 1983-84 overspend being considered separately from the "underlying" level of programmes.

4 I should therefore make clear that I am quite content to look at the two aspects side by side in the bilateral discussions, and to seek overall agreements on the revised

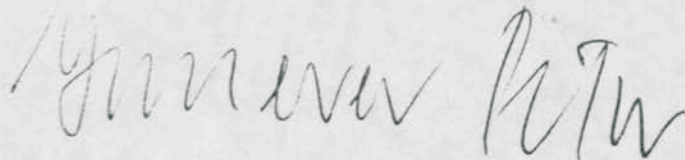
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plans for each programme taking account of the 1983-84 cash limit breach. But I must emphasise that, apart from the difficulties we face in any event in keeping to the overall public expenditure totals already agreed, the overspending in 1983-84 above the levels we had planned, and the requirements or normal cash limit discipline, are added reasons why I must press colleagues for substantial reductions in present provision for local authority capital spending in 1985-86.

5 I hope that this will ease the concerns you express in your letter, and prepare the way for my further bilaterals both with you and other colleagues.

6 I am sending copies of this letter to the Prime Minister, other members of E(A), Leon Brittan, Keith Joseph, Norman Fowler and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Glover Peter' or similar, written in dark ink.

PETER REES

CONFIDENTIAL

SEP 9 1984

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

ccJR



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

## AGENDA

My ref:

Your ref:

17 September 1984

Dear Andrew

### LOCAL GOVERNMENT POLICIES

Thank you for your letter of 11 September

My Secretary of State would indeed welcome a meeting before the Party Conference to discuss the many controversial and outstanding matters on local government policies.

He is broadly content with the substance of the agenda, but would like to include two new items - the possibility of a Ministerially-led review of local government finance, and of an external inquiry into abuses in local government, with a view to such a review and inquiry resulting in specific, well-developed proposals before the next General Election. He therefore suggests that the agenda - following further discussions which have taken place between this Department and the No10 Policy Unit - might run as follows:

#### FINANCE

- (A) contingency planning against the possibility that rate capped councils may adopt policies of confrontation;
- (B) proposed Ministerially-led review of Local Government Finance (local taxation and grant);
- (C) the elimination of targets from the Rate Support Grant system.;
- (D) an improvement of the link between voting and rate payment in the short term with special reference to the operation of housing benefit;

#### ABUSES

- (E) proposed external inquiry into abuses in local government (eg suppression of minority group rights, politically appointed officers, rate financed party political propaganda);

#### ABOLITION

- (F) the strategy for securing the passage of the Abolition

Bill and how to deal with non-cooperation from the GLC and MCC's during the abolition process.

OTHER

(G) how to improve local authority efficiency in the use of their resources, eg by contracting out, disposal of surplus land, and through the implementation of Audit Commission suggestions.

This covers all of the points in the provisional draft agenda (your items (v) and (vi) will be subsumed under item (c) above). The Secretary of State intends to circulate the draft papers on the proposed review and inquiry well before the meeting which is, I believe to take place on 27 September.

This is of course a very heavy agenda. Consequently my Secretary of State proposes to circulate in advance not only papers on the proposed review and inquiry (items (b) and (e) above) but a short note of key points and possible conclusions on all the other agenda items except (d), on which we assume DHSS will take the lead.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (Chancellor's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

*Yours sincerely*

*John Ballard*

JOHN BALLARD  
Private Secretary



17 SEP 1984

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

COMPACTOR

11

CCNO



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

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

17<sup>th</sup> September 1984

*Dear Chief Secretary,*

LOCAL AUTHORITY CAPITAL EXPENDITURE

Your minute of 11 September *in my folder* to the Prime Minister underlines the need to improve our control of local authority capital expenditure. We need to consider urgently the results of the work which was commissioned by E(A) in July. I cannot agree that we should take any further action this year at least until we have had an opportunity to discuss this collectively.

The recent correspondence about offsetting last year's overspend in 1985-86 shows the lack of a coherent approach to local capital expenditure.

You suggest that a global adjustment should be made to base-lines for 1985-86 to offset last year's overspend, and that its allocation between programmes should be agreed by the Ministers concerned. However treating capital programmes as a block in this way is inconsistent with including them in Departmental programmes in the public expenditure survey. For example I cannot make any meaningful judgment about the balance of expenditure between national and local roads if the local provision is then to be subject to an adjustment which bears no relation to actual expenditure on transport or the circumstances of my programme.

To make cuts in local authorities road programmes, because of capital overspending by different authorities on different activities - eg home improvement grants - is illogical and will have disastrous political effects. It is one of the areas in which we want local authorities to spend up to budget. We will not get the bypasses - so vital to improve the environment as well as the movement of traffic.

CONFIDENTIAL

Although your letter of 5 September to Ian Gow refers to an agreement you reached with Patrick Jenkin, it was not as far as I know discussed with colleagues generally and I cannot accept it as a collective decision.

What we have agreed collectively is that we should keep overall public expenditure within the totals we have agreed. That will require separate decisions on each of our programmes. To pursue at the same time an across-the-board reduction to offset last year's overspend is only confusing that process. We cannot make any further progress with our bi-lateral until this issue is settled, and that in turn is holding up other urgent decisions. We must also reach a quick decision on your proposal for further action this year and on action to improve the control system. I therefore think it vital that there should be collective consideration of these issues as soon as possible.

I am copying this letter to the Prime Minister and other members of E(A), to Leon Brittan, Keith Joseph and Norman Fowler, and to Sir Robert Armstrong.

*Yours sincerely,*

*Inah Nichol*

PP NICHOLAS RIDLEY

*(Approved by the Secretary of State  
& signed in his absence).*

CONFIDENTIAL



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

cc 160

8

SECRET

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

17 September 1984

*Peter Rees*

*In meeting folder  
E(A)*

LOCAL AUTHORITY CAPITAL EXPENDITURE

I have seen your minute of 11 September to the Prime Minister proposing that local authorities should be asked not to enter into any further commitments for the rest of this financial year, and understand that this is to be discussed in E(A) early next week, when I shall be in Brussels.

My departmental interest is limited to expenditure on smallholdings, land drainage and flood protection and sea fisheries harbours which together account for less than 1 per cent of total capital spend by local authorities. Although your proposals will not be welcome, I think that it is unlikely that they will have serious repercussions for these services in the short term. The impact in other areas will however be significant and as you point out in your minute there will be an adverse effect on the construction industry.

Whilst I fully recognise the need for the government to be seen to be in control of public expenditure I am concerned about the effect that your proposals might have in the wider context. I have in mind here that only a short while ago we were encouraging authorities to spend more and I am concerned that your present proposal will attract the same 'stop-go' criticisms that have been levelled at previous administrations.

I am sending copies of this letter to the Prime Minister and other members of E(A) as well as to Leon Brittan, Keith Joseph, Normal Fowler and Sir Robert Armstrong.

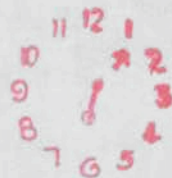
*Michael Jopling*

MICHAEL JOPLING

Local Govt : Relations #22.

8

17 SEP 1964



CONFIDENTIAL

*E(A) back up folder*

*ce. no.*



QUEEN ANNE'S GATE LONDON SW1H 9AT

17 September 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE

*in my folder*  
Your letter of 2 August to Patrick Jenkin made proposals for dealing with the local authority capital overspend on DOE/LA1 in 1983/84.

In their replies, Keith Joseph, Nicholas Ridley and Ian Gow have been unable to agree with your proposals for the clawback of the overspend from the 1985/86 baseline provision (although I note that your minute of 11 September to the Prime Minister implies that this clawback will take place). My purpose in writing is to set out the difficulties which already exist over the capital provision for the fire service and civil defence within the Other Services Block arrangements. That provision is small compared with the provision for services in the other main blocks. Nevertheless, as I explained at our recent bilateral, I face real difficulties in accepting the service reduction you propose. In advance of any collective discussion of your proposals which may be necessary, it might be helpful to colleagues if I briefly explain the nature of the problem.

Our commitment to make provision for civil defence expenditure in response to the 1983 Civil Defence Regulations means that if our credibility in this important policy is to be maintained, any reduction in the 1985/86 baseline provision would have to be borne by the fire service. However, to reflect forecast spending plans of English fire authorities, the existing capital provision (£19m) would have to increase by a factor of 2. This mismatch perpetuates the gap that has existed between PES capital provision and actual spending by fire authorities since the present capital control system was established. It has drawn criticism from the local authority associations about Government policy priorities, and created scope for them to question my adherence to minimum standards of fire cover. Real difficulties have been avoided only because of the flexibility which existing authorities enjoy. The joint fire service boards to be set up in the metropolitan counties and London in 1986/87 will have no such flexibility. The nature of present controls over this expenditure gives me no basis for saying with certainty that current levels of capital spending by fire authorities are essential for the maintenance of operationally efficient brigades within approved minimum standards of fire cover. Equally, I have no basis for concluding that the currently planned level of spending is out of line with real needs. HM Inspectorate of the Fire Service has no evidence that it is. As you know, I am determined that the temporary controls which we plan to take over joint boards when they are established should be used to enable us to make a better informed judgment. Meanwhile, the £3m reduction you propose would increase the apparent under-provision.

The creation of joint boards for the fire service gives added point to these difficulties. If provision is out of line with authorities' plans, to the extent that it now is, when those boards assume responsibility for the Fire Service in London and the metropolitan areas the boards will be able to blame the Government for their inability to maintain an adequate service. If as a result they are unable to maintain minimum standards of fire cover, we should have to increase their provision - which would run counter to all we had said about the scope for

The Rt Hon Peter Rees, QC, MP

CONFIDENTIAL

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achieving savings through abolition of the Metropolitan County Councils. I am sure that we should avoid this if we possibly can. This problem exists regardless of your proposals on the 1983/84 underspend: but if those proposals result in a further reduction in fire service provision, the problem will be made that much greater. If a solution is to be found within the existing planning total, it will have to be at the expense of other service allocations: clearly a reduced total would have implications for the effect on other services.

As you know from our bilateral, I believe that we must decide collectively, before the 1985-86 provision is settled, how this problem over the fire service allocation is to be overcome, and it was on that basis that I withdrew my relevant bid.

I am copying this letter to the Prime Minister, Members of E(LA), Nicholas Edwards, Michael Jopling and Grey Gowrie.

*Leon Bowen*

CONFIDENTIAL

17 SEP 1994

4 2 1 2 3 4 5  
6 7 8 9 0



PRIME MINISTER

I believe that if the verdict of E(A) goes against Mr. Jenkin, other than by a wide margin, he will seek leave to appeal to the full Cabinet, though with invitees adding to the already large size of E(A) Cabinet won't be much larger.

As Mr. Jenkin is on tour this Thursday it would have to be the 27th September meeting, for which the Chancellor will be back.

The last occasion on which a Minister appealed to Cabinet was Mr. Jopling on milk prices.

Sir Keith Joseph has now commented in writing, supporting a moratorium this year but opposing clawback in 1985-86.

Policy Unit have provided a note setting out the public expenditure background.

*Duty Clerk.  
pp. AT.*

17 September 1984

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P.01387

PRIME MINISTER

Local Authority Capital Expenditure

BACKGROUND

Estimates before the Summer Recess suggested that the main cash limit on local authority capital expenditure in England in 1983-84 had been overspent by £368 million, and that the corresponding cash limit for 1984-85 might be overspent by between £350 million and £1250 million. There was also estimated to have been a small overspend by Welsh local authorities in 1983-84; the forecast for 1984-85 was for an overspend of the order of £50 million. It was not expected that there would be any significant overspending in Scotland.

FLAG A 2. E(A) considered the situation on 10 July (E(A)(84)18th Meeting, Item 1) and agreed that it was essential to take action to curb the prospective overspending in England and Wales in 1984-85: the aim should be to avert it entirely; but it would be right to accept a modest overspend if this was necessary in order to maintain a reasonable degree of flexibility to deal with hard cases. Any action would have to be voluntary and couched in the form of a request to local authorities for restraint. For the future, officials should advise on how the monitoring and control systems in England and Wales could be improved.

3. On 18 July the Secretary of State for the Environment announced that the Government had decided that on the basis of current information it would be wrong to ask for a complete halt to new capital spending commitments in 1984-85. Instead, local authorities were being asked to restrain their capital spending to the level of capital



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allocations made to them for 1984-85, plus a proportion of the capital receipts arising in the current year. If they were already committed by contract to expenditure higher than that they should enter into no further commitments. (The main effect of this was to ask local authorities not to use their ability to increase capital allocations by spending accumulated receipts from past years: see paragraphs 5 and 6 of the brief I submitted for the previous meeting of the Sub-Committee (copy attached for ease of reference)).

FLAG B

4. Although the arrangements rested on voluntary co-operation, Mr Jenkin announced that for 1985-86 he would have regard to the extent to which authorities responded to the Government's request: if necessary, he would use his statutory powers to reduce the total expenditure which local authorities collectively or individually could incur in that year. He also announced that the overspend in 1983-84 would be taken into account when setting the cash limit for 1985-86.

5. The Parliamentary Under Secretary for State for Wales (Mr Wyn Roberts) made a parallel announcement about Wales on the same day.

Proposals for 1984-85

FLAG C

6. In his minute of 11 September to you, the Chief Secretary, Treasury says that the latest returns from local authorities show that overspending in 1984-85 is likely to reach some £500 million (in round terms, £450 million in England and £50 million in Wales). Although there is uncertainty about the figures, this represents an unacceptable potential addition to expenditure. The Chief Secretary therefore proposes that the Secretaries of State for the Environment and for Wales should ask local authorities not to enter into any further commitments in 1984-85.

FLAG D 7. In his minute of 14 September, the Secretary of State for the Environment argues that such a moratorium would be politically very controversial, and that its likely effects on expenditure (which Mr Jenkin suggests could be less than £100 million) are too small to justify the political damage it would do. He suggests that instead the spending curbs announced on 18 July should be maintained, but reinforced by a campaign to persuade local authorities to maximise their capital receipts. Because the cash limit is net of such receipts, this would help reduce the prospective overspend.

FLAG E 8. The minute of 14 September from the Secretary of State for Wales takes a similar line. Mr Edwards argues that the problem in Wales is one of inadequate receipts, not excessive expenditure. Moreover, a moratorium on expenditure commitments would have no effect, since existing commitments by Welsh local authorities are already equal to their expenditure allocations plus the prescribed proportion of receipts in the current year, the amount to which local authorities were asked to confine themselves by the announcement on 18 July.

Proposals for 1985-86

FLAG F 9. There has also been correspondence about 1985-86. The Chief Secretary, Treasury has proposed (his letter of 2 August, copied to you) that the full overspend in 1983-84 should be deducted from the cash limits for 1985-86, the reduction being distributed according to each programme's share in the 1985-86 base-line. His minute of 11 September seems to assume that this will be agreed; it also envisages that any overspend in 1984-85 should also be recovered in 1985-86. These views have been challenged on two grounds.

(i) Some Ministers have argued that the effects on programmes of offsetting in 1985-86 the full amount of overspending in 1983-84 and 1984-85 will be too severe (possibly taking £800-£900 million out of a baseline of less than £2.5 billion).

eg Sir K. Joseph.

(ii) Some Ministers have argued that the proposed method of allocation is unfair since it takes no account of the share of each service in the 1983-84 overspend.

Most spending Ministers seem to consider that the 'clawback' proposed by the Chief Secretary should be discussed, at least in the first instance, in the bilateral discussions between the Chief Secretary and spending Ministers which are now in progress.

MAIN ISSUES

10. The issues before the Sub-Committee are as follows.

(i) Should the Government ask local authorities to introduce a (voluntary) moratorium on commitments to capital expenditure for the rest of 1984-85?

(ii) Should it be agreed now that the 1983-84 <sup>and 1984-85</sup> over-spends should be clawed back from the provision for 1985-86?

1984-85

11. The proposals are set out rather summarily in the papers, and leave one or two important points of detail unclear. It might be as well to confirm the following two points at the outset of the discussion.

(i) Our understanding is that the Chief Secretary's proposals cover only the two cash limit blocks known as DOE/LA1 and WO/LA1. The implication of this is that

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they do not extend to capital expenditure by local authorities on police, the courts, or probation, which are covered by a third block known as HO/LA1, for which the Home Secretary is responsible.

(ii) Our understanding is that, as before, any moratorium would be voluntary: there is no suggestion of compulsion (which indeed would require fresh legislation).

12. In deciding whether to announce a voluntary moratorium in England, Ministers will wish to consider the following.

(a) The Government announced its decision on 18 July. Although the possibility of further action was explicitly kept open (Commons OR, Col 336), it might seem precipitate to take such action after only two months.

(b) The latest returns do not suggest that the situation is materially worse than that assumed when the July decisions were taken (overspend now thought to be £500 million as against £350-£1250 million expected last July). 75-750

(c) The effect on expenditure in 1984-85 of a moratorium announced now is uncertain, and might well be small. Paragraph 3 of Mr Jenkin's minute of 14 September gives a number of reasons why he thinks it might be 'less than £100 million'.

(d) In July the Sub-Committee thought that a modest overspend was acceptable in the interests of flexibility.

On the other hand:

(e) If action is to be effective it must be taken soon. Even now, the bulk of expenditure in 1984-85 is no doubt covered by existing commitments.

(f) It is in fact clear that it will not be easy to reduce allocations in 1985-86 to offset the full amount

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of overspending in 1983-84 and 1984-85. One argument in favour of a moratorium now is that it would be likely to reduce commitments resulting in expenditure in 1985-86 and so increase the Government's room for manoeuvre in that year.

13. The situation in Wales is rather different. As existing commitments are equal to allocations plus the prescribed proportion of receipts in 1984-85, a moratorium as proposed by the Chief Secretary could not affect expenditure in the current year. The only reasons for a moratorium in Wales would be:

(a) if it were thought essential to take the same action in England and in Wales; or

(b) in order to reduce expenditure falling in 1985-86 (see paragraph 12<sup>(d)</sup> above).  
f

1985-86

14. It is not easy to see how E(A) can decide now that overspending in 1983-84 and 1984-85 should be fully offset in 1985-86: spending Ministers will no doubt need to discuss the implications for their services with the Chief Secretary (and Ministers collectively may well need to consider some of those implications); there is an unresolved disagreement among Ministers about how any offsets should be allocated between programmes; and there is a further complicated argument between the Department of the Environment, the Welsh Office and the Treasury about how any reductions in English programmes should affect the Welsh Office block budget. These issues could not be resolved tomorrow. Equally, you will no doubt wish to avoid creating any presumption that overspending in 1983-84 and 1984-85 should not be fully offset.

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Announcements

15. It is common ground between the Chief Secretary, the Secretary of State for the Environment, and the Secretary of State for Wales that some action must be taken: the two Secretaries of State agree that local authorities should at least be asked to maximise receipts. The Sub-Committee will wish to consider whether whatever action is agreed in respect of 1984-85 should be announced to the media, presumably by means of a press release. Since any action that might be agreed in respect of 1985-86 would relate to the conduct of the public expenditure survey, the question of public announcements does not arise here.

HANDLING

16. You will wish to invite the Chief Secretary, Treasury to open the discussion, and the Secretary of State for the Environment and Mr Stradling Thomas (in the absence of the Secretary of State for Wales) to reply. The Chancellor of the Exchequer will wish to comment on the public expenditure situation in the context of the economic prospects. All Ministers with responsibilities for local authority capital expenditure - Home Secretary, Secretaries of State for Education and Science, the Social Services, Trade and Industry, Minister of Agriculture, Fisheries and Food, and the Secretary of State for Transport - will wish to comment.

17. The discussion is likely to concentrate on 1984-85 rather than the Chief Secretary's specific proposals for 1985-86. However, you will wish the meeting to bear in mind that action taken in 1984-85 will presumably have implications for expenditure in 1985-86.

CONCLUSIONS

18. You will wish the Sub-Committee to reach conclusions on the following.





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(i) Should the Government ask local authorities in England and Wales to enter into no further commitments to capital expenditure in 1984-85? Or should it confine itself to encouraging local authorities to maximise capital receipts?

(ii) Should any decision be taken at this stage about the extent to which excessive local authority capital expenditure in 1983-84 and 1984-85 should be clawed back from provisions in 1985-86?

(iii) How should the Government's decisions be made known?

*PLG*

P L GREGSON  
Cabinet Office.  
17 September 1984

Prime Minister

Then sets out the background  
to the E(A) meeting

17 September 1984

MR TURNBULL

AT 17/9

PUBLIC EXPENDITURE

For 1984-85, we are heading for a spending overshoot of about £1 billion. Overspending by local authorities, the miners' strike, and the health service pay settlement together have bust the £2.75 billion Contingency Reserve.

Major public expenditure questions coming before the Prime Minister in the next few weeks include:

- Local authority capital at E(A) tomorrow
- Regional policy at E(A)
- The seminars on local government, health, and social benefits.

In mid-October the Chancellor will be reporting the outcome of the expenditure bilaterals.

These things need to be viewed against the sombre future prospect on public expenditure. Bids for additional expenditure range from £5 billion in 1985-86 to £8.5 billion in 1987-88. If you assume:

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1. that the Treasury only gives away the irresistible bids caused by higher inflation, unemployment etc, and fights off all the rest;
2. we cut the Contingency Reserve for next year to £3 billion;
3. and for once we deliver the nationalised industry EFLs already agreed,

then there is a gap to be covered by further cuts of approximately £2 billion in 1985-86 and in 1986-87, rising to £3.5 billion in 1987-88.

These savings have to be found - to preserve our credibility as expenditure and tax cutters, and to resume the road to lower interest rates.

The Treasury is already looking at some politically difficult options:

- £0.5 billion off housing capital expenditure
- getting rid of most of Norman Tebbit's special schemes for industrial support
- reducing capital grants for agriculture, halving R&D, and charging more for drainage and advice;

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- increases in health charges
- up to £0.75 billion off social benefits.

We should be getting rid of unnecessary subsidies to industry and agriculture, and expenditure on social benefits has to be cut back. But the client groups will moan.

If these options can't be delivered, then the fallback is across-the-board cuts. But the Treasury's fear is that colleagues will argue that these are simply the same unpalatable options reinserted through the back door. If enough Cabinet Ministers parade the bleeding stumps of programmes already cut and argue against further reductions, there is a risk that the Treasury will fail to achieve the expenditure target.

A crucial political figure is likely to be Norman Tebbit, because the public expenditure announcement is due in mid November, shortly before the flotation of BT. Conceding that public expenditure will overshoot by £1 billion or £2 billion will hardly help the sale. We hope that this will encourage him to urge reductions on colleagues.

*David Willetts*  
DAVID WILLETTS

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*Prime Minister*  
*Se Keeth supports a moratorium*  
*this year but opposes clawback for*  
*1985-86.*

*CENo.*  
*5*  
*AT*

*12/9*

PRIME MINISTER  
LOCAL AUTHORITY CAPITAL EXPENDITURE

*copy folder*  
1. The Chief Secretary sent me a copy of his minute to you of 11 September proposing the early announcement of a moratorium on local authority capital expenditure for the rest of the financial year and the clawback of any eventual 1984-85 overspend in a later year. I have also seen the minute dated 14 September from the Secretary of State for the Environment.

2. The control system which we introduced in 1980 has shown itself to be seriously flawed: the overall cash limit can be breached without any breach of spending limits by any individual local authority. In such circumstances where the actions of a local authority trying to cooperate with government policy have no visible relationship with the cash limit, it seems to me to be perverse and unfair to apply the normal rules for clawback. These make excellent sense where the overspender is himself able to judge the effect of his actions, but not where the cash limit applies to a large number of independent agents, none of whom know what the others are doing to affect that limit. We would do better for the future to go for a tough and effective control system for 1985/86 and beyond that works.

3. I thus continue to be opposed to the application of clawback. Any further curtailment of our planned investment in education would seriously undermine my efforts to secure greater efficiency through the removal of surplus school places, necessary both on financial and educational grounds, and would prevent the re-equipment of colleges and polytechnics to secure the switch to engineering and developments in information technology essential to industry.

4. For the current year I agree with the Chief Secretary that we must do all in our power to limit calls on expenditure. Although we all recognise that the Chief Secretary's proposed

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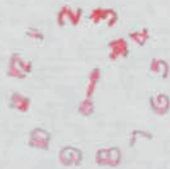
moratorium will give local authorities further cause for complaint, I have come to the view that we should be prepared to adopt it, subject to two provisos. The first is that it should be absolutely clear that there can be no question of trenching on statutory liabilities and that expenditure which an authority is required to incur in order to satisfy statutory obligations would continue to be exempt. The second is that in reaching the decision all concerned should recognise the limitations on the likely effectiveness of his proposal in practice.

5. I am copying this minute to the other members of E(A), Leon Brittan and Norman Fowler, and to Sir Robert Armstrong.

lg

17 September 1984

77 SEP 1984





10 DOWNING STREET

From the Private Secretary

Prime Minister

I believe that if the verdict of E(A) goes against Mr Jenkin, other than by a wide margin, he will seek leave to appeal to the full Cabinet, though with invites adding to the already large size of E(A) Cabinet will be much larger.

As Mr Jenkin is on leave this Thursday it would have to be the 27<sup>th</sup> September meeting, for which the Chancellor will be back.

The last occasion on which a Minister appealed to Cabinet was Mr Topling on milk prices.

Sir Keith Joseph has now commented in writing, supporting a moratorium this year but opposing clawback in 1985-86.

Policy Unit have provided a note setting out the public expenditure background



Prime Minister (2)

This illustrates the point you made at yesterday's meeting that government is still extending its powers

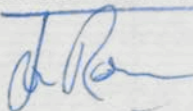
AT 14/19  
14 September 1984

MR TURNBULL

Patrick's letter to Willie underlines the problem of the growing burden of regulation as it affects local authorities.

He is correct that it weakens our argument against LA budgets.

It reinforces Norman Tebbit's argument that deregulation should begin by abstinence from too much new regulation, or the repeal of old rules when better new ones are needed.



JOHN REDWOOD



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CGNO

ms

PRIME MINISTER

LOCAL AUTHORITY CAPITAL EXPENDITURE

The Chief Secretary's minute to you of 11 September proposes an immediate moratorium. You also saw his letter of 5 September to the Minister for Housing and Construction about clawback.

The announcement of a moratorium would of course be a very controversial step - particularly on the eve of the Party Conference - and I think we ought to consider the issue collectively before a decision is taken. We hesitated to introduce a moratorium in July when the forecast of overspending this year on local authority capital was much worse than it now is. The measures of restraint announced instead at that stage have had quite an effect. I seriously question whether the political outcry which a moratorium would provoke would be worth the practical results it would achieve.

Authorities' returns show scope for further spending under the existing restraint as around £350m at 18 July. Much of that will have been committed since; some of it would never be committed anyway; some of the rest will not result in expenditure because of slippage; and some of it may be spent through non-compliance even if there is a moratorium. A moratorium would, as we recognised earlier, have to be voluntary. There would be no incentive for authorities to increase capital receipts (which help the cash limit). We might save less than £100m.

Against that must be set the political damage. I have had an enormous amount of correspondence since 18 July from Conservative-controlled local authorities and Conservative MPs gravely disaffected by the restraint. Some have implied that the next request may not be heeded.

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A moratorium would also be damaging to the workload of the construction industry both because of its direct effect and because of the uncertainty it would create in the minds of those planning local authority programmes.

The Chief Secretary's proposals for clawback are also very difficult. Taken alone, they could take £800m-£900m out of a baseline for 1985/86 of less than £2,500. In conjunction with cuts on the scale he is seeking in the PESC round, their effect is even more severe. It is precisely because the total effect is only apparent when the issues are considered together that I continue to believe, notwithstanding his letter of 5 September, that the Chief Secretary and I, and the other spending Ministers, must discuss clawback as part of our bilateral process, which will also look at levels of need for each service. We cannot reach a sensible decision on clawback without looking at the whole picture.

My own proposal for dealing with the immediate problem is that we should maintain the spending curb announced on 18 July. This would be reinforced by a campaign to persuade local authorities to maximise their capital receipts in the current year, reducing pressure on the cash limit.

I am copying this to the other members of E(A); to the Home Secretary and the Secretaries of State for Education and Science and Social Services the Minister without Portfolio; and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'J. H. Callaghan'.

PJ

14 September 1984

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PRIME MINISTER

LOCAL AUTHORITY CAPITAL EXPENDITURE 1984-85

I have seen the Chief Secretary's minute to you of 11 September, in which he suggests that the Secretary of State for the Environment in England and I in Wales should ask local authorities not to enter into any further commitments for the rest of this financial year. I understand that you have convened a meeting to discuss the matter next Tuesday. In my absence abroad John Stradling Thomas will represent me at that, but I thought I should make my position clear before I go.

2. Welsh local authorities have forecast an excess over the cash limit of about £50m in the current year. This is largely accounted for by their prediction of a shortfall of £38m in the amount of receipts which we have assumed in the spending plans. The problem therefore arises mainly on the receipts side of the account, and it arises entirely in the district tier: Welsh counties are not forecasting any contribution to the excess.

3. Recent returns show that almost all Welsh districts are now committed to capital spending up to their basic allocation plus prescribed proportion of receipts, and so are already within the scope of my call for a voluntary moratorium. A further call to them as suggested by the Chief Secretary would not have any effect other than to irritate, and perhaps in some cases to influence authorities away from the voluntary co-operation we need.

4. When I made my previous appeal to authorities for restraint I deliberately addressed it to the districts alone, since they were the root of the trouble. The counties appreciated that gesture: it was equitable, and in tune with the fairness Welsh local authorities have come to expect. It would be inequitable and unreasonable to now extend the call for restraint to them.

5. Instead I propose to call upon the Welsh districts to take action on the receipts side. It should be possible, with voluntary co-operation, to sell some of their mortgage books to the private sector to raise the sort of money we are looking for (I am advised that the total value of district council mortgage books in Wales is about £250m). I believe that the necessary co-operation will be forthcoming, and subject to your agreement at Tuesday's meeting I propose that a letter should go to Welsh local authorities accordingly shortly thereafter.

6. I am sending copies of this minute to the other members of E(A); to the Home Secretary and the Secretaries of State for Education and Social Services; and to Sir Robert Armstrong.

NZ

14 September 1984

R N E

BF 17.9.84.



10 DOWNING STREET

Andrew

Are you content  
with the line-up  
for E(A) on Tues.  
as attached?

~~Yes~~

Told RAI's office  
14/9.

Nicky

14/9

Local authority capital expenditure

H/A Meeting Tues 18 Sept at 1200 am

s/s Northern Ireland - will not attend; no rep  
s/s Scotland - ditto  
Lord Privy Seal - ditto  
M/AFF - ditto

(will write to No 10)

s/s Wales - rep = Mr Stradling Thomas  
s/s T+I - rep = Mr Lamont

Also invited

Home Secretary  
s/s Education + Science  
s/s Social Services



10 DOWNING STREET

DC

Can you very  
kindly do a  
ring round @  
check & take  
his group and  
do 1400 on  
the 27<sup>th</sup> <sup>\*</sup> to get  
ENV.

P/ENV.

✓ VEX

✓ V&P

✓ Ld Govrie

→ Chief Sec difficult lunch at 13:30

✓ PIES

→ H/S has a lunch at the moment  
will put a note in his box tonight to see if  
it can cancel.

✓ LPP in Europe will come if in  
London.

✓ Cheywick

✓ P/Plotted

✓ St Wales

CR

Pl established whereabouts of  
Chancellor - OK Time being held ✓

SS / ENW ✓ ?

Lord Pres ✓

Lord Gouge ✓

(noon) Chief Secretary ✓

(lunch) SS / ES ✓

SS / SS X Buxton. add: Soc Sec  
Capice

~~SS / SS~~

Home Secretary ✓

Lord Privy Seal ✓

? ✓ CW

✓ P / Scot

at 2:30 ~~at~~ on 27/9 <sup>Chairing</sup> (Wales)

Possible meeting on local government  
issues

{ SS  
KB  
Waldgrave  
Lord Avon  
Lord Gouge

CR

CST

ES }

HS }

SS }

LPS

LP



SECRET

2

B/F when the issue comes to E(A).

AT 12/9

12 September 1984

MR TURNBULL

LOCAL AUTHORITY CAPITAL SPENDING

The Chief Secretary is clearly right to urge a full moratorium on further capital commitments this year: the Government cannot afford to allow any increase in the £500 million of overspending that has already occurred, and there is no other way of preventing such an increase.

The Treasury also propose claw-backs in 1985/6 to match excesses this year. This has raised a storm of protest from other departments, which receives no mention in the Chief Secretary's letter. The issue will have to be fought out in bilaterals or at Cabinet.

We agree with the Chief Secretary on the need for a new system that gives the Government proper control over capital spending. The Treasury are having an uphill task persuading other departments to agree on a suitable system, and it would be helpful for the Prime Minister to give a token of her support.

We recommend that the Prime Minister should:

- i. support the Chief Secretary's call for an immediate moratorium on further commitments this year; but
- ii. stress the need for a system that gives the Government proper control over capital spending;
- iii. reserve judgment on the PESC claw-back for 1985-6.

*Oliver Letwin*

OLIVER LETWIN

LAZABG

SECRET



6819

~~T. JR~~

2.0L

13/9/84

~~CCNO~~  
2 MARSHAM STREET  
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

12 September 1984

Dear Willie,

#### NEW BURDENS ON LOCAL GOVERNMENT

In recent months I have received a growing number of complaints about the proliferation of central government initiatives which make it more difficult for local authorities to make the economies required by our spending targets. This is of course a familiar complaint, but one which I think we must take seriously.

Our plans for 1985/86 make it all the more important that we keep such new initiatives to a minimum now. First, the current expenditure provision which we have agreed for 1985/86 is only about 1% more than budgeted current expenditure for 1984/85; so we are asking for significant real terms cuts. Second, we are implementing rate-capping for the first time; and in the Rates White Paper we undertook, in operating rate limitation to take account of any new obligations that may be placed on local authorities, by statute or otherwise.

I have asked my officials to draw up a list of the new burdens on local authorities which have been imposed or proposed since the beginning of the year. I attach the list. I recognise that colleagues in Service departments will not put forward proposals implying new burdens without strong policy reasons; and those listed under my own Department show that I am no exception to that. Individually, too, many appear unexceptionable on de minimis grounds. But the existence of 36 new proposals in only 7 months does, I believe, show that local government at least have a case we must answer.

All proposals affecting local government must clearly be judged on their merits. I hope, though, that colleagues will agree that there should be a strong predisposition against proposals which are likely to reduce, even in a small way, authorities' ability to make the manpower and spending cuts which are necessary if the Government's aggregate plans are to be delivered. I should like to make the following specific proposals:

- a. that colleagues in spending departments should comment on their items in the list, and suggest any deletions or additions; the list is doubtless not exhaustive;
- b. that we should all try to improve the quantification of the manpower and financial implications of proposals; local government are justifiably suspicious of phrases such as

"unlikely to be significant", "difficult to quantify", or "small": I think it is only reasonable for us to offer estimated figures, to give a better order of magnitude; if Departments do not know what a proposal is likely to cost, they should perhaps seek an estimate from local government before proceeding, so that it is at least clear whether a proposal should cost more, say, than £½ million in aggregate;

- c. that we should improve the prior consultation arrangements both within Government and with the local authority associations. As a general rule, I propose that Departments should always consult my Department and the Treasury before any public consultation on proposals affecting local government; they should give us sufficient time to consider the proposals at that stage; and if we agree, they should then consult the local authority associations before announcing any decision.

If colleagues think it would be useful, I propose to circulate an up-dated list of new burdens on a 6-monthly basis.

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

Your ever  
Patrick

PATRICK JENKIN

NEW BURDENS ON LOCAL GOVERNMENT SINCE 1st JANUARY 1984  
POSSIBLE EXPENDITURE AND MANPOWER IMPLICATIONS

PROPOSAL	ORIGINATING DEPT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN
1. Consultation paper on child abuse	DHSS	Not quantified	Consultation at official level.
2. Children in care	DHSS	Not quantified expected to be insignificant	Part of SSI report on children in care: consultation at Ministerial level.
3. Sale of spectacles other than by optician	DHSS	+£0.2m to +£0.4m	Part of Health and Social Security Bill
4. Treatment and rehabilitation of drug misusers	DHSS	Not quantified indirect pressure on LAs to spend more	Circular issued to Regional Health Authorities
5. New PSS Inspectorate	DHSS	More effective use of existing resources; in due course pressure for additional resources	Announcement made after Ministerial discussion
6. Ethnic minorities under Fives report	DHSS/Inter-Departmental	Not quantified implied pressure for additional spending by LAs	About to be promulgated by DHSS circular subject to clearance by Ministers
7. Draft circular on notification procedure for listed building consent	DoE	Not quantified expected to be insignificant	Circular issued to LAAs for their comments
8. Draft circular on Homes Insulation Scheme	DoE	— " —	Draft circular in preparation
9. Implementation of Reservoirs Act 1975	DoE	Mainly capital but £0.1m current expenditure 1985/86 and 1986/87	Local Authority representatives to meet DoE Ministers
10. Admission of part-time employees into LG Superannuation Scheme	DoE	+£10m per annum	Discussion in Ministerial correspondence
11. Regulations on gratuities for LG employees	DoE	Savings of up to £50m	Ministerial correspondence. Implementation dependant on No 10 above.
12. Access facilities for disabled people	DoE	Not quantified: small additional demands on local authorities	Local Authority Associations consulted and content

1. 2000	ORIGINATING DEPT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN
13. Draft order on Fire Escapes in Houses in Multiple Occupation	DoE	+£1.6m per annum	Under discussion with Treasury
14. Computer Software in Schools	DTI	Not quantified Small administrative costs for some authorities.	Meeting amongst officials. Proposals accepted by local authority associations
15. Proposed legislation on false and misleading price information	DTI	Not quantified Possible savings	Ministerial correspondence
16. Charging LAs for employment data	D.EMP	Not quantified; possibly considerable extra costs	Discussion at official level
17. Implementing S48 of the Criminal Law Act 1977 to allow advance disclosure of the prosecution case to defendants	HO	+£1m per annum	Consultations to take place with LAAs and police bodies
18. Police and Criminal Evidence Bill: legal representation for police at disciplinary hearings	HO	+£0.18m per annum	DoE Ministers consulted. LAs consulted.
19. Voting abroad in local elections	HO	Not quantified minor additional burden on registration officers	Discussion at official level
20. Broadcasting in schools: charge for taping programmes	HO	Not quantified	Discussed at official level. Consultation paper sent to associations for comment
21. Allowing all drivers a blood test after positive intoximeter test	HO	+£0.75m for 6 months	DoE Ministers consulted; implemented
22. Expansion of prison education	HO	Not quantified	Draft response to Select Committee report. Ministerial correspondence.

PROPOSAL	ORIGINATING DEPT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN
23. Civil defence and emergency planning	HO	Mainly consolidation of present arrangements	Under consideration by officials
24. More parental influence over schools	DES	+£3m per annum	Green paper issued after Ministerial discussion
25. Improvements to initial teacher training	DES	+£3m per annum	Official level discussion
26. In-service training scheme	DES	Not quantified	Circular issued after Ministerial discussion.
27. Bus Policy	DTP	+£4m to £5m per annum +300 extra staff	White Paper issued after Ministerial discussion
28. Extension of fixed penalties on parking offences	DTP	Not quantified Thought to be reduction after initial setting up costs	Discussed by Ministers as part of Transport Bill
29. EC Directive on major industrial accident hazards (Seveso Directive)	HSC	+£1.5m per annum	LAs to recover the costs from industry
30. Zoo licensing	HSC	Costs to be fully recovered through fees	Implemented
31. Consultation document on resale of electricity by landlords	OFT	Not quantified	Consultation at official level
32. Review of the Food and Drugs Act	MAFF	Not quantified Various proposals some small additional expenditure some offsetting savings - some scope for charging to recover costs	Draft being discussed at official level
33. Licensing of poultry slaughterhouse operations	MAFF	Not quantified but small scope for recharging	Implemented

PROPOSAL	ORIGINATING DEPT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN
34. Treatment of poultry at slaughter	MAFF	Minor	Implemented
35. Amendments to Animal Health and Welfare Bill	MAFF	Unquantified	Official proposal
36. Charging for Valuation Office Services	Inland Revenue	+£4m to £8m per annum	Ministerial correspondence



MICHAEL GERSON (LEASING) LTD.

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London N20 9LB

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Telex No.: London 23965

Rt Hon. Margaret Thatcher MP  
Prime Minister,  
10, Downing St  
S.W.1.

11.9.84.

Dear Mrs Thatcher,

Please forgive this handwritten note however in our leasing company we were offered a most unusual lease which I recognise has important political implications - which may or may not be known to Patrick Teahan.

The lease offered to us was for a piece of equipment to be leased to the G.L.C. over three years BUT the peculiarity of the terms were that all the leasing payments were to be made up front - i.e. not over three years but in one lump sum.

I would imagine that the purpose of this unusual structure is to try to convert 'Capital' expenditure which I believe is subject to setting in view of the position of the G.L.C. to 'Revenue' expenditure which presumably escapes such setting.



Since the lease in question was not of interest to us I did not get any details and it was only because of its peculiar structure that it prompted me to ponder why such a strange lease should be offered.

Undoubtedly this may be a loophole which is open to abuse and though the government may be aware of it already I thought it worth mentioning in case they were not already aware.

Kind regards,

Yours sincerely

Michael Costello

SECRET



FROM; CHIEF SECRETARY  
DATE: 11 September 1984

PRIME MINISTER

### LOCAL AUTHORITY CAPITAL EXPENDITURE

As you know, the public expenditure planning total for 1984-85 is at risk from a variety of adverse factors. One of these is the high level of capital expenditure by local authorities in England and Wales.

2 Because of the overspend of nearly £400m in 1983-84 and the threat of further overspending this year, E(A) decided on 10 July that the Secretaries of State for the Environment and Wales should ask local authorities to restrict their new commitments for the rest of this year. (E(A)(84)18th Meeting minutes, item 1). We had hoped that this would limit overspending in 1984-85 to a modest sum.

3 Returns now show that, despite this step, overspending in 1984-85 is likely to reach some £500m. There is a good deal of uncertainty about the figures, but this is the level predicted by the local authorities themselves. This sum is far from modest and, given the very tight position, an unacceptable potential addition to expenditure. The Chancellor of the Exchequer and I are convinced that we must take immediate corrective action. I therefore propose that the two Secretaries of State should ask local authorities not to enter into any further commitments for the rest of this

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financial year. There has already been speculation in the Press that we shall act in this way; and, to prevent forestalling, the request to authorities should be made in the next few days.

4 To the extent that even these measures fail to keep spending within the cash limit - and there is bound to be some excess - we should claw back an equivalent sum in a later year, in accordance with the usual practice. (We are taking steps to ensure that the 1983-84 overspend is offset in this way in 1985-86).

5 I recognise that this action will have some adverse effect on the construction industry and expose us to political criticism. But if we do nothing about a major breach of our spending plans, we shall be open to the much more damaging accusation that we have lost control of public expenditure.

6 Looking further ahead, I understand that we shall have shortly from officials the report commissioned by E(A) on methods of improving our present system for controlling capital expenditure by local authorities in England and Wales. It may be that we shall have to limit severely authorities' powers to use accumulated receipts and in other respects to move closer to the more satisfactory arrangements that obtain in Scotland.

7 I am sending copies of this minute to the other members of E(A); to the Home Secretary and the Secretaries of State for Education and Social Services; and to Sir Robert Armstrong.

PR

PETER REES

SECRET

CONFIDENTIAL



FILE JCAAFV

cc Scottish Office  
 Welsh Office

10 DOWNING STREET

From the Private Secretary

11 September 1984

Dear John,

Local Government Policies

The Prime Minister considers it would be useful to hold a meeting during the Recess to discuss a number of issues relating to local government. I understand your Secretary of State would welcome such a meeting before the Party Conference as it would help him in the preparation of his speech.

The issues might be selected from the following:

- (i) The strategy for securing passage of the Abolition Bill.
- (ii) How to deal with non co-operation from the GLC and MCCs during the abolition process.
- (iii) Contingency planning against the possibility that rate capped councils may adopt policies of confrontation.
- (iv) Tackling local authority abuses, in particular excessive publicity at ratepayers' expense.
- (v) Simplification of the complex system for controlling local authority expenditure.
- (vi) How to secure a fairer deal for low spending authorities.
- (vii) What can be done to improve the structure of rates and move away from a situation in which those who pay most rates have no votes and many who vote don't pay.
- (viii) How to improve local authority efficiency in the use of their resources, e.g. by contracting out, disposal of surplus land, and through the implementation of Audit Commission suggestions.

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- 2 -

Could I ask your Department, in conjunction with the Treasury and the No.10 Policy Unit, to agree on the issues to be discussed, and to make arrangements for an annotated agenda note to be prepared. I will be in touch about the timing of such a meeting.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Peretz (HM Treasury), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), David Morris (Lord Privy Seal's Office), John Gieve (Chief Secretary's Office), Paul Thomas (Lord Gowrie's Office), Mike Bailey (Kenneth Baker's Office, DOE), and Richard Hatfield (Cabinet Office).

*Yours sincerely  
Andrew Turnbull*

Andrew Turnbull

John Ballard, Esq.,  
Department of the Environment.

CONFIDENTIAL

MR TURNBULL

5 September 1984

AUDIT COMMISSION REPORT

ms

The Prime Minister asked for an analysis of the recent Audit Commission report on local government spending.

The report stresses:

- i. the bewildering complexity of local finance;
- ii. the lack of managerial accountability; and
- iii. the weaknesses of GRE and rate valuations as measures of the current needs and wealth of each area.

These points are sensible; but they are not new.

The real interest of the report lies in its observations about the damaging effect of the grant system on local spending. The Commission concludes that:

1. Targets induce higher spending, because councils know that next year's target will go up if they over-spend this year; [true - targets are unsatisfactory for many reasons including this].

- 2 . Uncertainties about grant cause higher rates, because councils store large sums of money in special funds against the possibility of future cuts; [undoubtedly true - other motives for having special funds are the wish to minimise penalties, the wish to produce low rate increases in election years, and the wish to fund propaganda].
  
- 3 . Central government controls over the distribution of grant within local authorities impede sensible spending decisions; [no doubt also true at least one some occasions].

The remedies offered by the report are not particularly helpful. Abolishing targets without either increasing the scope of rate limits or altering the GRE system would set £18 billion of public spending free, and would lead to higher aggregate expenditure. Setting grants for three years ahead would force the government into commitments that might distort other programmes. Abandonment of service-allocations within local authority spending would make a nonsense of the claim that grants meet needs in particular services, and is therefore inconsistent with the Commission's advocacy of the GRE system. Sharp reductions in exchequer grant would make life as difficult for low spenders as for the extravagant councils.

E. R.

CONFIDENTIAL

Nevertheless, the report does give the government good  
grounds for reconsidering the grant system, which is  
certainly in need of change: this will no doubt be  
discussed at the October seminar.

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*Oliver Letwin*

OLIVER LETWIN

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CONFIDENTIAL



## 4 The way forward

110. With no increases in Special Funds or (net) contributions to rate balances, rates over the past 2-3 years would have been £400 million lower. To sum up, the Commission has concluded that major changes need to be made to the present arrangements for distributing Block Grant.

111. While it may be argued that tighter central controls – e.g. to make it more difficult for authorities to build up rate balances and to establish special reserves – are indicated by some of the evidence in this report, the Commission does not believe this to be appropriate. What is needed is to put the basic principles of sound business management and of the Financial Management Initiative into practice: less system-induced uncertainty, more financial stability, more delegation, stronger local accountability, less second guessing from the centre, more consistency, less complexity, more local flexibility.

112. The broad changes necessary to meet these requirements are as follows:

- (i) The level of the total central government cash support to local authorities and in particular the proportion of relevant expenditure to be met from the Aggregate Exchequer Grant needs to be set out for three years ahead. The balance between specific grants to fund national initiatives and Block Grant support for local operations needs to be clear for the same period;
- (ii) The existing shortcomings in information on needs and local property values need to be corrected — distributing £8.6 billion in part on the basis of poor information is a false economy;
- (iii) Block Grant support to authorities should be distributed on the basis of a more robust (and ideally simpler) GRE and up to date rateable values. Among other benefits, assuming accurate information, this should result in a more predictable grant entitlement for individual authorities;
- (iv) If government wishes to reduce total local government expenditure, this should be achieved primarily via reductions in grant i.e. in the percentage of relevant expenditure to be met by RSG;
- (v) Local authorities' expenditure targets different from GRE (revised) should be abolished as soon as practically possible, thus removing some of the perverse incentives in the present system. Local market forces (i.e. the local electorate) should eventually determine the level of local expenditure — provided that local accountability can be suitably strengthened;
- (vi) Close-ending should be abandoned as soon as possible; and in any case mid-year adjustments in grant to authorities spending within their budgets should be avoided;
- (vii) Local authorities should be left to change their allocation of Block Grant resources without detailed intervention from central government. Where central government have specific priorities they should use specific grants or be achieved via legislation.

These changes are in line with the general principles of the Financial

Management Initiative. They are also the changes that the questionnaire shows that most Chief Executives in local government consider would contribute to the achievement of greater value for money in their authority.

113. The changes proposed constitute a package which would tackle the underlying causes of the problems identified in this report directly. As a result, both rates and the cost of the Whitehall overhead burden involved in oversight of local government should be reduced. Because the changes constitute a package, adopting some of the proposals without others could do more harm than good.

\* \* \*

114. The Commission believes that this report demonstrates the need for some basic changes in the way Block Grant is distributed to local authorities. Although the Commission is well aware of the complexities, the size of the sums involved and the social and managerial implications of failure to correct a situation that is clearly unsatisfactory, suggest that urgent action would be justified. A detailed review should be undertaken to develop proposals for overcoming the weaknesses set out in this report and to deal with the inevitable transitional difficulties. The review would need to show the net effect on grant receivable by individual authorities and the consequential impact on local rate levels resulting from the combination of the application of a simpler and more robust GRE, use of up-to-date information on local property values for grant distribution purposes and the abandonment of the present penalty arrangements. It should be completed urgently. A review of the extent, costs and benefits of any overlap between central departments and local authorities in the oversight of local government services could also be completed within the same time scale. Both these reviews are not within the Commission's sphere of responsibility; but its services are available if required.



NBPM 8/5/84 CC 10 ✓

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

Secretary of State for Trade and Industry

5 September 1984

Lord Bellwin  
Minister for Local Government  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1

*R. Linn,*

*will request  
if required*

ABOLITION OF GLC AND MCC's : FURTHER DETAILED DECISIONS AND  
PREPARATION OF LEGISLATION

In Annex A to your letter of 17 August you included the funding of the regional tourist boards as an issue still to be decided before the Bill can be finalized. Norman Lamont has asked for a meeting with you to discuss this problem and I should naturally like to await the outcome of that. However, I do not envisage that we shall wish to depart from our declared intention that all tourism functions (which include funding of the RTBs) at present undertaken by the GLC and MCCs will pass to the borough and districts. This of course is already covered by the general provision in Clause 2.

2 One point omitted from Annex A is the action your own Department should be taking on trading standards in response to my letter of 6 August to Patrick Jenkin.

3 I am copying this letter to the members of MISC 95 and to Sir Robert Armstrong.

NORMAN TEBBIT

JHLAVY

CONFIDENTIAL



NBS/07  
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6/9

Treasury Chambers, Parliament Street, SW1P 3AG

Ian Gow MP  
Minister for Housing and Construction  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

8 September 1984

Dear Minister,

LOCAL AUTHORITY CAPITAL OVERSPENDING

Thank you for your two letters of 29 August about local authority capital overspending.

I am somewhat surprised that you should write in this way about the question of the penalty for 1983-84 which is to be dealt with in 1985-86. At our meeting in July I agreed to defer the 1983-84 penalty until 1985-86 because Patrick argued that it was impracticable to seek to restrain spending in 1984-85 to a figure below the present cash limit. This was agreed then, and recorded in the minutes and I must ask you and Patrick to abide by that agreement. My proposal for a distribution of the adjustment was no more than a proposal, and I would be quite content for Patrick to agree with colleagues a different distribution if that is what he wishes.

It is in any case inappropriate to refer to this overspending penalty as a "cut". The spending has already taken place in 1983-84 and the adjustment is necessary to bring local authority capital programmes back to our overall public expenditure plans. The bilaterals provide the right occasion to discuss whether those plans should change, and as you know I do have to seek cuts in plans in order to achieve our overall public expenditure targets.

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You say (in your letter not copied to all) that you are still unhappy about the record of our discussion of rehandling of any 1984-85 overspend. I said, and the Secretaries of State accepted, that the normal cash limit rules would apply unless I was persuaded that it would be impracticable to have the full offset in 1985-86. We seem to be unable to agree what indication I gave of the level of overspending at which this might apply. Perhaps it would help to reassure you if I say that I mentioned the figure of £1 billion only as an illustration of an offset which would clearly not be practicable. I do not think we can sensibly consider what would be practicable until we know what scale of problem we are facing and can assess what methods of restraint are open to us. I of course hope very much that there will be no such problem.

Finally, I am concerned that we are still awaiting to hear about the results of your capital commitments return and prospects for 1984-85. We are already overdue on our plans for reviewing the position and deciding whether any further action is needed to restrain spending this year. It was on the clear understanding that we could do a quick review of the position in the light of this better information that I agreed to your proposals for restraint, rather than insisting on a full moratorium on new commitments. I hope to hear within a very few days how things are looking for this year.

I am copying this letter to the Prime Minister, Members of E(LA), Nicholas Edwards, Michael Jopling and Grey Gowrie.

*Yours sincerely,*

*Peter Rees*

PETER REES

*(Approved by the Chief Secretary  
and signed in his absence)*

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LOUISIANA STATE  
MEMO

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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

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

5 September 1984

*Ian Peter.*

## LOCAL AUTHORITY CAPITAL EXPENDITURE

Thank you for sending me a copy of your letter of 2 August to Patrick Jenkin, which contained proposals for dealing with the local authority capital overspend from 1983-84. I have seen the comments from Grey Gowrie, Nicholas Ridley and Ian Gow.

I do not agree with your proposal that adjustments should be made to the 1985-86 baseline to take account of the 1983-84 overspend or that any such adjustments should be assumed for our forthcoming discussions in the Public Expenditure Survey. We were all aware of the 1983-84 outcome as well as what appeared to be in prospect for the current year when we agreed on the measures of voluntary restraint to slow down local authority capital spending announced on 18 July. We cannot yet know what the outcome of those measures will be. At the same time, it was acknowledged as common ground that the capital control system itself was at fault and needed to undergo a thorough review.

Action to this end is going forward. It would be quite wrong meanwhile to hobble next year's plans by the application of a mechanical device. What happened last year has no relevance to the appropriate levels of investment in 1985-86. These levels should be considered in the bilaterals on their merits.

More generally, it seems to me that politically we would be wise to avoid precipitate action. First, large underspends in earlier years (substantially larger than the 1983-84 overspend) were the basis for strong Government encouragement to local authorities to spend more capital. Their achievement in 1983-84 is in some measure a result of our own exhortations.

cont/d...

Second, we shall rightly be accused by local government and others of practising just those traditional stop-go policies of previous administrations, which we ourselves have consistently criticised. Sharp swings from exhortations to spend to near moratoria do little for our political credibility and damage local authority efficiency and the cost-effectiveness of their programmes.

Third, in education there is a particular need for investment in order to secure savings in recurrent expenditure. A further reduction in the provision for education would stifle the relatively modest amount of investment I am able to make to secure redeployment of resources through cost-saving rationalisation projects.

For these reasons I cannot agree that there should be any clawback from the 1985-86 baseline. It follows that I would not find acceptable the alternative approach to distribution of any cuts suggested by Nicholas Ridley in his letter of 13 August.

I am copying this letter to the Prime Minister, members of E(LA), Nicholas Edwards, Michael Jopling and Grey Gowrie.

*Lawson,*

*Keen*



Loan Court  
News Pt. 22

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5 SEP 1984

LOCAL GOV: Relations: PE22 ?  
on B/U 26/10.

Circular 16/84  
(Department of the Environment)  
Circular 34/84  
(Welsh Office)



Joint Circular from the  
Department of the Environment  
2 Marsham Street, London SW1P 3EB  
Welsh Office  
Cathays Park, Cardiff CF1 3NQ

Sir

4 September 1984

## Industrial Development

### Introduction

1. Encouragement of industrial development is vital if economic recovery is to be sustained. Both the nation as a whole and individual local authorities benefit from the swift and positive handling of planning applications for industrial development. Local authorities have already done a great deal to give priority to such applications and their contribution in providing infrastructure and facilitating land assembly is also important. The purpose of this Circular is to encourage the continuation and spread of good practice, and to suggest how local authorities might respond to some recent trends such as high technology development.

### Scope

2. This Circular is primarily directed at applications relating to developments for the production of goods and services, including ancillary developments such as warehousing. However, the advice in the Circular should be assumed to be applicable to other types of business unless this would cause harm in planning terms, and no arbitrary distinctions between different types of development should be made in applying it.

### Existing Advice

3. This Circular should be seen as an expansion of the advice in Circular 22/80 (Welsh Office Circular 40/80), which sets out the Government's general aims and policies on development control. It does not detract from that Circular in any way, or from the need for speed and efficiency in giving planning decisions. Circular 22/80 also asks local planning authorities always to grant planning permission, having regard to all material considerations, unless there are sound and clear-cut reasons for refusal; and the Government welcomes the fact that some 90% of applications for planning permission relating to manufacturing industry currently receive permission. That Circular's advice remains, including the specific advice on small businesses, enforcement and discontinuance (paragraphs 12 to 14, 15 and 16 and Annex B); and the specific commitments to preserving agricultural land, and protecting National Parks, Green Belts and other areas of amenity or special interest (paragraph 4).

### Handling Applications

4. The Departments are making available to local planning authorities for issue to industrial developers, free of charge, an initial supply of a new booklet—"Planning Permission: A Guide for Industry". This replaces an

earlier publication of the same name by the National Building Agency and is designed to give industrial developers detailed up-to-date guidance on how to apply for planning permission. It also gives a brief outline of other facilities including financial incentives available to industrialists and other controls (such as building controls) relevant to them. Planning authorities, as partners in the development process, are asked to make that guidance effective in practice, and to encourage and respond constructively to early informal approaches by the would-be developer, in confidence if need be, where he wishes to explore the basis for a successful application. Attention should be drawn to the booklet and its content, and authorities should also consider what material—including structure and local plans, development briefs, informal supplementary planning guidance, and material on other policies and facilities—they might offer the developer at an early stage. Local authorities should help and advise the developer to seek in good time any other statutory consents, other advice, and any loans or grants (such as those referred to in the booklet) which may be needed to bring development proposals to fruition. They may also wish to devise specific handling strategies for applications, potential applications and other types of enquiries involving industrial development. DOE Circulars 22/80 and 28/83 (Welsh Office Circulars 40/80 and 23/83) give further useful advice on the handling of applications, and what applicants can do to help themselves.

#### Priority

5. Circular 22/80 asks authorities to give priority to handling those applications which in their judgment will contribute most to national and local economic activity. This means giving industrial applications a very high priority, particularly—to speed job creation—where the user of the development is specified and would be ready to move in as soon as the development was completed. Applicants who have cleared the way beforehand through informal discussions with their planning authority may reasonably hope to receive a rapid decision on their formal application. For its part the Department will give priority to the determination of planning appeals on developments which will provide jobs, and to replies to references on “departure” cases involving priority applications.

#### Plan Policies

6. Structure and local plans have a central part to play in facilitating appropriate industrial development. There may be potential for conflict between approved and adopted plans, perhaps evolved some years ago, and the present needs of industry. At a time when technology and other requirements of modern industry are changing rapidly, plans which are realistic, up-to-date and make adequate provision for current and likely future industrial development in the light of the circumstances prevailing in the area will minimise this conflict and will also be an important source of information for industry. Such plans will enable appropriate development to proceed swiftly, and minimise “departure” references with their special (sometimes time-consuming) procedures.

7. Local authorities will have their own arrangements for keeping up to date with these rapid changes, and for using the information on the supply and demand for sites of particular kinds which will be available from a number of sources—such as the technical and property press, government publications, specialist research and the development industry itself. Authorities will also know the value of keeping in touch with local firms, local chambers of commerce and the CBI. Against this background they should see to it that the plans reflect an informed view of the scale,

diversity and distribution of sites which may be required for industrial development. They may wish to include policies for particular types of industrial or commercial development (eg the expansion of existing firms, development involving small firms, major industrial and energy development with special site requirements, hazardous development or warehousing). Some local planning authorities may prefer to plan simply for areas where activities likely to create employment can be accommodated; this practice has much to commend it. Where substantial development is envisaged in a structure plan, a local plan can also be particularly useful to indicate to developers where industrial development is likely to be favoured. In all circumstances, it is particularly important to keep under review the relevance and effectiveness of approved development plan policies, and to propose alterations where necessary.

8. When framing development plan policies and deciding on the appropriate levels of provision, and when considering whether an existing plan already caters adequately for industrial development, planning authorities should aim to ensure that, within the constraints of national policies and in line with the policies in structure plans, there is sufficient land available for industry, and that the supply of sites allows developers to choose on the basis of their individual needs between sites of different sizes with different facilities. Sites for industrial development should, as far as possible, be readily adaptable to the user's practical needs. Plans may also provide specifically for “bad neighbour” industry (eg those listed in the Special Industrial Groups in the Use Classes Order) to reduce the problems which such firms might otherwise face in finding sites.

#### Determining Applications

9. If these guidelines are followed, decisions on individual planning applications should normally be straightforward, unless a particular developer's proposal raises complex planning objections. But planning applications for industry, as for all types of proposed development, should always be considered on their merits having regard to the development plan and other material considerations. In the modern economy, it is not always possible to anticipate in the development plan all the needs and opportunities which may arise. Thus where a developer applies for permission for a development which is contrary to the policies and proposals of an approved development plan this does not, in itself, justify a refusal of permission (although there will be a general presumption against inappropriate development where losses of countryside, Green Belt and agricultural land are at issue). While the decision will obviously be more difficult than in cases which conform to development plan policies, the onus nevertheless remains with the planning authority to examine the issues raised by each specific application and where necessary to demonstrate that a particular proposal is unacceptable on specific planning grounds. Further advice on the handling of applications which depart from development plans is contained in DOE Circular 2/81 (WO 2/81).

10. While applications should not be refused merely in order to try and steer the development, which may have particular locational needs, towards locations specified in development plans, the existence of comparable, available, and appropriate but unused or vacant sites and premises is nevertheless an important consideration. This is especially so when an application involves development on previously non-industrial land and for which there is adequate land in specified locations in inner urban areas

within a reasonable distance of the preferred site. Planning authorities will wish to avoid the proliferation of unused planning permissions for industrial development, especially where this would lead to underuse or duplication of expensive infrastructure provision, or the unnecessary spread of urban development. Nor should applicants expect to obtain planning permission on sites outside specified locations on the grounds that, because they are not in such locations, such sites cost them less to obtain and develop.

#### **Industrial Development within and around Urban Areas**

11. Full use should be made of potential sites and existing premises in inner cities and other urban areas for industry as for other forms of development. This can reduce unnecessary expansion of development into the countryside and help to promote economic and social regeneration in older urban areas. Many urban areas can, especially with concerted local improvements, offer good surroundings to industrialists, and have many other advantages. The land registers established in England and Wales under the Local Government Planning and Land Act 1980 show that unused or underused sites in public ownership of one acre or more in size amount to about 112,000 acres; roughly half has moderate or high potential for development. Some of this land is suitable for industry. But some land will also be suitable for other purposes such as housing. Where this is so, authorities will have to weigh the conflicting needs, but they should avoid reserving land for one purpose if there is no realistic prospect of using it for that purpose for some time and there are other valid needs which the site might meet more immediately.

12. Local authorities have a major part to play in providing sites from the land which they hold, but they might also invite statutory undertakers and others to review their holdings for the same purpose. The policy of the Secretaries of State is to encourage the release of sites on the land registers for new development or renewed use, if necessary by exercising their power of direction to secure disposals. In addition, priority will continue to be given to applications for Derelict Land Grant which, following reclamation, will lead on immediately to industrial, commercial, housing or other development. Urban Development Grant will continue to be available for private sector schemes which will promote the economic or physical regeneration of inner urban areas by channelling into such areas private sector investment that would not otherwise take place. Local authorities in England in districts which have been designated under the Inner Urban Areas Act 1978, or which have Enterprise Zones, have been invited to submit further schemes which meet the UDG criteria. In Wales, all districts are eligible to submit UDG applications. Appropriate planning and development policies and clear long-term objectives which are capable of fulfilment in the modern economic climate can help secure the release of all categories of land, including that in private sector ownership.

13. While it may be right to prevent expansion of some industries within residential areas—and to plan for moving noxious or bad-neighbour ones out—light industry and many forms of small business can often be accommodated within residential areas without creating unacceptable traffic, noise or other adverse effects, and without detriment to the amenity of the area. Indeed the definitions in the Use Classes Order reflect this. Local residents may be worried at the prospect of such industrial, or indeed any form of development, and may need particular reassurance and explanation, but it may often be possible to frame conditions which will enable planning permission to be given and make the development more acceptable to them. At the same time, all authorities will recognise that the

prospects for bringing into use vacant buildings and sites in any area could be jeopardised if unrealistic and rigid restrictions are imposed—or maintained—on the types of development acceptable or if unnecessary conditions restrict the way in which the permission can be used (see also paragraph 17 below).

14. Not all industrial land needs can necessarily be met from within existing built-up areas. The orderly release of new land for industrial development will also need to be considered, in the context of development plan preparation and sometimes also in response to individual proposals for which there is no adequate alternative provision. Such proposals—and their consequences—must be consistent with existing policies for the protection of agricultural land, Green Belts, and other established planning policies.

#### **Development in Rural Areas**

15. In rural areas provision should be made, appropriate to the needs of each area, for industrial development which can be accommodated without serious planning problems. Many small-scale industrial activities can be fitted into rural areas, providing much-needed local employment opportunities and helping to retain a working population. Paragraph 13 of DOE Circular 22/80 (WO 40/80) emphasises that disused farm buildings are often suitable for conversion or adaptation without damage to their surroundings, as are other rural buildings, and such development may give rise to no more traffic or disturbance than the former use of the premises. Conversion to a new use will usually be preferable to allowing buildings to remain unused or become derelict and each case should be considered on its merits. However, once such development has been carried out, subsequent applications in relation to those premises—particularly those including major expansion or those in connection with uses of land which are not readily accommodated—will require careful examination to see whether they create problems for local amenity. The Council for Small Industries in Rural Areas operates a grant scheme to encourage rural industrial developments. (In Wales, the Welsh Development Agency and Mid Wales Development operate a similar scheme.) Within Green Belts the advice in MHLG Circular 42/55, reprinted as an annex to DOE Circular 14/84, applies.

16. When dealing with applications relating to minerals extraction and ancillary development other factors, such as the national need for the mineral and economic constraints on the industry, will need to be considered.

#### **Conditions on Planning Permissions**

17. In order that planning permission can be given, it may be necessary to impose conditions designed to make a proposed development acceptable in its local context. Conditions can serve a valuable purpose in this respect, but they must be confined to what is strictly necessary. They must be readily removed, upon application, when circumstances no longer warrant their retention. DOE Circular 22/83 (WO 46/83) deals with the subject of conditions and Section 52 agreements. More extensive advice on conditions will be given in a general circular on this subject.

#### **High Technology Industries**

18. Firms which use the new technologies or make products that further the spread of technological advance (eg in microelectronics or biotechnology) have a vital role in industrial regeneration. The Secretaries of State accordingly attach great importance to the sympathetic treatment of such uses in development control. The preceding advice in this Circular

applies equally to the new technologies as to other industries, but the new technologies also have special planning characteristics. Local planning authorities need to be alive to their needs. A recent analysis of such firms, their needs and the planning issues they raise is provided in the National Development Control Forum's publication "High Technology Development". The Department of the Environment is currently undertaking further research in this area.

19. Many such firms' operations are clean and quiet. In many cases their premises may resemble research laboratories or even offices much more than traditional "smoke stack" industry. They can be good neighbours to service industry, offices or even housing, depending on the bulk of the building and the volume of traffic generated. Authorities should not insist therefore on confining this type of development to traditional industrial areas. Where necessary, appropriate policies should be considered for inclusion in development plans; and in all cases such proposals should be considered on their merits, even where they appear to conflict with approved and adopted plans. It is often important that the terms of planning permission for such development are not unduly restrictive. The Annex gives advice on how this can be done.

#### Conclusion

20. The aim of this Circular is to promote a sound and efficient balance between economic and environmental considerations in facilitating industrial development. It is intended to help ensure that planning policies promote industrial regeneration without detriment to environmental or other objectives.

21. This Circular is not considered to have significant expenditure or manpower implications for local authorities.

We are, Sir, your obedient Servants,

I H NICOL, *Assistant Secretary*

A E PEAT, *Assistant Secretary*

The Chief Executive  
County Councils } in England and Wales  
District Councils }  
London Borough Councils  
Urban Development Corporations  
The Council of the Isles of Scilly  
The Town Clerk, City of London  
The Director-General, Greater London Council  
The National Park Officer  
The Peak Park Joint Planning Board  
The Lake District Special Planning Board

[DOE PLUP 3/737/11]

[WO P96/11/07 pt. 3]

## PLANNING PERMISSIONS FOR HIGH TECHNOLOGY INDUSTRIES

1. High technology industries are essential to the country's future prosperity and local planning authorities should ensure that their needs are properly catered for in the exercise of development control. Conventional forms of planning permission, or routine conditions attached to consent, can inhibit operational flexibility or pose problems for subsequent lessees. The principal use on many such sites is likely to be industrial. It may be accompanied by other uses such as warehouse, storage, research or office use. Where these are incidental to the principal use, and regardless of the proportion of the site or building which they occupy, they will be ancillary activities which do not need to be specifically permitted or restricted. Any variations in the extent of the principal or ancillary uses on the site will not normally change the overall use or involve a material change requiring planning permission. If an ancillary activity actually becomes the primary use, however, planning permission will be needed.

2. Planning applications and permissions can often be simply expressed in terms either of the specific use or of a single class of the Use Classes Order (often Class III or Class IV). In determining whether a particular use is ancillary or requires specific permission, local authorities should avoid rules of thumb relating to proportions of floorspace (such as a 10% limit) or employment, and concentrate instead on the more fundamental test of the functional relationship between the uses involved.

3. Conditions restricting ancillary activities, or changes of use within a use class, ought to be avoided for high-technology (except where they are clearly necessary to preclude uses giving rise to hazard, noise or offensive emissions) as they may obstruct operational requirements. It will not normally be necessary to rely on such conditions to preserve the amenity of a high-technology estate; the ordinary controls over material changes of use will prevent the introduction of uses which would have a substantially adverse impact and a landlord marketing an estate for high technology firms will restrict the tenants in his own interest. But if high-technology occupiers cannot be found to fill an estate it is better for ordinary light industry to move in than for buildings to stand empty.

4. Developers catering for the prospective needs of high-technology occupiers may provide buildings suitable for either industrial or office uses. In such cases it may be acceptable for the planning permission to be expressed in terms of a number of alternative uses. Although planning permission may be granted for alternative uses, once the first occupier moves in that alternative permission does not extend to subsequent changes of use. The owners, however, may wish to be able to relet the property for one of the other uses originally permitted, and to have the planning position confirmed. In such a case the owners may apply—perhaps several years in advance—for permission to change the use of the premises, so as to widen the range of potential occupiers. The Secretaries of State would expect local planning authorities normally to grant permissions promptly on such an application, subject to an appropriate time-limit for implementation, when the use applied for is one of the original alternatives permitted; and they and their Inspectors will follow this policy in appeal decisions.

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29 August 1984

PRIME MINISTER

*Prime Minister.*

LOCAL GOVERNMENT

*The Policy Unit propose a tactical/handling meeting with local government in October. Agree to such a meeting?*

*Yes no*

The next year is a crucial test for our local government policies: abolition of the Mets and some control of rate bills through rate-capping should be achieved.

*✓*  
*29/8*

Even if both these policies work, there will still be problems which could leave us vulnerable in the forthcoming General Election.

1. Rates remain a tax which bears most heavily on a limited number of people - hitting businesses which remain unrepresented; being tough on home-owners of limited means or fixed incomes; but letting off scot free all non-householders and those on full Housing Benefit receipts.
2. Some Left-wing councils will not co-operate, others will energetically try to bust the policies of expenditure control and rate-capping.
3. The Government should expect a major propaganda assault by the Left-wing controlled local authorities.

A meeting in October with the principal Ministers concerned

with local government policy could look ahead to the coming battles with local government. The following issues would be worth considering:

1. Can the Government undertake any useful contingency planning against the eventuality of a refusal to co-operate with rate-capping from, say, a dozen Left-wing Labour authorities next year?
2. How can the Government counter the argument that Government cuts and controls are preventing duly-elected councillors from carrying out their pledges, and from maintaining essential services? Yes
3. How is the Government going to deal with the non-co-operation of the Metropolitan authorities during the abolition process?
4. Can we do anything more to answer our own side's criticisms that we are allowing Left-wing councils to get away with propaganda on the rates?
5. Can we simplify the very complex control system that is now in place? Do we need targets, GREs, expenditure limits and rate-capping? How can we best simplify it whilst making it more effective?
6. How can we tackle the problems of the business rate-



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payer and the ratepayer who is entirely protected by  
Housing Benefit?

7. Can we build into the rate and grant system more rewards for virtue? Our own supporters are very unhappy with the way in which low-spending councils have been treated in recent years.

Such a meeting could tackle these questions and seek to find ways to strengthen the better elements in our package of policies for local authorities. Contracting-out to save money and make service provision more efficient; selling off local government controlled wasteland to foster new development and create new jobs; the partnerships between public and private providers of services to extend the range of facilities to the local community; and the limitation of government demands on local authorities, are all policies which could spark some public enthusiasm if pursued with vigour and sensitivity.

A meeting this autumn could make a useful contribution to handling the squalls ahead, and may produce ideas which would give us a better platform for the next General Election in what remains for us a very vulnerable area of policy. The Policy Unit would be delighted to work up some more ideas with the DoE, if you would like such a meeting.



JOHN REDWOOD

CONFIDENTIAL

The Impact on Local Authorities' Economy,  
Efficiency and Effectiveness of the Block  
Grant Distribution System

A Report by the Audit Commission

August 1984

LONDON: HER MAJESTY'S STATIONERY OFFICE

## Synopsis

The Audit Commission for Local Authorities in England and Wales (the Commission) has reviewed the impact on local authorities' economy, efficiency and effectiveness of the present system for distributing £8.6 billion of grant in aid to local authorities. The Commission is of the opinion that major changes are now desirable.

Specifically, the Commission has found that:

- (i) There are too many unnecessary uncertainties inherent in the system. These inhibit authorities from planning ahead. The lack of forward projections of central grant support to local authorities and the annual changes in expenditure targets and penalties pose particular problems for authorities and government.
- (ii) Authorities have been building up reserves at an annual average rate of at least £400 million a year over the past three years – well above two-and-half times the average annual rate of increase in reserves prior to 1981–82, when the present Block Grant system was introduced. If the uncertainties referred to in (i) above could be reduced so, the Commission believes, could the need for reserves.
- (iii) Because some information on local needs is often inadequate and that on local resources is out of date, serious distortions result. Some authorities are receiving less grant than their circumstances might warrant; and, by the same token, some are receiving more. The difference for a large city could easily amount to  $\pm$  £15 million in grant every year.
- (iv) The introduction of targets partly related to past expenditure has encouraged some authorities to spend more, to secure more grant – a perverse incentive that the present system was designed to avoid; and the gap between targets and grant related expenditure is generally widening.
- (v) Managerial accountability for local services has not been strengthened as was the intention of the new Block Grant system; and central involvement in local affairs does not seem to have been reduced, as was also intended.
- (vi) Because of its complexity, few people in local government understand fully the basis on which grant is distributed, despite its significance for local services; and changes in local rates – one of the yardsticks against which ratepayers measure their authorities' performance – are not a reliable guide to individual authorities' changes in expenditure.
- (vii) The present grant distribution system provides few incentives for local authorities to improve their efficiency and effectiveness; and there are a number of centrally imposed constraints.

The Commission recognises that the Block Grant system is a result of many pressures upon government. However the present system is being used to try to secure at least four different objectives which are not mutually compatible: to distribute grant in a way some of which reflects local needs and resources, to control aggregate local government expendi-

ture, to ensure that individual authorities do not exceed their spending targets *and* to limit rate increases from year to year for individual ratepayers. Moreover, this review shows that the system which now exists is producing information on current expenditure levels that is misleading to policy makers in both central and local government.

Based on its work so far, the Commission is also of the opinion that there are substantial opportunities to save money in local government, without adversely affecting services. The savings involved will go some way to meet new needs and demands for services at reasonable costs to local ratepayers. Changes in the way £8.6 billion of Block Grant is distributed to individual authorities could facilitate the achievement of these benefits.

A detailed review of the present arrangements for grant distribution should be undertaken to devise solutions to the problems that this report has identified. While the Commission is not empowered to do more than report on the impact of the present grant distribution arrangements on local economy, efficiency and effectiveness, the final chapter of this report suggests the outlines of a possible way ahead.



Minister for Housing and Construction

Department of the Environment  
2 Marsham Street London SW1P 3EB  
Telephone 01-212 7601

My Ref: J/B/PSO/35296/84

29 August 1984

*Ken Peter*

*WBR  
M*

Thank you for your letter of 2 August to Patrick Jenkin in which you make proposals for applying cuts to the baselines of the various services in 1985/86 to claw back the overspend on the DOE/LAI cash limit in 1983/84. I have seen the comments from Grey Gowrie in his letter of 7 August and from Nicholas Ridley in his of 13 August. *will request if required*

I cannot agree to what you propose. If a pro rata attribution is to be made, to make it pro rata to the 1985/86 baseline takes no account either of the level of spending or of the level of assessed need. I understand why Nicholas Ridley finds the proposal unreasonable in respect of transport. Your proposal would be less demonstrably impracticable in respect of Other Services provision than would a cut pro rata to the 1983/84 overspend; a cut which would on its own reduce the 1985/86 OS baseline by 40%. But the cost, as Nicholas points out, would be an unreasonable reduction in the baseline for those services which did not exceed provision in 1983/84 and in the provision for Housing.

I do not accept that this is the moment to be making such cuts. The bilaterals for each Department will start shortly and you have indicated in letters to each of us your initial reaction to the Red Book bids. In the case of this Department, your suggestion is that severe cuts should be made instead of the modest increases which we had proposed. In my separate letter of today's date I suggested that any cuts for overspending should be subsumed within the figures by which you are seeking to reduce DOE programmes in the course of the bilaterals. The bilaterals provide the right occasion to discuss what level of provision is appropriate for each programme, taking account of the overspend. To make cuts now would be to pre-empt those discussions on an arbitrary basis with no regard to the effect on our policy objectives.

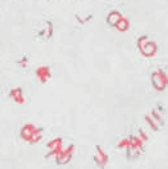
I am copying this to the Prime Minister, members of E(LA), Nicholas Edwards, Michael Jopling and Grey Gowrie

*John* *Ken*

IAN GOW

The Rt Hon Peter Rees QC MP

Local Govt: Relations A22



29 AUG 1957



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

*NBRM*

*JV*

*13* August 1984

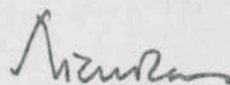

*Dear Peter*

Thank you for sending me a copy of your letter of 2 August to Patrick Jenkin containing proposals for dealing with the local authority capital overspend in 1983/84.

I am afraid I disagree with your proposals on two counts. First, I do not think we should be assuming a clawback of the 1983/84 overspend in 1985/86 in advance of decisions which will have to be taken collectively when we have a better understanding of prospects for 1984/85.

Second, your proposal that the clawback should be allocated according to each programme's share of the 1985/86 baseline takes no account of their contribution to the overspend in 1983/84. It is wholly unreasonable to cut transport provision by £101m in 1985/86 after an underspend of £55m in 1983/84. It makes nonsense of including local authority capital spending in Survey discussions if cuts are allocated in such a crude, pro rata fashion, without any regard to the importance of particular programmes for the economy. If there has to be an adjustment, it must be one that takes account of actual spending on particular services in 1983/84.

I am sending a copy of this letter to the Prime Minister,  
members of E(LA), Nicholas Edwards, Michael Jopling, and  
Grey Gowrie.



NICHOLAS RIDLEY



CONFIDENTIAL AND PERSONAL



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434  
My ref:

Your ref:

9 August 1984

*R*  
*17/8*

*Dear Janet*

ABOLITION OF THE GLC AND MCCs

With reference to John Ballard's letter to you of 6 August 1984, I am afraid there was a typographical error in line 4 of the second paragraph. The word "uses" should have been "abuses".

I am sending copies of this letter to those who received the original letter of 6 August.

*Yours sincerely*

*C. Labati*

C LABATI  
Private Secretary

Ms Janet Lewis-Jones



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 215

(Switchboard) 215 7877

Secretary of State for Trade and Industry

JF7061

6 August 1984

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

DT  
7K

*D. Lewis*

*with request if req.*

ABOLITION OF GLC AND MCCs : SUPPORT FOR THE VOLUNTARY SECTOR

Thank you for your letter of 27 July.

2 My interest in this stems from my sponsorship of the Citizens Advice Bureaux Service. I think that the proposals outlined in paragraph 6 of your letter would form a very useful basis for further discussions with the local authorities and the voluntary sector.

3 I am copying to other members of MISC 95 and to Sir Robert Armstrong.

*Norman*

NORMAN TEBBIT

- 6 AUG 1984

11 12 1 2 3  
9 8 7 6 5 4



10 DOWNING STREET

*From the Private Secretary*

6 August 1984

RSG 1985-86: SCOTLAND

The Prime Minister has seen your Secretary of State's minute of 3 August and has noted that he accepts the terms of the RSG package agreed with colleagues. She has also noted his concern about the way the reduction in Aggregate Exchequer Grant may be received in Scotland.

I am copying this letter to Janet Lewis-Jones (Lord President's Office) and John Gieve (Chief Secretary's Office).

ANDREW TURNBULL

Eddie Gowans, Esq.,  
Scottish Office.

CONFIDENTIAL

hs



CC NO

WSPM  
M  
7/8

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

6 August 1984

Dear Janet

ABOLITION OF THE GLC AND MCCs

Thank you for your letter of 1 August.

I notice that there is no reference, in your letter, to the suggestion made by my Secretary of State, that the Department should examine the case for a public enquiry into local government "uses" (including party propaganda financed from the rates) in the light of the draft report from the Conservative Party Central Office, which rests with Sir George young; and that if there were, a case for such an inquiry it should be announced before the Party Conference in order to fend off pressure from Government supporters for government to respond in kind to current local government propaganda, which is not restrained by the conventions which central government imposes on itself in the field of advertising.

No doubt you did not include this point in your record of the meeting, as it was in a sense a matter for continuing departmental business. It may however be of interest to those who were not present.

Copies of this letter go to Andrew Turnbull (Number 10), the Private Secretaries of the Ministers who attended the meeting, to Sir George Moseley, Mr Heiser, Mr MacDonald, Mr Ingham and to Richard Hatfield (Cabinet Office).

Yours sincerely

John Ballard

JOHN BALLARD  
Private Secretary



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Treasury Chambers, Parliament Street, SW1P 3AG

J F Graham Esq  
 Private Secretary to the  
 Secretary of State for Scotland  
 Scottish Office  
 Dover House  
 Whitehall  
 LONDON SW1A 2AW

7 August 1984

Dear Sir,

*attached (at last)!*

**SCOTTISH LOCAL AUTHORITY CURRENT EXPENDITURE 1985-86**

After discussion of the proposals in your Secretary of State's letter of 20 July, the issues have been settled as follows:

- (i) provision for Scottish local authority current expenditure will be increased by £97 million, subject to adjustment in the light of any marginal changes which may need to be made to the English figure of £822 million. Until the Secretary of State for the Environment is ready to announce an exact figure for England, the Scottish enhancement will be described as "about £95 million" in any announcement;
- (ii) the allocated part of the increase in provision will be fixed now at £69 million;
- (iii) guidelines for individual authorities will be set within the same ceiling (+4½% on 1984-85 NIS-adjusted budgets) and floor (-1½%) as in England. Scottish Office officials will keep in touch with Treasury officials on the further detailed work that is needed on this;
- (iv) unlike earlier years when grant abatement was not decided until after the start of the financial year, a tariff for grant penalties in 1985-86 has been agreed now. The penalty will be 90% of the overspending for the first 1% of overspending, 110% for 2%, 130% for 3% and 150% for 4% overspending. Beyond that point the presumption would be that, within the legal constraints, selective action would be more appropriate. While it would be inappropriate to announce details of penalties until next year, your Secretary

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of State will make it clear earlier, probably in a statement to local authorities in September, that penalties will be markedly more severe in 1985-86, so that authorities can plan accordingly;

(v) AEG at settlement will be a maximum of £1,915m. Your Secretary of State is aware that £1,914m could be defended as a cash standstill in grant, after adjustment for abolition of National Insurance Surcharge.

The Chief Secretary would be grateful if the terms of any announcement on these matters could be cleared with the Treasury in the usual way.

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

*Yours sincerely*  
*J.G.*  
JOHN GIEVE  
Private Secretary



- 6 AUG 1984





NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

*Handwritten:* Charlson  
*Handwritten:* MS  
Prime Minister ②

To note

*Handwritten:* AT 3/8

PRIME MINISTER

As you may know, I have been discussing with the Chief Secretary the details of my proposals for the Rate Support Grant settlement for the year 1985-86.

We have been able to agree most of these details including an enhancement of the relevant expenditure figure, strictly according to the usual Scottish formula, and a new and very much more severe penalty system.

I was not able to agree with the Chief Secretary's wish to reduce the figure for Aggregate Exchequer Grant from £1930 million (the same as this year) to £1915 million because of the very severe political effects there will be if there is a reduction in this figure for Scotland while England has no reduction and Wales has an increase.

After consulting the Lord President I have accepted that there is no possibility of further negotiation and I therefore have had to accept a figure which has been imposed against my judgement.

I feel I must inform you about this, so that you will not be taken by surprise if, as I expect, we run into a very serious political situation in Scotland with the whole of local government of all parties, and all the ratepayer and industrial interests ranged up against us.

I write purely to put this on record, not in any way to reopen discussion.

I am sending copies to Willie Whitelaw and to Peter Rees.

*Handwritten:* G.Y.

G.Y.

3 August 1984



N&amp;M

AT 3/8

Treasury Chambers, Parliament Street, SW1P 3AG

A Turnbull Esq  
10 Downing Street  
LONDON SW1

3 August 1984

Dear Andrew

**SCOTTISH LOCAL AUTHORITY CURRENT EXPENDITURE, 1985-86**

The Secretary of State for Scotland's minute of 3 August comments on the figure for Aggregate Exchequer Grant now settled for 1985-86. The Chief Secretary is now away from the office, but I think you should be aware of some other points which have a bearing on this figure.

First, provision for local authority current expenditure in Scotland is being increased by the full £97 million Scottish formula equivalent of the agreed enhancement for England, although some £50 million would have been enough to produce guidelines for Scottish authorities more strictly equivalent to the targets which will be set for English authorities. The ceiling (+4¼% on NIS-adjusted 198485 budgets) and floor (-1¼%) for guidelines will be the same as for targets in England. But given the surplus provision available, Scottish authorities will inevitably be treated a good deal more generously than English ones from an expenditure point of view. For example, an English authority budgeting to overspend target by 3% in 198485 would get a target for 1985-86 which was only ¾% above its 1984-85 budget, adjusted for abolition of NIS. In Scotland, the guideline would be 2½% above the 1984-85 NIS-adjusted budget.

Secondly, while Scottish grant penalties for overspending will be markedly more severe in 1985-86 to give a strong discouragement to overspending of these generous guidelines, they will still not be as tough as the English "holdback" schedule or the Welsh penalty tariff.

Thirdly, the £1,915 million figure for grant is just above the 1984-85 figure for grant at settlement on a NIS-adjusted basis (actually £1,914 million) and could be defended as such. Even though grants for England will be at the 1984-85 figure without NIS adjustment, and grant for Wales will be increased by 2% in

cash, rate increases in Scotland seem likely to be below those in England and Wales. This follows a pattern of lower rate increases and higher overspending in Scotland in the last two years, compared with England and Wales. There seems no reason to supplement the unavoidable generosity of the increase in Scottish provision for expenditure with more than £1,915 million total grant from the taxpayer to finance it, when the Scottish ratepayer is still likely to fare better than his counterparts in England and Wales in terms of percentage increases in rates.

Yours sincerely  
J. Gieve

JOHN GIEVE

cc Master CONFIDENTIAL

JCHACQ *Jie*

SUBJECT



10 DOWNING STREET

From the Private Secretary

2 August 1984

Dear Janet,

ABOLITION OF THE GLC

Lady Faithfull came to see the Prime Minister today to discuss the Abolition Bill. She said that she and perhaps seven to ten others taking the Conservative Whip were unhappy about the Government's proposals. This, in conjunction with opposition from Alliance and Crossbench Peers, could create difficulties for the Government in the Lords.

She recognised that the GLC as at present constituted had to go. But she felt there was a great deal of grass roots feeling in favour of a smaller London authority with limited powers. Under the Government's proposals, there was perceived to be a lack of a "voice for London". She doubted whether certain services such as ancient buildings and monuments, the arts, parks and waste disposal were being adequately catered for. There could also be a reduction in the grants to charities. In her experience joint boards did not function effectively. In the field of planning she thought it was often helpful for there to be a second local authority to whom the citizen could appeal. She wondered whether some of these services could be grouped together under the smaller authority or could be attached to the new ILEA.

The Prime Minister said she did not accept these arguments. One had to ask what was left for the London authority to do. Provision had been made for services such as the arts and ancient buildings and monuments. The GLC did not have responsibility for social services, its housing function had been handed over to the London boroughs, transport had gone to London Regional Transport, and the education service would go to the new ILEA. The fire services could perfectly adequately be run by a joint board.

What was left could not possibly justify an elected body. London did not need a new elected body to fill the

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*l*

representational function which was carried out perfectly well by the Lord Mayor of the City of London and the Lord Mayor of Westminster. Planning would be dealt with more economically by one borough and MPs and the local authority ombudsman provided adequate facilities for appeal.

The Prime Minister said that to establish a small authority would inevitably provide a platform from which local authorities could operate on the national stage. The danger was particularly acute as the authority would not have enough to do. Far from damaging grants to charities, the establishment of a small authority would mean more money being wasted on special interest groups. The Prime Minister did, however, suggest that a Select Committee of London MPs could be established.

When she left, Lady Faithfull did not appear to have been persuaded. We undertook to provide her with a copy of Mr. Jenkin's recent paper on the transfer of functions .

I am copying this letter to John Ballard (Department of the Environment), Mike Bailey (Lord Bellwin's Office), and David Beamish (Government Whips' Office, House of Lords).

*Yours sincerely  
Andrew Turnbull*

(ANDREW TURNBULL)

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

**CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG

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

2 August 1984

*John Patrick*

**LOCAL AUTHORITY CAPITAL EXPENDITURE**

At our meeting of 16 July we considered the action necessary following the overspend of £368m in 1983-84 on DOE/LA1 local authority capital, and to restrain spending in 1984-85 as agreed at E(A) on 10 July. As you know, I agreed to defer the normal procedure of reducing provision following a cash limit breach from 1984-85 to 1985-86. The normal rules for reducing provision in 1985-86 will apply to any overspend in 1984-85, unless the scale of it makes that not practicable. We should have a better idea very soon about the level of committed spending in 1984-85 and whether any further restraint will be necessary.

But meanwhile I think that it would be sensible to make the 1985-86 baseline adjustments immediately to take account of the 1983-84 overspend, so that colleagues have the maximum time available to plan on the new basis. I attach a table showing how the adjustments would fall to be made, if allocated according to each programme's share of the 1985-86 baseline. If colleagues do not feel that this is the right way to divide the £368m, perhaps you could agree with them any changes between programmes. I shall assume this distribution in my preparation for the Survey discussions. I expect that Nicholas Edwards will wish also to consider where his adjustment of some £7m should fall.

I am copying this letter to the Prime Minister, members of E(LA), Nicholas Edwards, Michael Jopling and Grey Gowrie.

*John Rees*

PETER REES

**CONFIDENTIAL**

## DOE/LA1 1983-84 OVERSPEND

	Reduction in 1985-86	1985-86 baseline before adjustment
<b><u>Service blocks</u></b>		
Education (DES)	42	284
PSS (DHSS)	17	113
Housing (DOE)	172	1160
Transport (DTp)	101	681
Other services (various departments)	36	241
	368	2479

**Breakdown of 'Other Services' block**

Local environmental services (DOE)	28	187
Libraries, Museums & Art Galleries (OAL)	3	20
Fire services & Civil defence (HO)	3	19
Aerodromes (DTp)		In transport block
Careers services (DE)	1	5
Agriculture and Fisheries (MAFF)	1	8
Consumer protection (DTI)		2



LOWE GINT: Cels

2 AUG  
1998



NBAM

AS 218

CCNY

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

31 August 1984

*Dear Minister*

I have seen your letter of 18 July, and George Younger's reply of 25 July.

While your proposals for additional central funding of some 'national' institutions do not directly affect the arts or the museums and galleries in Wales, like George Younger, I too believe that interested parties in Wales will find it difficult to understand and accept their exclusion from the benefits of your additional funding.

Unlike George Younger, the two national institutions funded by my Department cannot claim to have suffered financially because of any Local Government reorganisation, nevertheless, they will no doubt feel aggrieved at being excluded from your announcement of additional resources and face real financial difficulties themselves. It would be useful to have a comprehensive summary of where we stand in our support for the arts, following recent changes, so that we can all see how to defend the arrangements and be in a better position to judge whether further changes are needed.

I give notice that I may need to return to this subject in the light of what you say, and also my own views on the balance of central museum funding in 1986/87 and later years between our Departments.

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

*Yours sincerely,*

*C. Jones*

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

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

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PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

1 August 1984

*Dear John,*

ABOLITION OF THE GLC AND MCCs

Your Secretary of State met the Lord President this morning to discuss the presentation of the Government's case for the abolition of the Greater London Council and the metropolitan county councils. Lord Bellwin, Mr Gummer, Sir George Young and Mr Waldegrave were present and Sir George Moseley, Mr Heiser, Mr McDonald and Mr Ingham also attended.

In his letter to you of 19 July Andrew Turnbull said that the Prime Minister wished the Lord President to 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.

The Lord President said that he had again consulted the Treasury and the Central Office of Information about paid advertising. It was clear that Government departments were, subject to their accounting officers' views, free to spend on factual advertising about legislation which was already on the Statute book. His own view was that the Government had little to gain from seeking to widen that well-established convention of self-restraint. There was no way in which it could, in the short term, impose comparable restrictions on local authority spending on advertising and political propaganda, but if the Government itself ceased to be scrupulous in such matters it would be vulnerable to criticism. The use of paid public relations consultants would be a new departure and could also be criticised. It was inevitable that there would be disparities in the standards of conduct observed by central and local government, and central government could not hope to match local authority advertising campaigns without serious derogation from the standards it would prefer to see universally adopted. Neither could it hope to match the great scale of local authority expenditure on advertising. While the Government should be as vigorous as possible in presenting its case, it was preferable that it should do so without departing from the established convention.

John Ballard Esq

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In discussion, it was pointed out that many of the Government's supporters were disappointed at its apparent failure to counter the arguments of those who opposed its policies on local authorities. They did not understand the constraints under which the Government operated. But Government backbenchers tended to criticise the Government's presentation without themselves offering to help by speaking in favour of the Government's policies. Local authorities were mounting expensive and highly professional campaigns against the abolition of the GLC and the metropolitan county councils and it was likely that such purportedly factual advertising would become a regular feature in local elections.

It was agreed that a considerable amount could be done by central Government without departing from the usual rules. The factual basis of the Rates Act (and possibly the Local Government (Interim Provisions) Act) could be clearly advertised. The message to be conveyed was the reason why rates had to be capped; what limits were being imposed and how those should affect the individual ratepayer; that rates could be capped without necessarily affecting the quality of local services; and that rate capping was not a Government attack on the local authorities, but an attempt to protect the ratepayer from profligacy. That message would provide the public with the material which refuted the local authorities' claims. The Central Office of Information had assigned the advertising agency J Walter Thompson (JWT) to work for the Department of the Environment. The meeting agreed that the Department should discuss with JWT the message which the Government wished to convey and the audience at which it should be aimed, and should invite the agency to present its proposals for the format, cost, content and method of a campaign. The agency's advice should cover the use of local press, radio and leaflets, and should be available by the week beginning 11 September. In the light of that presentation, Ministers would consider what work should be commissioned. They would need then to bear in mind the difficulties which could arise if advertisements appeared to pre-empt the decisions which your Secretary of State will have to make on the outstanding issues on local authority expenditure.

On the next Session's Bill to abolish the GLC and metropolitan county councils, it would not be possible to make use of paid advertising until the legislation was passed. It was, however, desirable to mount an early and sustained campaign in favour of the abolition policy. The Secretary of State for Employment's recent brief exercise in involving backbenchers in presenting the Government's views on the dock strike had been very successful. A similar effort should be made on abolition. Backbench Members of Parliament could often speak more freely and robustly than Government Ministers, and generally responded very willingly to appeals to help present the Government's case. They should be provided with briefing material and should be encouraged to

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Speak as often as possible within a co-ordinated campaign. Particular attention should be given to local radio, but the argument should also be carried outside the areas immediately concerned and presented nationally. Members of Parliament representing constituencies within the GLC and metropolitan county councils should speak not only for their own areas, but for others similarly affected. The message in this case was that local services were better provided locally; that services could be provided more cheaply and more responsively by individual boroughs; and that the second tier authorities, unlike the boroughs, were not directly accountable to the electorate for their expenditure. The Department of the Environment should provide clear briefing on how abolition would save money.

The Lord President invited your Secretary of State to appoint one of his Ministers in the House of Commons to be in charge of such an operation. It should be set in hand as quickly as possible so that the Ministers and backbenchers involved were ready to speak in the campaigns running up to the London borough by-elections on 20 September. The Lord President would give whatever help your Secretary of State might think appropriate in encouraging individuals to take part in the operation.

I am sending copies of this letter to Andrew Turnbull (No 10), to the Private Secretaries of the Ministers who attended the meeting, to Sir George Moseley, Mr Heiser, Mr McDonald and Mr Ingham and to Richard Hatfield (Cabinet Office).

*Yours sincerely,*

*Janet Lewis-Jones*

JANET A LEWIS-JONES  
Private Secretary

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PART 22 begins:-

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