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PREM 19/1309

PART 24 MT

CONFIDENTIAL FILING

Relations between Central and Local Government
Local Authority Expenditure
Local Authority Elections
Abolition of the GLC and MCCs

LOCAL GOVERNMENT

PART 1: MAY 19

PART 24 DEC. 198

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4/12/84~~							
~~7/12/84~~							
~~10.12.84~~							
12.12.84							
~~14/12/84~~							
17/12/84							
~~20/12/84~~							
21.12.84							
31.12.84							
— PART CLOSED —							

PART 24 ends:-

SS/Ew to PM 31/12

PART 25 begins:-

AT to PM 2.1.85

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 41st Meeting, item 5	13/12/1984
CC(84) 41st Meeting, item 1	13/12/1984
MISC 109(84) 1st Meeting	12/12/1984
CC(84) 40th Meeting, item 1	06/12/1984

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

Signed J. Gray Date 26/9/2013

PREM Records Team

Published Papers

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

House of Commons HANSARD, 4 December 1984, columns 173 to 280: Local Government Bill

Signed J. Gray Date 26/9/2013

PREM Records Team

File with AT

OID

AT o/r

PRIME MINISTER

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

1. Your Private Secretary wrote to mine on 12 December about the proposals relating to the above-named Inquiry contained in my earlier minute of 7 December.

2. I shall be in touch a little later about the membership of the Committee, but I shall, of course, accept your advice about Sheila Browne. I will consider most carefully the possibility of appointing Mr Harry Jordon, but there would be certain disadvantages - if we are to persuade the Opposition Parties to agree to keep the size of the Committee down to the three or four people we have had in mind - in appointing a man known to have been recently active on Central Office business. Both the Labour and Alliance Parties would be almost bound to press for counter-balancing representation on the Committee in those circumstances, an outcome I would wish to avoid if at all possible. However, I will come back to you on membership generally in due course; the immediate need is to agree upon the Chairman so as to enable me to make an early statement to Parliament and thereby launch the formal consultations with the Opposition Parties and the local authority associations that have been promised.

3. You asked for more information about David Widdicombe, the man I would wish to appoint as Chairman. He has previously chaired two major planning inquiries - into the Brighton Marina case in 1974 and the Oxfordshire Structure Plan in 1976. In both instances he was praised for his thoroughness, command and ability to handle people with a variety of interests and backgrounds. Before recommending David Widdicombe to you, I consulted both the Attorney General and the Solicitor General who confirmed his scrupulous objectivity and impartiality, together with his highly professional approach to any task required of him. I am assured that he has not been active politically for several years, yet is a man who I am certain will carry conviction across a wide political spectrum. Added to this, he has - as my minute of 7 December indicated - the highly relevant experience of having served as a member of the 1973-74 Committee of Inquiry into Local Government Rules of Conduct. I hope you can agree that David Widdicombe would be an excellent choice for this important and demanding role.

4. If I may turn to the other queries in your Private Secretary's letter, you have pointed to the need to supplement the Inquiry's terms of reference to make it clear that the issues mentioned by Andrew Turnbull should be covered. While the proposed terms of reference are inevitably couched in fairly broad and general terms, it is my clear intention to amplify them when I announce the detailed proposals for the establishment of the inquiry to Parliament. Moreover, I have asked for confidential briefing to be prepared for the Chairman to guide him in the conduct of the Inquiry. This brief will certainly include detailed advice on the need for the Committee to take account of the points raised both by yourself and by Keith Joseph in his letter of 17 December.

5. I agree entirely on the importance of setting a timetable for the Inquiry and intend to make it clear both in my announcement to the House and in the Chairman's briefing that the Committee will be expected to report within a year of starting work. This, of course, makes it even more important that the Government should not leave itself open to the accusation that it has taken an excessive length of time to bring firm proposals before the House.

6. You have also suggested that the work of the Inquiry and the evidence presented should receive maximum publicity. It is my intention when briefing the Chairman to emphasise the need for a robust approach in publicising the Inquiry's proceedings. At the same time I am concerned that witnesses who may otherwise be reluctant to come forward should have a full assurance that the confidential nature of any evidence will be respected. In view of the sensitive political and personal issues involved, I would not want to rule out the possibility of the Committee taking some hearings 'in camera' where this seemed appropriate, or of their obtaining information by more informal means. The Inquiry, of course, faces a dilemma in this respect. It will be essential to obtain as much information as possible about the practice of those local authorities which are plainly abusing their discretionary powers for political motives. However, senior members and officers of these authorities may well be reluctant to come forward to give evidence, particularly if those authorities refuse to co-operate with the Inquiry. That response would be more likely to manifest itself the more they are given reason to believe that the Inquiry is concentrating its attentions on particular left-wing abuses. This is another reason why the formal terms of reference are best not made too explicit. I have, incidentally, considered very carefully whether the Inquiry should be given powers of subpoena but have concluded that this would not be a desirable or effective means of protecting witnesses or compelling their attendance.

7. I should be most grateful if I could now be authorised to confirm the appointment of David Widdicombe as Chairman of the Inquiry, thereby enabling me to commence early informal consultations with the Opposition Parties and the local authority associations. Once these had been concluded I would circulate to colleagues the terms in which I would propose formally to announce to the House of Commons - I hope in January - the setting up of the Inquiry.

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

PJ

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

31 DECEMBER 1984

CC NO

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

JU637
Secretary of State for Trade and Industry

21 December 1984

CONFIDENTIAL

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

ENQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

Thank you for sending me a copy of your minute of 12 December to John Ballard.

My Secretary of State believes it is essential to appoint at least one member to the Committee with a sound knowledge of business. Like the Prime Minister, he would like to know more about the candidates put forward by the Secretary of State for the Environment but feels that, on the face of it, Professor Jack may be suitable for this purpose.

I am copying this letter to the Private Secretaries to Cabinet Members and to Richard Hatfield at the Cabinet Office.

Yours ever,

Andrew Lansley

ANDREW LANSLEY
Private Secretary

999-1

Local Count: Relats Pt 24.

CONFIDENTIAL

CC NO

2 pp's.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

21 December 1984

NBPM

Dear Peter,

NEW BURDENS ON LOCAL GOVERNMENT

Thank you for your letter of 3rd December; I have now also seen Nicholas Edwards' letter of 11th December.

I see some merit in Nicholas's proposal that the list should be circulated as an E(LA) paper: this would not, of course, remove the need for early consultation at official level with this Department and yours, and I think we should see how this works out in practice before considering whether we should institute a formal E(LA) procedure.

I am less convinced by Nicholas' other suggestions. Whilst I agree that we should take into account any new burdens imposed on local government in our discussions of the planning totals, our aim is to keep to a minimum the number of new tasks that we ask local authorities to undertake. As I indicated in my letter of 13th November if we are simply to impose new burdens and increase the public expenditure provision accordingly, this would do nothing to reduce actual local authority expenditure, nor would it aid our commitment to keep public expenditure generally in check. Nor do I think we should publish the list when announcing provision for the next year: local government would simply seize on it to add to their arguments that we had not increased planning totals sufficiently.

I hope therefore that colleagues can now agree to adopt the system outlined in my letter of 12th September, accepting of course that it may be necessary to consult the local authority associations to quantify the resource implications of any proposal before consultation with officials here and at the Treasury. I agree that we should consider each proposal on its merits against the framework of overall restraint on public expenditure: the general presumption should be against new burdens, but where these are imposed there should indeed be a PES transfer into the provision for LA current. Where the resources are found is, of course, a matter for negotiation between you and sponsoring Departments.

As before copies of this letter go to the Prime Minister, the Lord President, members of E(LA) and Sir Robert Armstrong.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Peter Rees MP

CONFIDENTIAL

LOCAL GOVT: relations. Pt 24.

Minister for Local Government

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

I am most grateful for this useful work

Prime Minister

MT

DMS 31/12

20 December 1984

Dear Prime Minister,

The Leader of Barnet Council, Councillor Pym, came to see me this morning with the Chairman of the Finance Committee, Councillor Burton, and the Borough Treasurer, Mr Ross. We discussed Barnet's rate support grant position, and I am writing to let you know the points they made and how Barnet stand in the Settlement for 1985/86.

Councillor Pym has long represented that, while he accepts that Barnet has high rateable resources, the Borough's grant-related expenditure assessment (GRE) under-estimates its needs. He cites the large number of old people in the Borough (Barnet has more than any other London Borough in absolute terms, but ranks sixth when old people are expressed as a proportion of the population), and a high percentage of non-white school children.

Councillor Pym acknowledges that Barnet's block grant for spending at target in 1985/86 (£32.576m) will be £1.467m above the Council's current entitlement in 1984/85. Thanks to this, he expects a very low rate increase for next year. Barnet's 1985/86 GRE, £99.996m, has increased 5.8% from this year, above the outer London average of 4.87%. Councillor Pym regards this higher total GRE, which in particular reflects increases in Barnet's GREs for education and for personal social services, as no more than belated recognition of the Council's expenditure needs. However he is concerned that the increase is below the national average GRE increase of 6.7%, and maintains that the GRE assessments are still inadequate in relation to Barnet's needs.

At present the main difficulty for the Council representatives is how to meet their expenditure target in 1985/86, as they have done (after disregards) each year since 1981/82. Their target for next year is £101.276m, which represents a cash increase of 3.64% on their budget for 1984/85 after taking account of the changes in NIS, and the "Training for Jobs" expenditure transfers. They said they are injured at not receiving the full 4.5% increase which those spending at target and below GRE have received. They regard themselves as equally deserving as the authorities spending below GRE. They told me that they may be unable to keep the cash increase in their expenditure to this level, especially in view of the teachers' pay award, and that they will need to look for savings of about £2½m to meet target.

Councillor Pym suggested to me that we should reconstruct the targets in order to give authorities in Barnet's position - those spending at target but above GRE in 1984/5 the same 4.5% headroom as we are giving the low spenders. This of course amounts to scrapping targets this year, and letting all authorities above GRE, the substantial majority of which are Labour controlled, increase their spending in line with the low spenders and with inflation. I had to put it to Councillor Pym that the consequences of this would be wholly unacceptable.

I did agree to consider, but entirely without commitment, a suggestion that certain items of expenditure which we disregard for the purposes of grant penalties should be measured cumulatively rather than only on a year to year basis, and I also invited Councillor Pym to put to me any other item of increasing local expenditure which was entirely outside his control, and hence a candidate for a disregard.

Overall, the position is that Barnet should do comparatively well in grant terms in 1985/86, but it is facing a squeeze on its expenditure target because it overshot GRE this year. If it can live within target, however, there is the prospect of virtually no increase in the borough rate next year.

I am copying this letter to John Gorst, Peter Thomas and Sydney Chapman.

Yours

Kenneth

KENNETH BAKER

The Rt Hon Margaret Thatcher MP

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

20 December 1984

Dear Richard

SELECTIVE RATE LIMITATION IN 1985/86: SETTING OF RATE AND PRECEPT LIMITS

I think I ought to comment, for the record, on your letter to me of 11 December about the presentation of the rate and precept limits announced on that day.

First, I must stress that there has been no redetermination of the expenditure levels set in July; nor legally can there be in the absence of applications for redeterminations. It is therefore misleading to suggest that (the second sentence of your second paragraph) "the rate [limits] had been set at a level that implied a small net reduction in expenditure levels". The only safe formulation of this proposition about spending is the one used in my Secretary of State's letter of 4 December to the Lord President, namely that the rate limits imply a reduction in "the total of effective levels of spending" (this is because of the net effect of our assumptions about reserves).

Secondly, both we and DES are concerned about the last sentence of your second paragraph. We do not intend to make much of the expenditure effects of the rate limits; our presentation has centred more on the rate reductions we are achieving, and we are sure that is the best approach since the policy is based upon "protecting the ratepayer". But it has proved impossible, for example, for DES not to indicate how much ILEA will be able to spend from rates and financial reserves as a result of its precept limit, since the figure can easily be derived in the case of a single service body. Both my Secretary of State and Sir Keith Joseph have stated that the precept limit set for ILEA is compatible with a spending level of £900m.

We are of course clearing individual major comments by Ministers on rate limitation with Treasury officials as they occur, and I assume that on that basis you will be content for us not to stick to the letter of your suggested presentational approach.

I am sending a copy of this letter to Andrew Turnbull (No10), Janet Leiws-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodkinson (Department of Education and Science), John Graham (Scottish Office), Colin Jones (Welsh Office), Steve Godber (Department of Health and Social Security), David Normington (Department of Employment), Dinah Nichols (Department of Transport), Iain Jack (Lord Advocate's Department), Paul Thomas (Lord Gowrie's Office), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Government Whip's Office, Lords) and to Richard Hatfield (Cabinet Office).

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Richard Broadbent Esq

Relations: Local Govt. Pt 24

Please keep ✓

NO DISTRIBUTION

PS- No 10 Downing ST.

ZCZC
DD 182300Z PEKING
GRS
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DESKBY 182230Z
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TO IMMEDIATE PEKING
TELEGRAM NO 1596 OF 18 DECEMBER
FOLLOWING PERSONAL FOR PRIVATE SECRETARY (PRIME MINISTER'S PARTY) FROM TIM FLESHER, NO 10

1. THE ENVIRONMENT SECRETARY'S STATEMENT ON LOCAL AUTHORITY CAPITAL SPENDING WENT VERY BADLY TODAY. IN ADDITION TO THE EXPECTED OPPOSITION UPROAR, THERE WAS A CONSISTENTLY HOSTILE REACTION FROM GOVERNMENT BACKBENCHERS. THE TONE WAS SET BY MR PYM AND MR RIPPON AND CONTINUED BY MR TAPSELL, MR BEAUMONT-DARK AND MR SILVESTER. OTHER LESS OBVIOUS BACKBENCHERS ALSO FOLLOWED SUIT. AS A RESULT THE SPEAKER GRANTED STANDING ORDER NO 10 APPLICATION FOR A DEBATE TOMORROW (19 DECEMBER).

2. A MEETING CHAIRED BY THE LORD PRESIDENT IMMEDIATELY AFTER THIS DECISION REACHED THE CONCLUSION THAT THE GOVERNMENT MUST STAND FIRM AND EXERCISE MAXIMUM PRESSURE TO SECURE THE BEST POSSIBLE VOTE. A THREE LINE WHIP IS BEING ISSUED AND MEMBERS ARE BEING BROUGHT BACK TO THE HOUSE. THE CONSEQUENCES OF A DEFEAT FOR THE GOVERNMENT'S ECONOMIC STRATEGY AND FOR THE INTERNATIONAL IMAGE OF THE GOVERNMENT ARE BEING STRONGLY EMPHASISED. A FIRM PRESS LINE IS ALSO BEING TAKEN. THE ASSESSMENT OF THE WHIPS IS THAT THE VOTE AT THE END OF THE DEBATE SHOULD BE CARRIED COMFORTABLY BY THE GOVERNMENT, BUT THAT THERE WILL BE A SUBSTANTIAL NUMBER OF GOVERNMENT VOTES AGAINST. THE MAJORITY SHOULD, HOWEVER, BE STRENGTHENED BY OPPOSITION ABSENTEES. MR JENKIN WILL OPEN FOR THE GOVERNMENT AND, SINCE THE DEBATE COVERS WALES AS WELL, MR EDWARDS WILL BE WINDING UP.

3. A FURTHER AND SEPARATE COMPLICATION IS THAT THE SITTINGS MOTION ON THE CIVIL AVIATION BILL WAS DEFEATED YET AGAIN TODAY BY JACK THOMPSON MP JOINING WITH THE PREVIOUS REBELS (JOHN WILKINSON AND ANTHONY STEEN) TO VOTE AGAINST THE GOVERNMENT. THE TRANSPORT SECRETARY IS MAKING A STATEMENT TOMORROW OR THURSDAY ON THE FUTURE OF THE BILL. HE IS UNDER STRONG PRESSURE TO WITHDRAW IT FROM THE OPPOSITION AND FROM THE ANTI-STANSTED LOBBY.

4. THERE IS NO DOUBT THAT THE MEDIA WILL PLAY UP THE SIGNIFICANCE OF FURTHER BACKBENCH UNREST IMMEDIATELY AFTER THE PRIME MINISTER'S DEPARTURE FOR PEKING AND SO SOON AFTER HER SPEECH TO THE 1922 COMMITTEE. THIS IS A FURTHER REASON WHY THE LORD PRESIDENT CONSIDERS IT ESSENTIAL, AND HAS GIVEN CLEAR INSTRUCTIONS, THAT THE GOVERNMENT MUST SEEM TO BE STANDING TOTALLY FIRM.

HOWE

NNNN

STATEMENT BY SECRETARY OF STATE ON LOCAL AUTHORITY CAPITAL EXPENDITURE
18 DECEMBER 1984

1. WITH PERMISSION MR SPEAKER, I WILL MAKE A STATEMENT ABOUT LOCAL AUTHORITY CAPITAL EXPENDITURE IN ENGLAND IN THE COMING FINANCIAL YEAR. MY RT HON FRIEND THE SECRETARY OF STATE FOR WALES WILL BE MAKING A STATEMENT LATER.

2. SINCE MAY 1979 LOCAL AUTHORITIES IN ENGLAND HAVE SOLD OVER 600,000 HOMES TO THEIR TENANTS. THE SUCCESS OF THIS POLICY COUPLED WITH SALES OF OTHER ASSETS HAS GENERATED VERY SUBSTANTIAL CAPITAL RECEIPTS WHICH LOCAL AUTHORITIES HAVE BEEN ABLE TO SPEND OVER A PERIOD OF TIME. THIS STATEMENT IS ABOUT THE CONSEQUENCES FOR NEXT YEAR'S CAPITAL SPENDING PROGRAMME.

3. ON THE 18TH OF JULY I EXPLAINED TO THE HOUSE THAT IN 1983/84 THERE HAD BEEN AN OVERSPEND OF £368 MILLION ON THE MAIN LOCAL AUTHORITY CASH LIMIT FOR CAPITAL EXPENDITURE. I WARNED THAT WE COULD BE HEADING FOR A MUCH LARGER OVERSPEND THIS YEAR. THAT WAS WHY I HAD TO ASK LOCAL AUTHORITIES TO EXERCISE RESTRAINT.

4. MOST AUTHORITIES HAVE COMPLIED WITH MY REQUEST AND I AM GRATEFUL TO THEM BUT SOME HAVE CHOSEN TO IGNORE IT. SO ALTHOUGH THE AMOUNT OF THE OVERSPEND THIS YEAR HAS CERTAINLY BEEN REDUCED, IT IS STILL LIKELY TO BE HIGHER THAN IN 1983/84 AND I MUST THEREFORE MAINTAIN MY APPEAL FOR RESTRAINT FOR THE REST OF THE FINANCIAL YEAR.

5. CONSEQUENT UPON THE GOVERNMENT'S DECISIONS PUBLISHED BY MY RT HON FRIEND THE CHANCELLOR IN HIS AUTUMN STATEMENT, I HAVE TO ANNOUNCE THAT PLANS FOR LOCAL AUTHORITY CAPITAL SPENDING IN ENGLAND FOR NEXT YEAR WILL BE JUST OVER £4BN. RECEIPTS ARE EXPECTED TO BE ABOUT £2.1BN, AND THE CASH LIMIT ON NET EXPENDITURE IS THEREFORE BEING SET AT £1.95BN. THIS NET FIGURE FORMS PART OF THE GOVERNMENT'S PUBLIC EXPENDITURE PLANNING TOTAL FOR NEXT YEAR. ANY EXCESS WOULD BE A POTENTIAL CHARGE ON THE CONTINGENCY RESERVE.

6. UNLESS CORRECTIVE ACTION IS TAKEN LOCAL AUTHORITIES COULD WELL BREACH THE CASH LIMIT NEXT YEAR AS HAPPENED IN 1983/84 AND IS HAPPENING THIS YEAR. THE PROBLEM ARISES BECAUSE THE ACCUMULATED RESERVES OF CAPITAL RECEIPTS ARE NOW ESTIMATED AT SOME £5BN.

7. THESE RESERVES BELONG TO THE LOCAL AUTHORITIES. WHAT IS AT ISSUE IS THE PACE AT WHICH THEY MAY BE SPENT. TO REDUCE THE RISK OF OVERSPENDING NEXT YEAR WE HAVE TO REDUCE THE PROPORTION OF RECEIPTS WHICH AN AUTHORITY MAY SPEND IN ANY ONE YEAR. FOR HOUSING RECEIPTS, THE PRESCRIBED PROPORTION WILL BE REDUCED FROM 40% TO 20% FROM NEXT APRIL. FOR OTHER RECEIPTS, FOR EXAMPLE FROM THE SALE OF LAND, THE PROPORTION WILL BE 30%. LOCAL AUTHORITIES WILL CONTINUE TO HAVE THE RIGHT TO USE THE BALANCE OF THEIR RECEIPTS BUT SPREAD OVER A LONGER PERIOD. WITHOUT THESE CHANGES THERE IS LITTLE DOUBT THERE WOULD HAVE BEEN SUBSTANTIAL OVERSPENDING NEXT YEAR. THIS IN TURN WOULD BE BOUND TO LEAD TO DISRUPTIVE MID-YEAR CORRECTIVE ACTION. IT IS CLEARLY IN THE INTERESTS OF LOCAL AUTHORITIES TO REDUCE THIS RISK.

8. WE SHALL BE NOTIFYING INDIVIDUAL AUTHORITIES OF THEIR ALLOCATIONS SHORTLY. I AM HONOURING THE ASSURANCE I GAVE LAST YEAR THAT HOUSING ALLOCATIONS WOULD BE AT LEAST 80% OF THOSE FOR THE PRESENT YEAR.

9. AUTHORITIES THAT HAVE COMPLIED IN FULL WITH MY REQUEST FOR RESTRAINT THIS YEAR WILL RECEIVE AN EXTRA ALLOCATION NEXT YEAR AMOUNTING TO AN EXTRA 5% ACROSS ALL SERVICE BLOCKS. I ESTIMATE THAT THIS MAY ADD ABOUT £100M TO THE TOTAL OF ALLOCATIONS.

10. TO HELP LOCAL AUTHORITIES TO PLAN THEIR CAPITAL PROGRAMME WE ARE INCREASING FROM 2% TO 5% THE RIGHT TO CARRY FORWARD AN UNDERSPEND OF THE NATIONAL CASH LIMIT FROM ONE YEAR TO THE NEXT. THERE WILL ALSO BE A MARGIN OF 5% ABOVE THE CASH LIMIT UP TO WHICH NO CORRECTIVE ACTION WITHIN THE YEAR WILL BE SOUGHT.

11. MR SPEAKER, SUBJECT TO THE SAME SORT OF PROVISOS AS LAST YEAR, I CAN REPEAT LAST YEAR'S ASSURANCE THAT FOR THE HOUSING AND OTHER SERVICES BLOCKS, ALLOCATIONS WILL BE AT LEAST 70% OF THOSE FOR THE CURRENT YEAR. FOR 1987/88, AUTHORITIES CAN COUNT ON RECEIVING AT LEAST 80% OF 1985/86 ALLOCATIONS.

12. APART FROM THESE ASSURANCES, THE DECISIONS I HAVE ANNOUNCED TODAY RELATE ONLY TO 1985/86. I AM CONSULTING THE LOCAL AUTHORITY ASSOCIATIONS ABOUT POSSIBLE CHANGES TO THE SYSTEM FOR THE LONGER TERM.

DWB
18/12

F1M/3/D7

PARLIAMENTARY STATEMENT - 18 DECEMBER 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE: WALES

Mr Speaker, with permission I wish to make a statement about the future arrangements for controlling local authority capital spending in Wales, and the level and distribution of capital resources in 1985/86.

The decisions I am announcing this afternoon have to be seen against the background that since 1979/80 Welsh local authorities have invested, at 1984/85 prices, £2.2 billion in a wide range of projects which have significantly extended and improved the social and economic infrastructure in Wales. The Government's expenditure plans to be published in the forthcoming Public Expenditure White Paper, envisage that over the next three years they should invest a further £1 billion, again at 1984/85 prices. The largest service element within this total of £3.2 billion is some £1.4 billion in respect of housing.

In the course of the review of the control system which was announced in July I have considered carefully the views of both the Welsh Counties Committee and the Committee of Welsh District Councils. They have emphasised the need for greater flexibility. They attached particular importance to being given a better view of the future trend in resources, and argued strongly for continued access to their reserve of accumulated receipts. Discussions on the way in which the system could be developed will continue in the New Year.

Having taken full account of the associations' representations the Government has decided to make a significant change to the rules governing the operation of the national cash limit. The present facility for carrying forward to the following year an underspend of up to 2 per cent against the aggregate planning total will be increased to 5 per cent. In addition, corrective action will not be taken to restrain spending if the cash limit is on course to be exceeded by less than 5 per cent. Any

overspending will be taken into account when determining provision for a subsequent year. These changes should greatly reduce the possibility that we have to take corrective action part way through the year, and ensure that resources are not lost if there is only a moderate degree of underspending.

A principal reason for the capital overspending experienced in Wales in the last 2 years is that the allocation mechanism has not so far taken account of the inherent spending power provided by accumulated receipts. These are expected to amount to over £300m next year, all but £10m being in the district tier.

Districts argue that they should have complete freedom to spend their accumulated receipts; but not only would this have serious consequences for public expenditure control generally, and the level of PSBR, but it would enable them to spend a major part of their receipts twice. This is because while housing allocations issued since 1981/82 have been calculated so as to include a large proportion of receipts forecast to accrue in each year, at the same time districts have been able to **borrow** to finance the bulk of their housing spending **without** needing to use the receipts built in to the allocation: and for this reason, they have been able to accumulate large reserves. It is reasonable to place a measure of constraint on their ability to use these receipts for a **second time**.

I have, therefore, decided to phase the use of these receipts by reducing, but not eliminating, the proportion which can be used to enhance the spending power of allocations in any one year. In the case of housing the proportion will be reduced by 10 percentage points from 25 per cent to 15 per cent. For non-housing receipts the prescribed proportion will be 50 per cent. These changes should significantly reduce the pressure on the all-Wales cash limit.

Last year I gave authorities forward indications of capital allocations based on 80% and 70% for the 2 later years. This year I intend giving forward indications again, but linked to 80 per cent for each year to provide a firmer basis for planning.

I turn now to the resources available for 1985/86.

Gross expenditure provision underlying the cash limit for the coming year will be £349m, marginally higher than the level of provision for the present year. When the law and order services are added the total is £354 million.

Within this figure gross provision for local authority housing is £146.5m. Each authority will receive sufficient to cover the forward indications given them in July 1984. In addition, bids for an allocation to meet expenditure needs on privately and publicly owned PRC (prefabricated reinforced concrete) dwellings will be met in full. Bids for expenditure on enveloping schemes not covered by previous allocations will also be met in full. I am making provision to enable the two existing Welsh Priority Estates Projects to continue and for a new scheme to commence.

The Housing Corporation's net capital provision will be £39m. I expect receipts and private sector finance to enhance that total by another £3m to £4m.

Total resources for roads and transport, taking into account new receipts, amount to £64m. Within this sum I have accepted just over £53m for TSG purposes. This will enable the 3 new major highway projects announced in the Welsh Grand Committee last Wednesday to start in 1985.

Gross capital provision for other service blocks in 1985/86 is over £10 million higher than the projected level of spending in the current year: about £125m to £135 m.

The Enterprise Zones have been given additional resources amounting to £2.3m to further their development. In recognition of its regional status, the Polytechnic for Wales has also been given an individual allocation of £1/2m per annum over the next few years to promote its technological development. Other allocations have been made for major coast protection works at Prestatyn, urgent refuse disposal schemes in Swansea, Rhondda and Ynys Mon, flood alleviation works in Denbigh, repairs to the Brecon and Monmouth Canal, and towards the cost of replacing the headquarters of Powys County Council, which have become structurally unsound.

The cash limit provision for 1985/86, which is gross spending less forecast receipts, is £249m excluding law and order services. To calculate the total available for allocation the cash limit has added to it a proportion of housing receipts, and deducted from it estimates of expenditure not counting against allocations, such at leased vehicles and derelict land clearance. The total calculated in this way is £263m. Of this sum about £14m is being withheld from those district authorities which resolved to spend in excess of the voluntary restraint level for the present year. If the authorities concerned are able to realise sufficient additional receipts, all or part of the allocations withheld will be restored to them as soon as possible after the end of the present financial year. Details of allocations have been placed in the Library of the House, together with an explanatory note on the new arrangements.

I believe the new framework for managing local authority capital spending in Wales represents a fair and reasonable compromise between the objectives of local and central government. Coupled with the level of resources I have announced it is clear proof of the Government's desire to provide a firm foundation for a wide and effective programme of worthwhile capital schemes.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

C Marshall Esq
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

18 December 1984

Dear Charles,

I understand that oral statements are likely to be made today on local authority capital spending in England and in Wales. For the reasons indicated in the attached note there is no need for any parallel statement by my Secretary of State but in view of recent events the Lord Privy Seal might find it useful to have this note in case anyone asks why the Secretary of State for Scotland is not also appearing.

We are however planning to announce two minor technical changes in answer to a written PQ, the text of which I also attach.

I am copying this letter to Robin Butler (No 10), John Ballard (DOE), Richard Broadbent (Treasury) and Paul Skellon (Welsh Office).

Yours sincerely,

John Graham

J S GRAHAM
Private Secretary

WRITTEN

HOUSE OF COMMONS

MR / . To ask the Secretary of State for Scotland, what changes he proposes in the system for the control of local authority capital expenditure.

MR MICHAEL ANCRAM:

My rt hon Friend is broadly satisfied with the operation of the local authority capital control system in Scotland, but he proposes two modest changes which will lead to more flexible management of his local authority capital cash blocks SO/LA1 and SO/LA2. At present my Department can carry forward to the following year an underspend on either cash block up to a maximum of 2% of the appropriate cash limit; in future the maximum will be 5%. Furthermore if in any future year it appears that an overspend is likely on either block my rt hon Friend will refrain from taking any mid-year corrective action unless the probable outturn looks like exceeding 105% of the appropriate cash limit.

SCOTTISH OFFICE

CONFIDENTIAL TILL STATEMENTS MADE

LOCAL AUTHORITY CAPITAL EXPENDITURE
BRIEF FOR LEADER OF THE HOUSE

Line to Take

1. The difficulties caused by local authorities' overspending on capital projects in England and Wales do not apply North of the Border where my right hon Friend, the Secretary of State for Scotland, already successfully operates a different system. ~~There is no intention to change~~ Only small changes are proposed to that system so there is no need for my rt hon Friend to make a statement ~~on this matter.~~
A Question for answer today sets out the minor technical changes in prospect.

Background Note

2. The Secretary of State for the Environment and the Secretary of State for Wales are both intending to make statements on 18 December about local authority capital spending in England and in Wales. The tighter controls which are to be imposed in those countries to prevent overspending are not necessary in Scotland, where a strict system of controls on local authorities' capital expenditure is already in force. Thus if there should be a demand for a parallel statement by the Secretary of State for Scotland, it should be refused as being unnecessary.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

17 December 1984

Dear David

LOCAL AUTHORITY CAPITAL EXPENDITURE

I enclose a revise draft of the statement that my Secretary of State expects to make tomorrow, on Local Authority Capital Expenditure. My Secretary of State would be grateful for any comments by 10.30 tomorrow morning.

A copy of this letter goes to the Private Secretaries of members of the Cabinet, the Paymaster General and to Richard Hatfield (Sir Robert Armstrong's office).

Yours ever
John Ballard

JOHN BALLARD
Private Secretary

David Peretz Esq

REDRAFT OF DRAFT STATEMENT

1. With permission Mr Speaker, I will make a statement about local authority capital expenditure in England in the coming financial year. My rt hon Friend the Secretary of State for Wales will be making a statement later.

2. On the 18th of July I explained to the House that in 1983/84 there had been an overspend of the main local authority cash limit for capital expenditure. I warned that we could be heading for an even larger overspend this year. That was why I asked local authorities to exercise restraint.

3. Although some authorities have chosen to ignore my request, most have complied with it and I am very grateful to them. Although the amount of the overspend this year has certainly been reduced, it is still likely to be higher than in 1983/84 and I must therefore maintain my appeal for restraint for the rest of the financial year.

4. Following the decisions announced by my Rt Hon Friend the Chancellor in his autumn statement, I have to announce that the plan for local authority capital spending in England for next year will be just over £4bn. Receipts are expected to be about £2.1bn, and the cash limit on net expenditure is therefore being set at £1.95bn. This expenditure forms part of total public spending for next year. [Any excess would therefore have to be set against the contingency reserve.]

5. There is a danger that local authorities may overspend in 1985/86 as they have done in the last two years. They would be able to do so because they have accumulated a large reserve of capital receipts in the year of ~~£5.6bn~~ some £5½ - £6 billion

6. There is no question of taking the cash away from local authorities or even of removing the right to spend accumulated capital receipts. What is at issue is the pace at which they may be spent. To bring spending into line with the Chancellor's plans, we will have to reduce the proportion of receipts which an authority may spend in any one year. For housing receipts, I propose a figure of 20% from next April. For other receipts, for example from the sale of land, I propose 30%. I want to emphasise that local authorities will shift their right to use the balance of their receipts spread over later years.

7. Following on from this statement, we shall be notifying individual authorities of their allocations shortly. The totals for my own blocks - housing and Other Services - will be £1600m and £320m respectively. Within this total I am able to maintain the undertaking given last year that allocations to these blocks will be at least 80% of those for the present year.

8. In adition authorities that have complied in full with my request for restraint this year will receive a supplement to their allocations next year amounting to an extra 5% across all service blocks, we estimate that this may add about £100m to the total of allocations.

9. Local authorities justifiably want greater certainty in planning their capital programmes. To this end we are increasing the end year flexibility on underspending of the cash limit from 2% to 5%. There will also be a margin of 5% above the cash limit up to which no corrective action within the year will be imposed.

10. In addition, subject to the same sort of provisos as last year, I confirm last year's assurance that for the Housing and Other Services blocks, allocations for 1986/87 will be at least 70% of those for the current year. For 1987/88, authorities can count on receiving at least 80% of 1985/86 allocations.

11. The decisions I have announced relate only to 1985/86. We are consulting the local authority associations about possible changes to the system for the longer term.

014/109

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Treasury Chambers, Parliament Street, SW1P 3AG

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

17 December 1984

Dear Secretary of State

LOCAL AUTHORITY CAPITAL: HOUSING ALLOCATIONS

We agreed at last week's Cabinet that an addition should be made to your proposed housing allocations, because of the extra concession agreed for England. Our officials have agreed £3 million extra, on the grounds that this would mean that your allocations for housing would be about the same percentage of this year's allocations (just over 86 per cent), as the figures now agreed for England. I understand that you are content with this.

I am copying this letter to the Prime Minister and other members of the Cabinet, and to Sir Robert Armstrong.

Yours sincerely

for PETER REES

[Approved by the Chief Secretary]

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010.

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ODDI WRTH YSGRIFENNYDD
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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

17 December 1984

Dear Andrew

... I enclose a copy of a draft statement which my Secretary of State expects to make on the capital control system and capital allocations in Wales on Tuesday, 18 December 1984. If you have any comments I would be grateful if they could be with me by 7.00 pm on Monday, 17 December 1984.

/ I am sending a copy of this letter to David Hayhoe (Leader of the House of Commons), Lord Privy Seal, the Prime Minister's Chief press secretary, Murdo MacLean (Government Chief Whip's Office), Richard Hatfield (Cabinet Office), David Beamish (Government Whip's Office, Lords) Mr Durant (Welsh Whip), Janet Lewis Jones (Lord President's Office), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office), Viscount Long (Welsh spokesman, Lords), Alex Galloway (Paymaster General's Office), Iain Jack (Lord Advocate's Department), John Ballard (Department of the Environment) and Dinah Nichols (Department of Transport).

Yours ever,

Cledwyn

C L JONES

Andrew Turnbull Esq
10 Downing Street
London
SW1

CONFIDENTIAL

FlM/3/D7

DRAFT PARLIAMENTARY STATEMENT - 18 DECEMBER 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE: WALES

Mr Speaker, with permission I wish to make a statement about the future arrangements for controlling local authority capital spending in Wales, and the level and distribution of capital resources in 1985/86.

The decisions I am announcing this afternoon have to be seen against the background that since 1979/80 Welsh local authorities have invested, at 1984/85 prices, £2.2 billion in a wide range of projects which have significantly extended and improved the social and economic infrastructure in Wales. The Government's expenditure plans to be published in the forthcoming Public Expenditure White Paper, envisage that over the next three years they should invest a further £1 billion, again at 1984/85 prices. The largest service element within this total of £3.2 billion is some £1.4 billion in respect of housing.

In the course of the review of the control system which was announced in July I have considered carefully the views of both the Welsh Counties Committee and the Committee of Welsh District Councils. They have emphasised the need for greater flexibility. They attached particular importance to being given a better view of the future trend in resources, and argued strongly for continued access to their reserve of accumulated receipts.

Having taking full account of these representations the Government has decided to make a significant change to the rules governing the operation of the national cash limit. The present facility for carrying forward to the following year a shortfall of up to 2 per cent against the aggregate planning total will be increased to 5 per cent. In addition, corrective action will not be taken to restrain spending if the cash limit is on course to be exceeded by less than 5 per cent. Any overspending will be taken into account when determining provision for a subsequent year. These

[I am also glad that my rt hon Friend the Secretary of State for Transport has been able to make a special allocation to cover the cost of extending the runway at Cardiff (Wales) Airport to allow for DC10 scale aircraft to use the facility, fully laden, for trans-atlantic flights. The extension will mark a significant and welcome improvement in the communications infrastructure of South Wales.]

The cash limit provision for 1985/86, which is gross spending less forecast receipts, is £248m. The total available for allocation linked with this is £263m. Of this sum about £14m is being withheld from those district authorities which resolved to spend in excess of the voluntary restraint level for the present year. If the authorities concerned are able to realise sufficient additional receipts, all or part of the allocations withheld will be restored to them as soon as possible after the end of the present financial year. Details of allocations have been placed in the Library to the House, together with an explanatory note on the new arrangements.

I believe the new framework for managing local authority capital spending in Wales represents a fair and reasonable compromise between the objectives of local and central government. Coupled with the level of resources I have announced it is clear proof of the Government's desire to provide a firm foundation for a wide and effective programme of worthwhile capital schemes.

BG

NSPM
AT 17/12

CCND

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

17 December 1984

Dear Patrick.

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

I welcome the proposals in your 7 December minute to the Prime Minister.

I have one point on the proposed terms of reference. It is said that there are some employees of local authorities, other than those usually regarded as "officers", who spend much or even all their time on political activities instead of the kind of work for which they are nominally employed. I hope the Inquiry will look at this and that the proposed terms of reference will if necessary be modified to make it clear that this matter is included. Item (c) might read, for example, "the respective roles of elected members, officers and other employees".

The names you suggest are acceptable to me. I have seen the Prime Minister's comment on Sheila Browne. In my experience she was quick to initiate a thorough inspection of PNL when the sociology department there came into the news. However, she might not anyway be available because she is being invited by ILEA to conduct an enquiry into PNL itself.

Copies of this letter go to Cabinet colleagues and to Sir Robert Armstrong.

Yours. Keith.

Local Govt Pt 24

Relating

E(LF) folder

15 November 1984

MR TURNBULL

c Mr Sherbourne

THE POLITICS OF LOCAL GOVERNMENT

1. The Problem

Kaleidoscope of Events 1985 and 1986 will be busy years for local government. In addition to Abolition and the Rate-Capping revolt, there will be elections in May 1985 and May 1986, new RSG settlements and capital allocations for 1986/87 and 1987/8, and two new rounds of selective rate-limits. There may be some unfortunate coincidences. For example, in September 1985 the auditors may be initiating disqualification proceedings at roughly the same time as (1) the Abolition Bill receives Royal Assent and (2) the Rate-Capping selection for 1986/7 is announced. (Our full provisional calendar is attached as Annex A).

Increasingly sophisticated opposition. Meanwhile, the campaign against Government policies is becoming ever more vigorous and intelligent:

i. The GLC's advertising agency, BMP, is reported to be preparing a new programme of film and TV advertisements.

ii. The 'Local Government Campaign Unit' is expanding and becoming more active. This organisation was founded in 1983, under the aegis of Councillor Blunkett, with local authority and union backing. Its original staff of 8 (headed by an ex-Home Office official) is now growing to 14 and its starting budget of £150,000 pa appears to have increased substantially. It monitors, coordinates and disseminates information about successful methods of attack. Ironically, it claims to be a 'non-political' organisation.

iii. The MCCs now have an extremely efficient propaganda organisation known as 'The Case For The Metropolitan Counties'. This body employs not only advertising agents but also the lobbyists, GJW, to 'brief' MPs and others; it has identified Charles Morrison and Geoffrey Rippon as the Conservative MPs who are most likely to act as their spokesmen, and is now setting about to 'capture' them.

Disaffected supporters. The Association of County Councils is a bulwark of support for the Government: Conservatives have 100 representatives against 38 Socialists, 6 Liberals, and 2 Independents. Moreover, the Conservative councillors now coming up for re-election mainly gained their seats with reasonable majorities in 1981 despite the fact that it was a fairly bad year.

However, in 9 'Conservative' Counties the Party governs either with an overall minority or with a slender majority. And small gains for others could lead to a major loss of Conservative seats on the ACC because minority parties with sufficient strength can often claim a degree of ACC representation. (Cf Annex B)

In addition, many of the Shire County Conservatives are furious about the RSG settlement. Councillor Alston of Norfolk has gone so far as to accuse William Waldegrave of deceiving Parliament about the 'Pym commitment', and the leader of Buckinghamshire is set to resign on the same grounds. There is also residual discontent because of the Government's refusal to consult the LEAs about the MSC's new role in further education.

No clear policy on rate-capping. The rate-capping revolt is just about to begin in earnest; but there has not yet been a clear statement of Government policy. Experience with the miners' strike shows that a clear line needs to be established from the start. Otherwise, the public become confused, and the Government's opponents constantly receive new opportunites for propaganda triumphs.

2. Tackling the Problem

More Information and Co-ordination. To ensure that the Government is well-informed and capable of avoiding unnecessary dramas, we suggest that the new MISC on rate-capping should establish a shadow group of officials to ensure that the Government prepares properly for the revolt. This official group should:

i. prepare regular reports on the Government's publicity drive;

ii. study the likely pattern of service breakdown in the event of a local authority running out of cash;

iii. identify those service breakdowns which would be hazardous to health and safety;

iv. specify the most sensible methods of dealing with such hazards;

v. establish effective methods of monitoring any breakdown that may occur.

The group will, of course, need to cooperate closely with the Civil Contingencies Unit in dealing with items ii-v.

Matching the opposition. Ken Baker's recent broadcasts, speeches, articles and advertisements have been enormously

No

helpful. We understand that the Party has now also received a £100,000 donation to support a new campaign; and this will apparently be linked with a Party Political Broadcast. But more is needed: the propaganda war is crucial. We suggest that the Prime Minister should ask Lord Whitelaw to instigate another two or three more rounds of well-timed speeches from other Ministers on local government policy. The review of local government abuses should be established quickly, and evidence placed before it should be used as ammunition for Ministerial speeches.

??

Improving morale amongst the Government's supporters. The main cause of disaffection in the shire counties has been the level of targets for low-spending authorities. The Treasury have now agreed to increase targets for low-spenders in line with the new GDP-deflator. This may placate a number of shire Conservatives, who were on the point of revolt. But the legacy of bitterness remains. To help remove it, and to encourage Conservatives to fight hard in the May 1985 elections, we suggest that the Prime Minister should hold receptions for shire county leaders and majority party councillors. This could have a significant effect on morale. In addition, the Prime Minister might urge John Selwyn-Gummer to organise rotas of properly briefed Ministers to speak in the Counties. An all-out campaign to win the County elections will keep the ACC on our side and bring dividends for years to come.

Clarifying policy on the rate-capping revolt. There are two methods of dealing with the rate-capping revolt:

either seek to "conciliate"
or engage in brinkmanship

Conciliation is popular, but means giving more money to LAs and thereby destroying the policy. But we much prefer the second, tougher option, on the grounds that rate-capping is only worth doing if it is done vigorously.

If Ministers do decide in favour of brinkmanship, they should:

a. begin the propaganda battle now, by warning the public of the coming defiance and by announcing that the Secretary of State will not protect councils from their own folly;

b. when the councils begin their campaign, repeat the message that there will be no negotiations and that the councils must suffer the consequences of their own ill-doing, adding that the Government believes in local autonomy and responsibility within reasonable budgets;

c. take no further action until illegality or breakdown actually occurs;

d. draft another Contingency Bill enabling the Government to divert RSG payments and other funds to pay for substitute services.

e. if an illegal budget is set, proceed with disqualifications of offending councillors as fast as possible, but take no other action;

f. if services break down, do nothing for as long as possible, explaining constantly that the council has the remedy in its own hands;

g. when health and safety are threatened, pass the new Bill, and divert funds to maintain essential services, using the information prepared by the official back-up group for the new MISC;

h. impose Commissioners only if popular clamour for further Government action becomes irresistable.

The policy is brinkmanship: it will require nerves of steel; but it stands a real chance of defeating most of the councils, and of causing a rift between the Labour Party and the extremists. It also gives the Government a new means of avoiding Commissioners, and ensures that if they do have to be brought in they will be a response to popular pressure rather than a dictatorial imposition.

Conclusion The outlook is still bleak. To help improve matters, we recommend:

a. creating a group of officials, reporting to the new MISC, with explicit instructions to report on the Government's publicity, to study and assess likely pattern of service breakdowns, and to identify the least dramatic means of dealing with hazards to health and safety;

b. asking Lord Whitelaw to instigate two new rounds of speeches from non-DoE Ministers;

c. giving Prime Ministerial receptions for shire county Conservatives, and a higher Central Office profile for the May 1985 elections;

d. pursuing a policy of brinkmanship against the rate-capped authorities, permitting, if necessary, even the breakdown of some services, diverting funds to substitute for health and safety functions and keeping Commissioners as a last resort.

Oliver Letwin

OLIVER LETWIN

ANNEX

LOCAL AUTHORITIES

PROVISIONAL TIMETABLE FOR 1985 AND 1986

Date 1984	Rate-Capping Revolt 1985/6	Abolition of GLC/MCCs	Local Authority Finance
November	20 Nov: ILEA sets budget and (?) proposes precept	21 Nov: Abolition Bill to L Cttee 22 Nov: Abolition Bill published (if approved by L)	
December		3/4 Dec: Abolition Bill 2nd Reading in HoC. (?) 21 Dec: Abolition Bill in Cttee in HoC	Mid-Dec: RSG Report in HoC - final statement of RSG & of Provisional 1985/6 Rate & Precept limits (Debated in January)
1985 January	15 Jan: End of period for appeals vs. rate & precept limits.	14 Jan: (?) HoC returns to Cttee work on Ab.Bill	
February			15 Feb: Precept Limits for 1985/86 must be set by DOE - subject to affirmative resolution. May be interim limits for later revision, but will probably be final

JMOABO

Date 1985	Rate-Capping Revolt 1985/6	Abolition of GLC/MCCs	Local Authority Finance
March	10 March: 'Capped' precepting authorities (GLC/ILEA/S.Yorks/Merseyside) have legal duty to set precepts by now	Early March: Ab. Bill reaches Report & 3rd Reading in HoC	1 March: Rate Limits for 1985/6 must be set by now - subject to affirmative resolution in HoC
	11 March: 'INTERESTED PARTIES' (ie ratepayers or boroughs/districts in Greater London, S.Yorks, Merseyside) MAY START LEGAL PROCEEDINGS TO OBTAIN WRITS FORCING PRECEPTING AUTHORITIES TO SET LEGAL PRECEPTS		During March: LAs announce new rates; Press interest generated
		Late March: Ab. Bill leaves HoC for HoL	
April	Early April: 14 'Capped' Rating Authorities would normally have set rates by now		Mid-Late April: LA provisional budget for 1985/86 should be sent to DoE - some rate-capped LAs may refuse or be unable to send budgets
May	2 MAY: LOCAL GOVERNMENT ELECTIONS - County Councillors stand for re-election		
		(?)Mid-late May: If Abolition Authorities have refused to supply information as required by Paving Act, court cases may be starting	Mid-late May: 1986/7 RSG and rate-capping selection process begins

JMOABO

Date 1985	Rate-Capping Revolt 1985/6	Abolition of GLC/MCCs	Local Authority Finance
June	During June (?): LAs acting illegally may now have difficulty obtaining credit on market. PWLB may also begin to have qualms		
	June/July(?): Auditors in Rate-Capped Authorities may notice 'loss' or 'deficiency' of finance		
July	due to 'wilful misconduct'. AUDITORS MAY START COURT PROCEEDINGS TO DISQUALIFY RESPONSIBLE COUNCILLORS		Early July: E(LA) makes basic RSG/Rate-Capping decisions for 1986/87
		Mid July: Ab. Bill finishes in HoL	Mid July: Announcement of basic RSG/Rate-Capping decisions for 1986/7. [This may include predicted precept limits for joint boards following abolition]
		End July: Ab. Bill Royal Assent	
August	Mid Aug: Both Rating and Precepting Authorities may now be running out of current funds, due to failure to set legal rate/precept		Early August(?): Liverpool may be running out of RSG entitlement. (Rate-capped authorities may run out later in year.)

Date 1985	Rate-Capping Revolt 1985/6	Abolition of GLC/MCCs	Local Authority Finance
September	(?) Early Sept: First service breakdowns may occur	2 Sept: Jt Boards start preparations for takeover from GLC/MCCs	
		2 Sept: Interim-ILEA set up preparatory to new body being established: same membership as ILEA - NB old ILEA remains until March 1986	
	Mid-Sept: Capped Authorities Capital Spending may dry up: defaults on loans become likely though some authorities may purposely have defaulted earlier		Late Sept: DoE announces Capital Spending Regime for 1986/7
October			
November			Late Nov(?): Decisions on rate limits for 1986/7 made
December	End Dec.: authorities which have set rates but are purposely engaging in deficit financing may run out of funds by now.		Early Dec: Announcement of revised RSG settlement and GRE for 1986/7. Capital allocations for 1986/7 also announced

JMOABO

Date	Rate-Capping Revolt 1985/6	Abolition of GLC/MCCs	Local Authority Finance	Rate-Capping Revolt 1986/7
1986 January				
February		15 Feb: DoE announces precept-limits for Joint Boards for 1986/7 subject to HoC Affirmative Resolution	15 Feb: precept limits for 1986/7 must be set by DoE subject to HoC Affirmative Resolution	
March	End March: Rating Authorities chosen for 1985 Rate-capping must set rates for 1985/6 by now, or forego rating entirely			10 March: Precepting authorities 'capped' for 1986/7 have legal duty to set precepts by now
April		1 April: GLC/MCCs abolished	Mid-Late April: Local Authority budgets for 1986/7 should be sent to DoE	Early April: 'Capped' rating authorities for 1986/7 would normally have set rates by now
May	5 May: ELECTIONS FOR ILEA & LONDON BOROUGHS (all councillors)		Early May: Decisions on 1987/8 RSG and Rate-Capping begin	

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	Rate-capping revolt 1985/6	Local Authority Finance	Rate-capping revolt 1986/7
June			During June(?) If authorities selected for 1986/7 'capping' are acting illegally they may start to run out of credit/be making 'losses' noticed by auditors
July	June/July(?): Councillors from Authorities which set illegal rates & precepts in 1985 may now be at end of appeals, and hence be disqualified	Early July: Basic RSG and EL decisions for 1987/8 taken by E(LA) Late July: Announcement of provisional RSG and EL settlement, together with Joint Board precept-limits	
August			July/August: If authorities selected for 1986/7 capping are acting illegally, they may be running out of current funds

Date	Rate-Capping Revolt 1985/6	Local Authority Finance	Rate capping revolt 1986/7
September		Late Sep: DoE announces capital spending regime for 1987/8	
October			
November		Late Nov: Rate Limits for 1987/8 decided	
December		Early Dec: DoE announces capital allocations for individual authorities Mid Dec: Final RSG & Rate-Capping decisions made and announced for 1987/8.	

ASSOCIATION OF COUNTY COUNCILS

POLITICAL COMPOSITION

Present Balance of Shire Representatives on ACC

Conservative	100
Socialist	38
Liberal	6
Independent	2

Conservative Representation at Risk

County	Representatives on ACC				Control of Council			
	Con	Soc	Lib	Ind	Con. majority over all other parties	Con. Minority Leadership	Con/Lib majority over all other parties	Con/Ind majority over all other parties
Bedfordshire	2	1	1			(-5)		
Berkshire	2	1	1		1			
Cambs	4				0	(0)		
Essex	4				2			
Glos.	4							7
Leicestershire	2	2					7	
Oxfordshire	4				3			
Shropshire	1	1	1					2
Warwickshire	3					(-2)		
Wiltshire	4				8			

Security of Conservative Councillors

We have taken a sample of 1981 results in 15 wards in each of three vulnerable counties, to see whether the councillors standing for re-election in 1985 are generally secure or insecure. The results (below) indicate that the average Conservative councillor in these areas is probably fairly secure. **But it should be remembered that the average disguises a large number of marginal cases [cf column III]:**

	Average majority of Conservative Cllrs over nearest rivals		Percentage of Cons. Cllrs who have <10% majorities
	Votes I	Percentage II	III
Bedfordshire	543	24.9	8
Gloucestershire	380	13.5	33
N.Yorks	532	18.7	20
Overall Ave. of 45 sample Wards	510	20.8	18

Worst Case Result

If Conservatives lose control of all vulnerable counties, and lose all ACC representatives from those counties to the party most likely to gain the biggest political block on each council, the strength of parties on the ACC would be:

Conservative	74
Socialist	64
Liberal	6
Independent	2

It should be remembered that this situation could be aggravated still further if Socialists in counties like Cheshire make small gains and deprive Conservatives of all ACC representation. Under such circumstances, Conservatives might lose overall control of the ACC.

ANNEX C

RATE-CAPPED AUTHORITIES IN 1985/6

1. Precepting Authorities

ILEA (covers: Camden, Greenwich, Hackney, Hammersmith & Fulham, Islington, Kensington & Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth, Westminster).

GLC (covers: Boroughs as for ILEA above + Barking & Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Harringey, Harrow, Havering, Hillingdon, Hounslow, Kingston-Upon-Thames, Merton, Newham, Redbridge, Richmond-Upon-Thames, Sutton, Waltham Forest).

S. Yorks (covers: Sheffield, Rotherham, Barnsley, Doncaster).

Merseyside (covers: Liverpool, Wirral, Sefton, Knowsley, St Helens).

2. Rating Authorities

a. Conservative:

Portsmouth
Brent

b. Labour

London

Camden
Greenwich
Hackney
Haringey
Islington
Lambeth
Lewisham
Southwark

Out of London

Basildon
Leicester
Sheffield
Thamesdown

JMOABP

CONFIDENTIAL

NBPM RT 17/12 cc NO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 December 1984

Dear Nick,

GRE ASSESSMENTS FOR JOINT BOARDS

Thank you for your letter of 20 November. Pt 23.

I am sorry that you were not happy with my letter of 14 November. As you say, we did discuss this in E(LA) in May. The Committee came down firmly against the proposal that we should take powers to set targets and GREs for the passenger transport joint boards on a judgmental basis. But the Committee did agree that your officials should do some further work on GRE's for public transport, exploring two alternatives:

i. a single GRE formula for both the shire and metropolitan areas, in the same way as for all other services;

ii. a two-tier approach, with separate GRE formulae for the metropolitan and shire areas.

I made it clear at the time that I was not happy with the two-tier option. In my view even this departure from general principles would cause us real problems in relation to our local government finance policies. GRE's are no longer of importance only for the distribution of block grant. We have used them in successive years as a major factor in local authorities' expenditure targets. They now also carry a heavy weight in the selection of authorities for rate capping in 1985/86, and this is a feature which is bound to continue in future years. If we drop the requirement of operating on the basis of general principles, we shall open up a new direction of attack for our opponents on all these policies. There is a real danger of sustained pressure to extend this concession into other areas, which would strike at the foundations of the block grant system. Block grant is an issue which we must look at properly in the context of the local government finance studies, not in response to ad hoc proposals.

Despite these serious reservations, I recognise that E(LA) has taken no decision on this issue. I am therefore prepared to consider the matter in the light of the outcome of the work which the Committee commissined. But it would need to be demonstrated that no single formula could adequately reflect spending needs in both the shire and metropolitan areas. While I agree that this service does have some special features, I would not accept that it is wholly different from some other services where acceptable GREs have been developed - council housing is an example. I would also need to be convinced that

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there was an acceptable two-tier solution. As I said in my earlier letter, such a solution would have to rest on consistent formulae for the shires and the metropolitan areas. If it did not, we really would be laying ourselves open to the charge that we were manipulating GRE's on a purely judgmental basis.

There is still time for your officials to do the work E(LA) asked for. This is an essential prerequisite before we could take an informed decision on whether a new and inevitably highly controversial provision is needed in the Local Government Bill. Ministerial policy approval on this is of course necessary before Parliamentary Counsel can accept instructions.

I am copying this letter to the recipients of yours.

Yours ever
Patrick

PATRICK JENKIN

The Rt Hon Nicholas Ridley MP

Local Govmt Rebate Pt 24

NDPM
AT 1/4/12

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

14 December 1984

Dear Andrew,

The Secretary of State expects to make a statement on the capital control system and capital allocations in Wales on Tuesday 18 December. I enclose an early draft. The final draft will be circulated early on Monday and comments will be invited.

I am sending a copy to Richard Broadbent at the Chief Secretary's Office.

Yours sincerely
Keith Dallimore

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DRAFT PARLIAMENTARY STATEMENT - 18 DECEMBER 1984

LOCAL AUTHORITY CAPITAL EXPENDITURE: WALES

Mr Speaker, with permission I wish to make a statement about the future arrangements for controlling local authority capital spending in Wales, and the level and distribution of capital resources in 1985/86.

The decisions I am announcing this afternoon have to be seen against the background that since 1979/80 Welsh local authorities have invested, at 1984/85 prices, nearly £2bn in a wide range of projects which have significantly extended and improved the social and economic infrastructure in Wales. The Government's expenditure plans to be published in the forthcoming Public Expenditure White Paper, envisage that over the next three years they should invest a further £1,100m, again at 1984/85 prices. The largest service element within this total of over £3bn is some £1.3bn in respect of housing.

Although in the Welsh context these sums are large, they still represent a limit on the very many capital schemes local authorities would like to carry forward. In common with central government, local authorities will always need to make difficult choices of priority.

The Government recognises that for individual councils to take sensible decisions on priorities and secure value for money from their investment, they require a firm and predictable basis for planning capital programmes. This has been a major consideration in the review of the control system which my hon Friend the Parliamentary Under Secretary of State announced to the House on 16 July, and which is now complete.

In the course of this review I have considered carefully the views of both the Welsh Counties Committee and the Committee of Welsh District Councils. They have emphasised the need for greater flexibility at both individual authority and national level. They attached particular importance to being given a better view of the future trend in resources, and argued very strongly for continued access to their reserve of accumulated receipts.

My decisions on the new framework for managing capital spending in Wales in 1985/86 have taken these views into account.

I have decided, with the agreement of my rt hon Friend the Chief Secretary to make a significant change to the rules governing the operation of the national cash limit. The present facility for carrying forward to the following year a shortfall of up to 2 per cent against the aggregate planning total will be increased to 5 per cent. In addition, I have also decided not to take corrective action within the year to restrain spending if the cash limit is on course to be exceeded by less than 5 per cent. Any overspending would, of course, need to be taken into account when determining provision for a subsequent year. These changes should increase authorities' confidence that in-year action can be avoided, and ensure that resources are not lost if there is only a moderate degree of underspending. The measures also serve to bring the year to year tolerance at the national level closer to the 10 per cent which exists at the local level, and which I have decided to retain for 1985/86.

The main reason for the capital overspending experienced in Wales in the last 2 years is that the allocation mechanism has not so far taken account of the inherent spending power provided by accumulated receipts. These are expected to amount to over £300m at the beginning of next year, all but £10m being in the district tier.

The districts have argued that this should all be available to add to their spending power. Superficially this proposal has its attractions. On closer examination, however, it is clear, and the districts accept this, that they are merely asking for the ability to spend the major part of their housing receipts twice. This is because Housing allocations issued since 1981/82 have been calculated so as to include a large proportion of receipts forecast to accrue in each year. Notwithstanding this housing allocations have always carried full borrowing cover. Districts have therefore been able to borrow to finance the bulk of their housing spending without needing to use receipts built in to the allocation. It is largely for this reason that they have been able to accumulate such a large reserve. It is unreasonable for them to expect to use the spending power of the major part of their receipts for a second time.

However, I recognise that some councils will have based their plans for future years on a continued access to their accumulated receipts. I have, therefore, decided not to eliminate but merely to reduce the proportion of receipts which can be used to enhance the spending power of allocations. In

the case of housing the proportion for most housing receipts is at present 25 per cent. Next year this figure will be reduced by ten percentage points to 15 per cent. For non-housing receipts I have decided to introduce a prescribed proportion of 50 per cent. These lower prescribed proportions should significantly reduce the pressure on the all-Wales cash limit.

The changes I have announced so far contribute to increased certainty and predictability. This can also be enhanced by the method adopted to distribute allocations between authorities, and by improving the forward view of resources. I announced in the Summer that from 1985/86 onwards the greater part of county allocations, and major elements of district allocations will be based on a formula approach. I have decided to reinforce this by issuing forward indications for 2 future years linked to 80 per cent of the planned level of resources available for allocation in each year. This is an improvement on the 80 per cent and 70 per cent factors used to date.

I turn now to the resources available for 1985/86.

Gross expenditure provision underlying the cash limit for the coming year will be £348m, marginally higher than the level of provision for the present year.

Within this figure gross provision for local authority Housing is £146.5m. My first priority has been to ensure that each authority should receive sufficient to cover the forward indications given them in July 1984. In addition, bids for an allocation to meet expenditure needs under the Housing Defects Act 1984 on privately owned PRC dwellings have been met in full as well as the bids for repairing authorities' own prefabricated reinforced concrete dwellings. Bids for enveloping schemes will be met in full except where adjustments are appropriate to take account of the fact that some bids included expenditure already met by an allocation in 1984/85. I am making provision to enable the two existing Welsh Priority Estates Projects to continue and for a new scheme to commence.

The Housing Corporation's net capital provision will be £39m. I expect receipts and private sector finance to enhance that total by another £3m to £4m.

Total resources for roads and transport amount to £64m. Within this sum I have accepted just over £53m for TSG purposes. As I announced at the Welsh Grand Committee last Wednesday this will enable 3 new major highway projects, each estimated to cover over £5m, to start in 1985. These are the Lougher Bridge and Approaches between Dyfed and West Glamorgan, the mid Rhondda Access road in Mid Glamorgan, and the Farndon By-Pass which is a joint project between Clwyd and Cheshire County Councils. The transport allocation also enables authorities to continue with other important road schemes currently underway such as the Llandudno and Brymbo link roads in the North and the Grangetown link road, Aberdare, Abercynon and Tonyrefail by-passes in the South.

Apart from housing and roads, gross capital provision for other service blocks in 1985/86 is broadly unchanged from the projected level of spending in the current year.

Under the terms of the new allocation arrangements agreed with the association in the Summer allocations may be made for projects of regional or national importance and high priority which are too large for an authority to accommodate within its formula allocation. The special allocations I have decided to make are as follows.

The Enterprise Zones have been given additional resources amounting to £ m to further their development. In recognition of its regional status, the Polytechnic for Wales has also been given an individual allocation of £½m per annum over the next few years to promote its technological development. Other allocations have been made for major coast protection works at Prestatyn, urgent refuse disposal schemes in Swansea, Rhondda and Ynys Mon, flood alleviation works in Denbigh, repairs to the Brecon and Monmouth Canal, and towards the cost of replacing the headquarters of Powys County Council, which have become structurally unsound.

/I am also glad that my rt hon Friend the Secretary of State for Transport has been able to make a special allocation to cover the cost of extending the runway at Cardiff (Wales) Airport to allow for DC10 scale aircraft to use the facility, fully laden, for trans-atlantic flights. The extension will mark a significant and welcome improvement in the communications infrastructure of South Wales/.

The cash limit provision for 1985/86, which is gross spending less forecast receipts, is £248m. The total available for allocation linked with this is £262m. Of this sum about £14m is being withheld from those district authorities which resolved to spend in excess of the voluntary restraint level for the present year. If the authorities concerned are able to realise sufficient additional receipts, all or part of the allocations withheld will be restored to them as soon as possible after the end of the present financial year. The precise arrangements for linking the response to the appeal for additional receipts to authorities' liability for holdback of resources have been circulated to councils today, together with the formal notification of allocations. Details of these allocations have been placed in the Library to the House.

I believe the new framework for managing local authority capital spending in Wales represents a fair and reasonable compromise between the objectives of local and central government. Coupled with level of resources I have announced it is clear proof of the Government's desire to provide a firm foundation for a wide and effective programme of worthwhile capital schemes.

File

cc ~~DL~~
~~RI~~

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 December 1984

Dear Andrew

SPEAKING NOTE ON RATE LIMITATION

My Secretary of State announced on Tuesday 11 December the rate limits of the 18 local authorities that are to be rate capped in 1985/6. The Prime Minister suggested subsequently that it might be helpful if colleagues could have a speaking note to help explain that statement, as opportunities arose. This speaking note is now enclosed.

Copies of this letter goes to the Private Secretaries to members of the Cabinet, the Paymaster General and the Chief Whip and to Richard Hatfield (Sir Robert Armstrong's Office).

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

SPEAKING NOTE FOR CABINET COLLEAGUES ON RATE LIMITATION

In the battle to contain public spending, rate limitation is a vital weapon. 18 of the highest spending local councils have been selected for rate limitation in 1985/6. These 18 between them account for a massive 75% - £632m - of the total revenue overspend by local government this year.

Patrick Jenkin announced on 11 December the rate and precept limits he is proposing to set for these 18 local authorities next year. These limits have been calculated on the basis of the expenditure levels set for each council in July this year; although the 18 councils have had every opportunity to comment on the proposed expenditure levels none has chosen to do so.

The rate or precept limits now announced are good news for ratepayers in all the areas concerned. In 13 of the 18 areas the limits are actually lower than what ratepayers are paying this year. In one case - Leicester - the proposed limit is 56% lower than this year. This is because the City Council is being asked to use some of the large reserves it has been accumulating over the past years at the expense of its ratepayers to finance their spending next year.

For 5 of the 18 authorities, although there is no cut in the rate, the figures announced by Patrick Jenkin are undoubtedly lower than they would otherwise have been, because the authorities will be spending less than they would otherwise have done.

It should be no surprise that the rate limits vary widely between authorities. The Act requires us to take account of the use of funds and balances and these differ widely. Putting it as simply as possible what it means is that if a council has financed part of its spending this year by drawing down balances and cannot be expected to do the same next year, then the difference has to be made up by an increase in rates. Conversely, if a council is adding to its funds and balances this year and does not need to do the same next year, then rates next year will need to be less than they are this year.

Nevertheless, the most important reason for lower rates next year than this year is that, just as when spending went up the penalties for overspending cut the grants payable to authorities, so when spending comes down, councils get more grant. So ratepayers in rate-capped areas benefit both by their councils making economies and by increasing Government grants. That is precisely what the Government intended.

The press has made much play of the precept limit for Merseyside, for example, which represents a 27% increase on this year. But what would the increase have been if it hadn't been for rate limitation? The Leaders of Merseyside County Council are quoting a budget next year of £250m. This would mean a precept increase of as much as 100%.

Or take Basildon. A 17% limit sounds high. But if Basildon District Council had rated up to finance their spending proposals, the increase could have been twice that figure.

The GLC, whose precept has effectively been frozen by Patrick Jenkin are talking about a precept increase, if they had their way, of at least 20%.

The 18 authorities now have until 15 January to comment on the limit proposed. If they have any comments to make and I am sure we can expect them to be vociferous over the coming weeks - they should not make them to the press but to Patrick Jenkin. Instead of spreading tales of doom and defiance about the effects of rate capping, they should start to use the proper statutory procedures under the Rates Act which they have refused to take advantage of so far. Now is the time for them to make their representations - once Patrick Jenkin has tabled the Orders in Parliament for approval of the limits proposed, it will be too late.

LA Capital Controls System Options

I billion England	Chief Secretary's proposal (paragraph 10)	Chancellor proposal	Mr Jenkin proposal
Presumed proportions:			
housing	15	15	25
housing land	100	30	40
non housing	15	30	40
Allocations	2.77	3.03	3.125
Total spending power	4.27	4.8	5.6
Deduct gross PES provisions	4.07	4.07	4.07
Potential overspend	0.2	0.75	1.6
Actual overspend if the following percentages of total spending power are used:			
80%	–	–	about .500
85%	–	less than .050	about .800
90%	–	less than .300	about 1.100

316.8

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NBPM

AT 17/12

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

I have seen Patrick Jenkin's minute of 7 December about the membership of this inquiry.

2. I have two doubts about Patrick's proposals.

3. The first relates to Mr Widdicombe. Patrick says that many years ago he stood for Parliament as a Labour candidate and I have reason to believe that he remains far from sympathetic to the present Government. While there is no question at all about his professional standing, I do rather wonder whether he is the right man to chair this particular inquiry.

4. My second doubt is about the proposed membership of the committee. I should have thought that there was a strong case for including on it someone with a business background, with experience of dealing with local authorities.

5. I am copying this minute to Cabinet colleagues and to Sir Robert Armstrong.

NL.

N.L.
14 December 1984

10 DOWNING STREET

From the Private Secretary

Prime Minister

Oliver's note makes it clear that to settle the capital spending, it is essential to start with a view on what potential and actual overspend one is prepared to tolerate. Having done that it is easy to set the parameters such as the prescribed proportions which will achieve that result. Previous discussions have got in a mess starting with the details. Oliver takes the view that even Chancellor's package, with perhaps £250 million of actual overspend is unsaleable, but that you should open the bidding for any relaxation as low as possible.

AT 12/12

P.S. Will reducing the proportion of housing receipts authorities can keep jeopardise the extra receipts Mr Jenkin is seeking?

PRIME MINISTER 12 December 1984

LOCAL AUTHORITY CAPITAL SPENDING

This year, despite the voluntary moratorium, local authorities will have spent about £5 billion on capital projects.

The Cabinet's PES provision allows them to spend only £4.07 billion next year - a cut of more than £900 million.

The Chancellor's new package allows them to spend £4.8 billion next year - a potential overspend against PES of over £700 million, but still £250 million less than this year.

Patrick Jenkin's proposal allows them to spend £5.7 billion next year - a potential overspend against PES of £1.65 billion, and £700 million more than this year.

Nobody is sure how much of the potential overspend will actually occur: Patrick Jenkin is more optimistic than the Chancellor. We agree with the Chancellor's pessimism: one has to assume that local authorities will spend almost up to capacity in a year when the régime is very tough.

What to do?

We do not believe that the Chancellor's proposal is politically feasible. If the Government asks local authorities to spend £250 million less on capital projects next year than this year, it will face a revolt in the Lords.

But Patrick Jenkin's proposal would probably result in an actual overspend of about £1 billion, which would demolish the Chancellor's Contingency Reserve.

We therefore suggest that you adopt one of two compromises: either:

i. allow local authorities to spend £5 billion (the same as this year in cash terms), by raising the housing 'prescribed proportion' from 15% to 20%, whilst retaining the rest of the Chancellor's package; (this would lead to potential overspending of about £1 billion and might result in actual overspending of about £250 million);

or:

ii. allow local authorities to spend £5.25 billion (the same as this year in real terms) by raising the housing 'prescribed proportion' from 15% to 25% whilst retaining the rest of the Chancellor's package; (this would lead to potential overspending of about £1.25 billion and might result in actual overspending of about £500 million.

We believe that either of these proposals might win Parliamentary approval, though neither is certain to do so. It might be better to start with the less 'generous' (£5 billion) solution, so that the more 'generous' (£5.25 billion) option is available as a last-minute concession if it proves necessary.

We suggest that you should keep the discussion on the aggregates rather than the details; but in case there is reference to detail, we attach an Annex giving the relevant figures in simple tables.

Oliver Letwin

OLIVER LETWIN

Local Govnt: Relations Pt 24

ANNEX

PES: 1985/86

	£ billion
Net provision	1.95
Estimated In-Year Receipts	2.12
GROSS PROVISION	4.07

THE PACKAGES: 1985/86 CAPITAL SPENDING

	Chancellor £bn		P Jenkin £bn	
Allocations				
Housing	1.576		1.67	
Other Services (eg rubbish, fire etc)	0.32		0.32	
Education	0.325		0.325	
Transport	0.64		0.64	
PSS	0.07		0.07	
Compliance Allocation*	0.1		0.1	
TOTAL		3.031		3.125
Prescribed proportion of In-Year Receipts		0.4		0.6
Prescribed proportion of Accumulated Receipts		1.2		1.8
Non-Prescribed Expenditure		0.2		0.2
TOTAL PERMITTED SPENDING 1985/86		4.831		5.725
GROSS PES PROVISION 1985/86		4.07		4.07
ACTUAL SPENDING 1984/85		5.0		5.0

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* The "compliance allocation" is the extra permission to spend that will be given to those councils that have obeyed this year's voluntary moratorium.

RECEIPTS

	TOTAL £bn	Proportions "prescribed" - ie allowed to be spent: Chancellor % = £bn	P Jenkin % = £bn
IN-YEAR:			
HOUSING	1.6	15% = 0.24	25% = 0.4
OTHER	0.5	30% = 0.15	40% = 0.2
TOTAL	2.1	0.39	0.6
ACCUMULATED:			
HOUSING	4.0	15% = 0.6	25% = 1.0
OTHER	2.0	30% = 0.6	40% = 0.8
TOTAL	6.0	1.2	1.8

Ready Reckoner: Each increase of 5% in the prescribed proportion for housing (in-year + accumulated receipts) causes a further £280m of potential overspending.

Each increase of 5% in the prescribed proportion for non-housing (in-year + accumulated receipts) causes a further £120m of potential overspending.

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Prime Minister

LOCAL AUTHORITY CAPITAL EXPENDITURE

1. During our PESC discussions this autumn colleagues have agreed planning figures for the various local authority capital programmes. It was not until these discussions had been completed that we were able to assemble the whole picture of what our proposals involved for the totality of local authority capital spending in 1985/86 in England as follows:

(i)	Gross Capital (England)	£4.07 bn
(ii)	Receipts	£2.12 bn
(iii)	Net Capital (Cash Limit) (= (i) -(ii))	£1.95 bn

2. The reduction is spending is very steep:

1983/84	£5.5bn)	Outturn
1984/85	£5.0bn)	
1985/86	£4.07bn	

We estimate that about £3bn of expenditure that is to say ¾ of the total available may already be committed for 1985/86 which leaves a relatively small margin for new commitments.

3. The estimated receipts for 1985/86 have also been put at a high level and could easily fall short if sales of council houses and other assets slow down. Colleagues have recognised this in our earlier PESC discussions when we noted that our receipts assumptions were at the high end of the range and might fall short.

4. Both these factors (the steep reduction in planned gross spend, and the possibility of shortfall in receipts) mean that there is likely to be some overspending in 1985/86. The Chancellor wants to limit the danger by tightening up the capital

control regime over individual authorities. In particular he wants to reduce severely their freedom to supplement their capital allocations by spending from their reserves of capital receipts accumulated from earlier years and any further receipts that they get in 1985/86.

5. I do not dissent from the general objective. But I believe we are severely constrained by 3 factors.

6. Pressures for Capital Spending

First, there is the groundswell of opinion in the party that we ought to be increasing capital spending not reducing it. To impose a reduction from £5bn to £4bn in a single year would mean a virtual moratorium for many authorities throughout the year. For some authorities existing commitments may actually exceed the proposed Treasury limits. I am not of course proposing to re-open our PESC decisions on the planning total for local authority capital programmes. But I do not believe the party would accept so draconian a cut back on our capital spending at the present time. We would have to justify such a regime principally to Conservative controlled District Councils who have been particularly vigorous in implementing our RTB policy.

7. Allocations

Secondly we have promised local authorities in the White Paper last year that for Housing and Other Services they would have capital allocations at least 80% of their 1984/85 allocations. To deliver this promise and to take account of the new statutory scheme of assistance under the Housing Defects Act and other changing needs (eg for repair of defective system-built houses) I need a total of £1670m for housing allocations - £94m more than the Chancellor is offering. If we break this promise we may be open to legal challenge. It will also be impossible to give credible assurances for future years about the level of allocations for which authorities can plan, in the way that the Chancellor and I would both wish.

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8. Use of Capital Receipts

We have given authorities repeated assurances that they would be able to use a substantial proportion of their capital receipts to supplement their capital allocations, so as to give them an incentive to maximising sales. To reduce the prescribed proportion of receipts which authorities may spend from 40% to 15% for housing and from 50% to 30% for other services would be a devastating blow. It would bear particularly hard on shire districts, and would thus contradict the remit from E(A)(84)26th meeting to devise a system that would "give favourable treatment to those local authorities who had co-operated responsibly with the Government's policy objectives."

9. Likely Reactions

We have had a foretaste of the likely reactions in response to my call for restrint in capital spending this year. 150 MPs, 130 of them our own supporters, have written to me. DOE Ministers and the Paymaster General have found this action, which in effect curtailed the use of accumulated receipts, caused more resentment amongst our supporters than perhaps any other aspect of our local government policies.

10. I recognise that the Chancellor's latest proposals are less severe than initially put by the Chief Secretary to E(A). Nevertheless they still contain elements particularly the reduction of the prescribed proportion to 15% which would lead to an explosion of anger. They would unite against us the groups of authorities most generally disposed to support us; the construction industry which will see these measures as a direct attack on investment in our infrastructure; and those of our backbenchers who are opposed to cutbacks in capital spending. It will reduce the total spending power of shire districts to some 65% of this year's level, and open us to legal challenge and conflict in some of our most loyal areas. In the major conurbations where housing stress is most acute it will be a potent weapon in the hands of extremists. I cannot think of a worse moment, as abolition, the RSG settlement and rate capping come before the House, at which to antagonise our supporters on a new local government issue.

11. Colleagues will remember that last year we reduced the prescribed proportion for housing receipts from 50% to 40%. With great reluctance I have offered a reduction from 40% to 25%; and that is as far as a Government should go.

12. Similar issues apply to receipts from disposals of non-housing assets and housing land. I am willing to move down from 50% and 100% respectively to 40%. But the Chancellor wants to go to 30%. This move would seriously weaken the incentive for authorities to generate such receipts, over which they have complete discretion.

13. I should remind colleagues that reductions in prescribed proportions are subject to negative resolution of both Houses. The necessary Orders will have to be laid early in the New Year.

14. Conclusion

To summarise, my proposals are:

- that allocations should total £3.125bn (£94m more than the Chancellor proposes) with £1.670bn for housing

- that the prescribed proportion for most housing receipts should be reduced from 40% to 25% and for non-housing and housing land receipts from 50% to 40% and

- that we should give a public indication that future allocations for housing and Other Services would be at least 70% of 1984/85 levels in 1986/87 (as offered in last year's White Paper) and 80% of 1985/86 levels in 1987/88 (para 7).

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15. I entirely agree with the Chancellor that we must press on with our longer term review of the system which is clearly unsatisfactory in its present form.

16. I am sending copies of this minute to the other members of the Cabinet, the Paymaster General and the Chief Whip, and to Sir Robert Armstrong.

PJ

PJ

12 December 1984

5F

Ref. A084/3339

PRIME MINISTER

Cabinet: Local Authority Capital Controls System 1985-1986

BACKGROUND

The system of controlling capital expenditure by local authorities in England and Wales has been discussed by Ministers collectively on several occasions. The arrangements for 1985-86 are the most pressing matter: work on arrangements for the longer term is in hand separately.

FLAG A

2. The meeting of the Ministerial Sub-Committee on Economic Affairs which discussed the issues on 20 November (E(A)(84) 26th Meeting) was inconclusive. The Chancellor of the Exchequer was invited to hold a meeting of the Ministers mainly concerned in order to seek to devise a compromise between the proposals of the Secretary of State for the Environment and the Chief Secretary, Treasury. The meeting was to seek, among other things, to give favourable treatment to those local authorities who had co-operated responsibly with the Government's policy objectives.

FLAG B

3. The Chancellor of the Exchequer's informal group has met twice. Although both Treasury and Environment Ministers have shifted from the position they took at the meeting of E(A), they have still not been able to reach final agreement. Both the Chancellor of the Exchequer and the Secretary of State for the Environment consider that the issues are so important that they must be resolved by the Cabinet. Their current proposals are set out in their minutes of 11 and 12 December. The difference of views concerns only England: the Secretary of State for Wales has reached agreement with the Chief Secretary, Treasury on arrangements for Wales (though he has reserved the right to reopen the agreement if what is agreed for England is significantly more generous); and the Scottish system of control is altogether different.

Present arrangements

4. The present arrangements are described in paragraphs 3 to 5 of the Chancellor of the Exchequer's minute. Their main features are as follows.

(a) The relevant cash limit is set in net terms: gross expenditure less receipts during the year from sales of assets. The figures for 1985-86 are: gross expenditure £4.07 billion, less receipts of £2.12 billion, giving a net cast limit of £1.95 billion.

(b) Individual local authorities are given gross allocations, which they may supplement by spending up to a 'prescribed proportion' of capital receipts.

(c) In determining the total of gross allocations, account is taken of the spending power deriving from the 'prescribed proportion' of receipts during the year, but not of the spending power deriving from the 'prescribed proportion' of receipts accumulated in previous years.

It follows that, if local authorities both spend their gross allocations in full and draw on accumulated receipts to a significant extent, they may collectively overspend the cash limit by a wide margin, even though no individual authority is acting outside the rules.

5. The 'prescribed proportion' for housing receipts is 40 per cent; and accumulated housing receipts are believed to be of the order of £4 billion: the proportion for most other receipts is 50 per cent; and accumulated non-housing receipts are believed to be of the order of £2 billion. The purchasing power derived from accumulated receipts is thus very large - some £2½ billion - and, as noted above, the whole of it under present arrangements is a potential overrun on the cash limit.

6. The Chancellor of the Exchequer's main proposal is therefore to reduce the 'prescribed proportions' as follows.

(a) For housing receipts, from 40 per cent to 15 per cent.

(b) For housing land, from 100 per cent to 30 per cent.

(c) For non-housing receipts, from 50 per cent to 30 per cent.

These proportions would apply to both accumulated and in-year receipts: it is not legally possible to distinguish between them (though it is possible, as the Chancellor's proposals envisage, to distinguish between receipts arising from the sale of different types of asset). The Chancellor of the Exchequer also proposes gross allocations totalling £3031 million. The break-down is given in the Annex to his minute: it includes £100 million for supplementary allocations which would be distributed to those local authorities which had 'co-operated responsibly with the Government's policy objectives' by responding to the request for restraint in capital expenditure made earlier this year.

7. Finally, the Chancellor of the Exchequer proposes a more generous system of end-year flexibility on the lines described in paragraph 16 of his minute.

8. The Secretary of State for the Environment argues that these proposals are too severe. He suggests that allocations for housing, and hence the total of gross allocations, should be £94 million higher than proposed by the Chancellor of the Exchequer, and that provision of this size is needed in order to avoid a risk of legal challenge. He also argues that the reductions in the 'prescribed proportions' proposed by the Chancellor are too severe. Instead, he proposes that the 'prescribed proportion' for most housing receipts should be 25 per cent, and for housing land and other receipts 40 per cent. He also proposes that the Government should give a public indication that future allocations for housing and other services would be at least 70 per cent of 1984-85 levels in 1986-87 and 80 per cent of 1985-86 levels in 1987-88.

MAIN ISSUES

9. Some of the remarks in paragraph 6 of the minute from the Secretary of State for the Environment appear, despite the disclaimer, to question the Cabinet's decisions on this year's Public Expenditure Survey. Those decisions imply gross capital expenditure on the programmes in question of just over $4 billion; and the question before the Cabinet is how the risk of any overspending beyond that figure, not covered by additional receipts, can be contained within acceptable bounds: it would not be right to construct a loose system of control in order to avoid the rigours of the Cabinet's decisions. The specific questions are:

(i) What should be the total of gross allocations? +£94m.

(ii) What should be the 'prescribed proportions' for the various categories of capital receipts?

In addition, it will be necessary to discuss:

(iii) how should the Government's decisions be announced?

Gross allocations

10. I understand that the proposals in the Annex to the Chancellor of the Exchequer's minute are acceptable to the Ministers concerned, except that the Secretary of State for the Environment wishes for housing allocations totalling £1670 million - £94 million more than the Chancellor proposes.

11. The Government is committed to giving local authorities at least 80 per cent of the housing allocations they received in 1984-85, that is, 80 per cent of £1853 million, which is equal to £1482 million. But to provide only this minimum figure would not be acceptable, partly because it would not allow allocations to be influenced by needs (which naturally change from year to year) and partly because it would risk legal challenge as a failure to

exercise reasonably the discretion available to the Secretary of State. The Chancellor proposes £1576 million (85 per cent of the 1984-85 allocation); Mr Jenkin is effectively asking for just over 90 per cent. It is doubtful whether as much as that is required to avoid legal challenge.

12. A point that the Cabinet will wish to explore further is how Mr Jenkin sees the relationship between his proposals and the £100 million supplementary allocations which he also envisages. Presumably a substantial proportion of this sum would go to housing. If the proportion were, say, 50 per cent, then allocations in 1985-86 would be nearly 93 per cent of the 1984-85 total, despite the sharp reduction in provision which the Cabinet agreed in the context of the Public Expenditure Survey.

13. In discussion in the Chancellor of the Exchequer's informal group the Secretary of State for the Environment indicated that he would be willing to absorb at least part of the £100 million supplementary allocations within the £1670 million which he was, and is, seeking for housing. It may be possible to build on this to contruct a satisfactory compromise figure. You might suggest £1600 million as a possible compromise between the Chancellor's £1576 million and Mr Jenkin's £1670 million. This would, like their figures, be enhanced by a supplementary allocation of £100 million.

'Prescribed proportion' of capital receipts

14. It is common ground that is is reasonable to have a significantly lower 'prescribed proportion' for housing receipts (other than receipts from housing land) than for other capital receipts because it is not necessary to give local authorities so big an incentive to sell housing: the main drive for sales of housing comes from the tenants' right to buy. In deciding what the 'prescribed proportion' should be, Ministers will need to balance the following considerations.

(a) A low 'prescribed proportion' reduces the incentive to sell assets, and may depress receipts. If that happens, because the cash limit is net of receipts, it presents just as big a threat to the limit as excessive gross expenditure.

(b) A low 'prescribed proportion' reduces the ability of local authorities to spend receipts on a timescale of their own choosing. It may be regarded as inconsistent with past assurances that local authorities would be able to use a substantial proportion of their receipts to supplement capital allocations. Some local authorities will no doubt have entered into commitments for 1985-86 on the assumption that they would be free to use a substantial proportion of their accumulated receipts in that year.

(c) But the higher the 'prescribed proportion', the greater the risk of overspending. A 5 per cent increase in the prescribed proportion of housing receipts increases the spending power of local authorities by about £280 million; the corresponding figure for non-housing receipts is about £125 million. (There is some uncertainty about the precise numbers, because the split of accumulated receipts between housing and non-housing is not known with complete accuracy). In practice, the whole of the spending power available to local authorities is unlikely to be used. For this reason, the Chancellor of the Exchequer believes that his proposals, while in theory allowing an overspend of about £3/4 billion, should not create the risk of a serious overrun. The Secretary of State for the Environment will no doubt argue that although his proposals would in theory allow an overspend of about £1½ billion, the practical risk is a good deal less. He will point out that local authorities in recent years have not spent more than about 70 per cent of the theoretical maximum (though the figure in 1984-85 might have been higher if mid-year corrective action had not been taken). Against that, the factors to which Mr Jenkin himself draws attention in paragraphs 3 and 4 of his minute may tend to increase the proportion.

15. In round terms, the Chancellor of the Exchequer's proposals would allow local authorities to spend a theoretical maximum of about £4.8 billion, and Mr Jenkin's £5.6 billion. In practice the Chancellor considers that under his proposals there would be not risk of significant overspend. Mr Jenkin has not given a figure for likely overspend in practice under his proposals but if local authorities were to spend say 80 per cent of the theoretical maximum the overspend would be about £400 million. To avoid overspending on Mr Jenkin's proposals local authorities would have to spend less than 75 per cent of the theoretical maximum. Is he prepared to advise the Cabinet that this would be a safe assumption?

16. If the Cabinet consider that the risk of overspend implied by Mr Jenkin's proposals is excessive but are nevertheless impressed by Mr Jenkin's arguments that local authorities' access to receipts should not be curtailed too sharply, they may wish to opt for a compromise solution. One obvious course might be to split the difference between the two sets of proposals as follows.

Prescribed proportions (per cent)

	Chancellor's proposals	Mr Jenkin's proposals	Possible compromise
Housing receipts	15	25	20
Housing land receipts	30	40	35
Non-housing receipts	30	40	35

This might produce a theoretical maximum spend of £5.2 billion compared with £4.8 billion under the Chancellor's proposals and £5.6 billion under Mr Jenkin's proposals. If local authorities were to spend 80 per cent of the theoretical maximum, the overspend in practice over the gross provision would be about £100 million.

£300/

End-year flexibility

17. The proposals in paragraph 16 of the Chancellor of the Exchequer's minute seem likely to be acceptable to the Cabinet. I understand that the Secretary of State for the Environment does not intend to press a proposal he made in previous discussions, that the Government should give local authorities an assurance that there will be no mid-year corrective action of the sort taken in 1984-85 to avert a threatened overspend.

Announcements

18. Both the Secretary of State for the Environment and Treasury Ministers will be anxious to make announcements as quickly as possible so that local authorities can be given their allocations for 1985-86: delay increases the risk that authorities will enter into binding commitments that cannot be accommodated within the allocations that are eventually made. You will wish to invite the Secretary of State for the Environment to clear the draft of an announcement with the colleagues mainly concerned, and to agree with the Chief Secretary, Treasury the extent of any commitments regarding allocations for 1986-87 and 1987-88.

HANDLING

19. You will wish to invite the Chancellor of the Exchequer to open the discussion and the Secretary of State for the Environment to respond. The Home Secretary and the Secretaries of State for Education and Science, Social Services, and Transport, the Minister of Agriculture, Fisheries and Food and the Chancellor of the Duchy of Lancaster will wish to comment as the other Ministers with significant local authority capital programmes. The Chief Secretary, Treasury will wish to comment on the general implications for the control of public expenditure. The Secretaries of State for Scotland and Wales may wish to comment on any implications for their countries.

CONCLUSIONS

20. You will wish the Cabinet to reach conclusions on the following.

(i) What should be the total of capital allocations for English local authorities in 1985-86?

(ii) What should be the 'prescribed proportion' for capital receipts

- from housing;
- from housing land;
- from other assets?

(iii) Are the Chancellor of the Exchequer's proposals on end-year flexibility accepted?

(iv) How and when should the Government's decisions be announced?

Approved by
ROBERT ARMSTRONG
and signed in his absence.

12 December 1984

010

Prime Minister
Mr King seeks to split difference between Chancellor and Mr Jenkin.
AT 12/12

CONFIDENTIAL

Prime Minister

LOCAL AUTHORITY CAPITAL CONTROL SYSTEM

As you know, I have to be in Brussels tomorrow and am therefore writing to you with my comments on the Chancellor's proposals for changes to the local authority capital control system. I have also seen the minute from the Secretary of State for the Environment on this matter.

My own view is that given the scale of the potential overspend there clearly must be some reduction from the previous levels agreed for allowable capital receipts if we are to maintain a reasonable control over public expenditure. However I have serious reservations about whether that reduction should be anything like as great as the Chancellor is now suggesting.

The issue is particularly embarrassing against the background of our previous undertakings about use of receipts which we gave to local authorities to encourage them to sell more council houses. The massive scale of the potential overspend is evidence itself of the success of the sales campaign which produced such substantial receipts. Moreover, the local authorities are not breaching the rules of the capital control scheme, which was specifically designed, with the support of the Treasury, to get away from the previous practice that the receipts had to be spent in the year a scheme was approved which led so often to wasteful and inefficient use of resources.

CONFIDENTIAL

It is therefore clear that we shall be very strongly attacked for breach of previous understandings. I believe, however, that the scale of the expenditure means that there must be some move from the levels proposed by Patrick Jenkin, but I do not believe that it would be right to move as far as the Chancellor has suggested. In taking this view I also have in mind the important point that the political authority for capital expenditure does not necessarily mean there is also the cash available to make the investment.

I note also Patrick Jenkin's warning that reductions in the prescribed proportions are subject to negative resolution in both Houses, and this is clearly going to be a very difficult obstacle. It would be difficult enough to get acceptance even if some compromise position could be reached, and I would judge it to be very difficult indeed to get this acceptance at the levels set out in the Chancellor's paper.

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

T K

12 December, 1984

CONFIDENTIAL

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cc O. Lewin

10 DOWNING STREET

From the Private Secretary

12 December 1984

ENQUIRY INTO LOCAL GOVERNMENT ABUSE

The Prime Minister has seen your Secretary of State's minute of 7 December. On membership of the enquiry, she doubts whether Miss Sheila Browne is suitable. She also feels she needs to know more about the other candidates, particularly Mr Widdicombe and Profesor Jack. She has asked that Mr Harry Jordan, a former Under Secretary in the Department of Education and Science, should be considered.

On the work of the enquiry, she feels the terms of reference need to be supplemented by a clearer statement of some of the problems they will need to address, eg. professional councillors, the use of public funds for advertising, the establishment of local government quangos, and the role of co-opted members and outside advisers.

The Prime Minister feels it is important to set out a timetable for the enquiry, perhaps asking them to report within a year.

Finally she has asked how the work of the enquiry will be publicised. She feels that some money needs to be advanced to ensure that the evidence presented to the enquiry receives maximum publicity.

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

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment

CONFIDENTIAL

Brent

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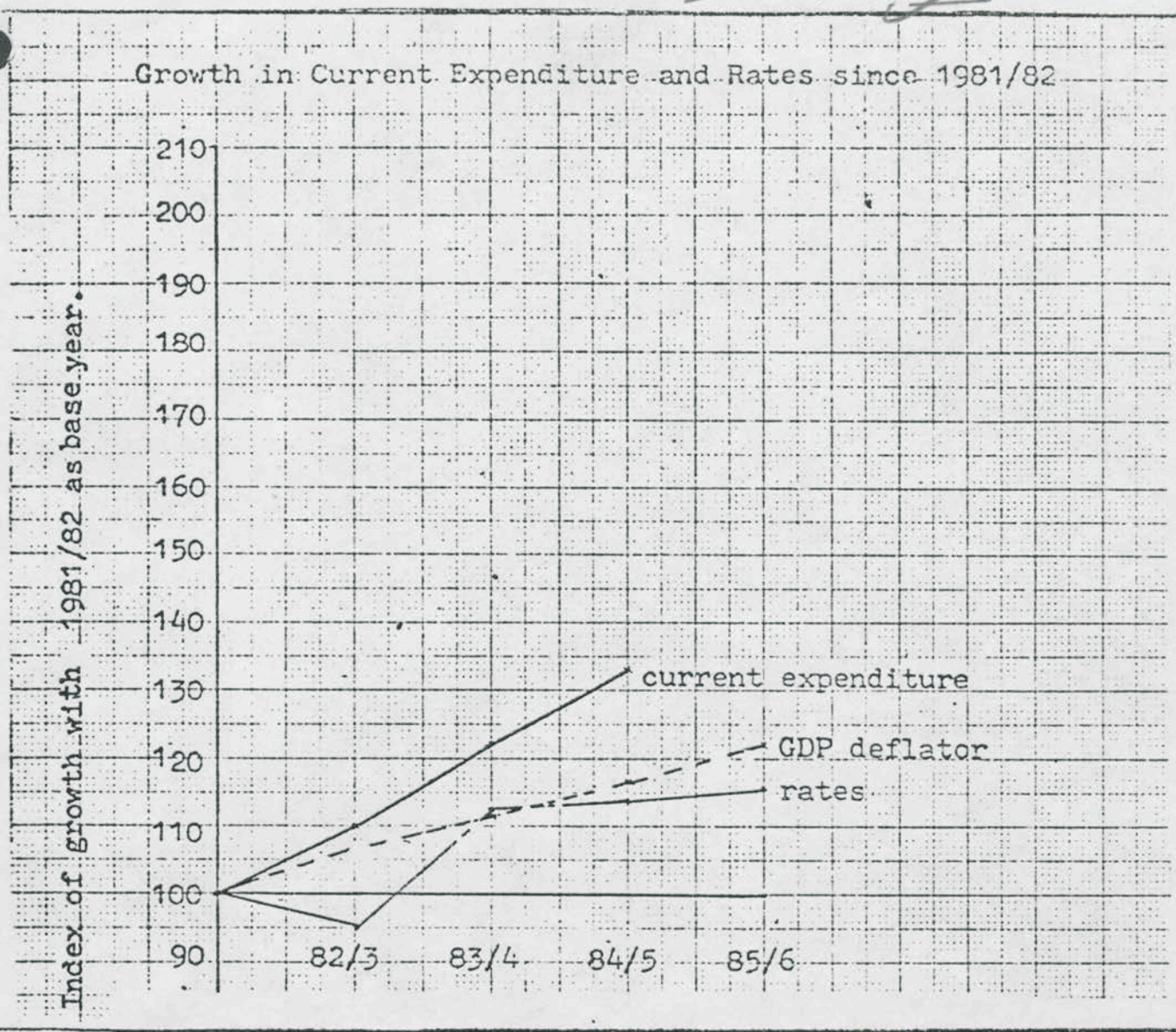


RATES

Rates in Brent have risen overall by 23.2% since 1981/82 - and since 1983/84 they have gone up by 33.56% from 91.60p to 122.34p

The rate limit proposed for Brent is 196.42p an increase of 1.55% on their 1984/85 figure. Brent have stated that they will budget to spend within their expenditure limit for 1985/85.

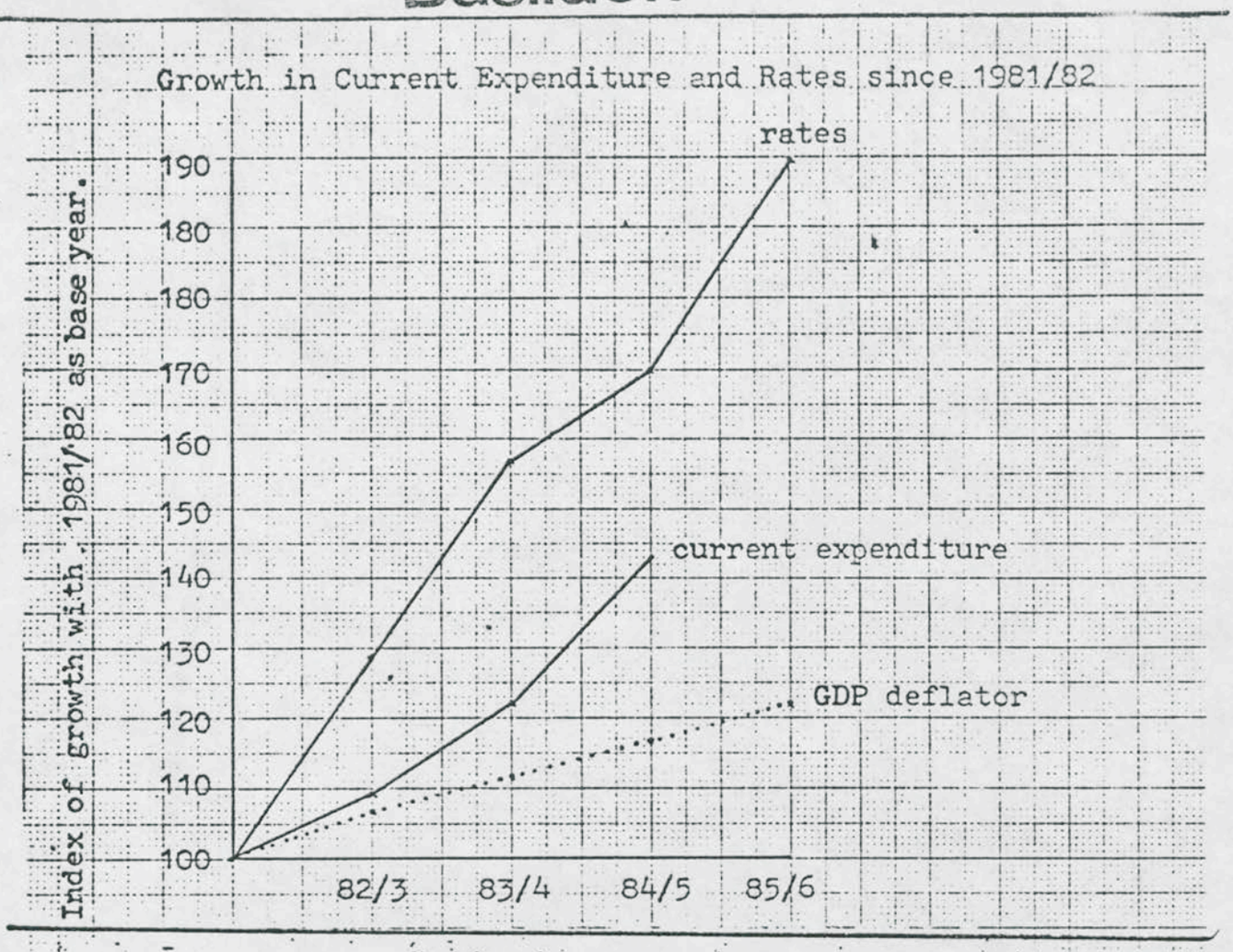
SPENDING

Brent's current spending has risen by 32.8% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Brent have received £200m Rate Support Grant from the Government over the past four years. In 1984/85 they received £50m in RSG. Other Government grants and allocations included £20.76m in housing subsidy and £5.55m urban programme resources (supported by 75% government grant).

Basildon



RATES

Rates in Basildon have risen overall by 41.12% since 1981/82 - from 25.2p to 42.8p.

The rate limit proposed for Basildon is 50.33p an increase of 17.59% on their 1984/85 figure.

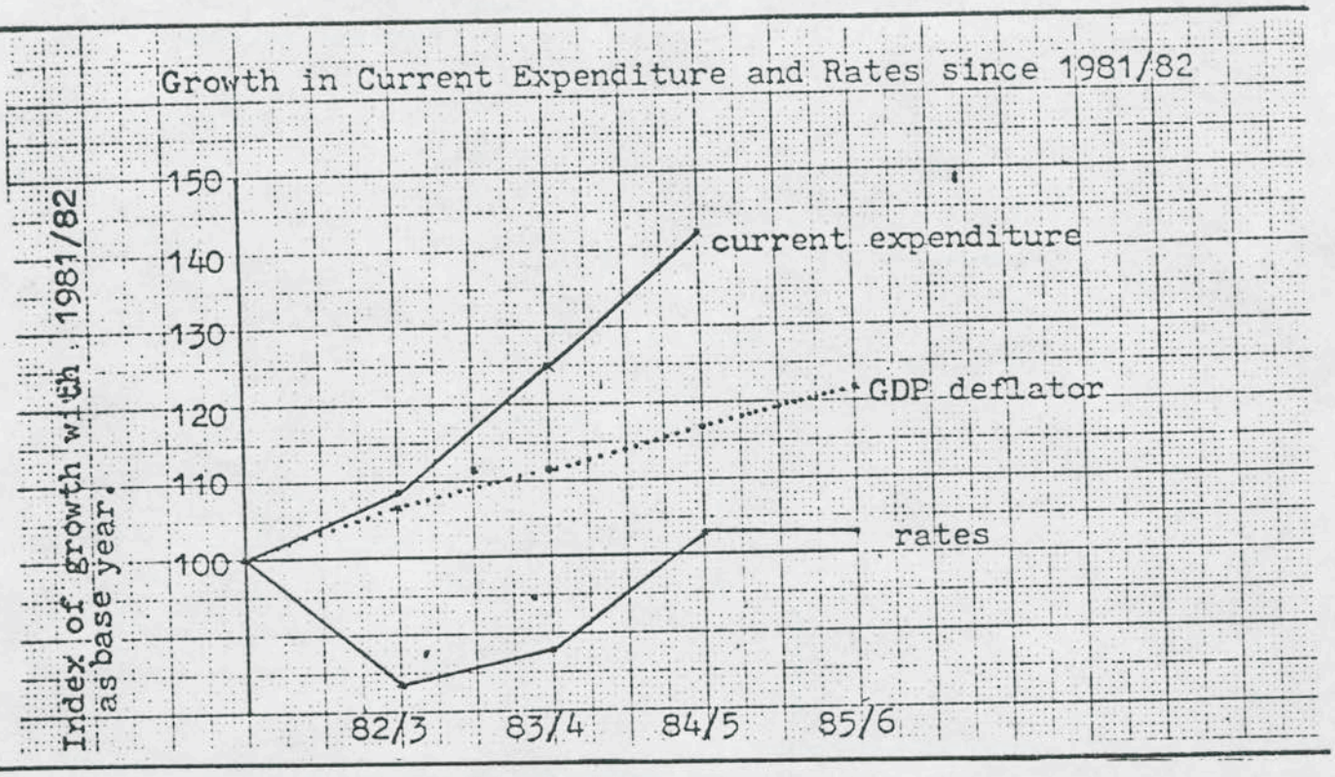
SPENDING

Basildon current spending has risen by 42.33% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Basildon have received £8.5m Rate Support Grant from the Government over the past four years. In 1984/85 they received no RSG. Other Government grants and allocations included £2.82m in housing subsidy

Camden



RATES

Rates in Camden have risen overall by 27.6% since 1981/82 - and since 1983/84 they have gone up by 17.1% from 78.5p to 91.9p.

The rate limit proposed for Camden is 92.02p an increase of 0.9% on their 1984/85 figure.

SPENDING

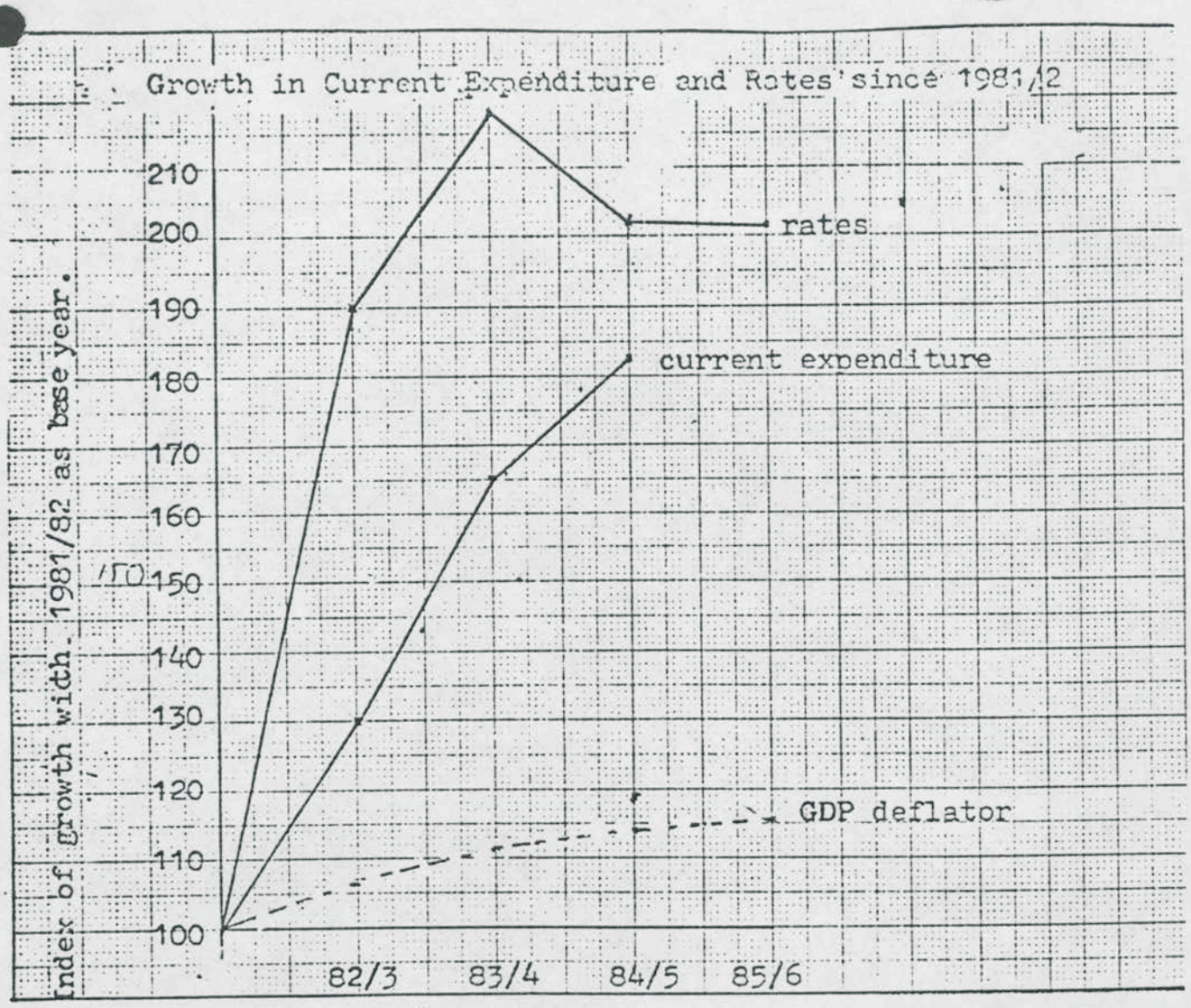
Camden's current spending has risen by 41.9% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Camden have received £49m Rate Support Grant from the Government over the past four years. In 1984/85 they received £13 in RSG. Other Government grants and allocations included £33.17m in housing subsidy and £1.07m urban programme resources (supported by 75% government grant).

GLC

82



RATES

Rates in GLC have risen overall by 101.9% since 1981/82 - from 18.1p to 36.55p

The rate limit proposed for GLC is 36.52p - decrease of 0.8% on their 1984/85 figure.

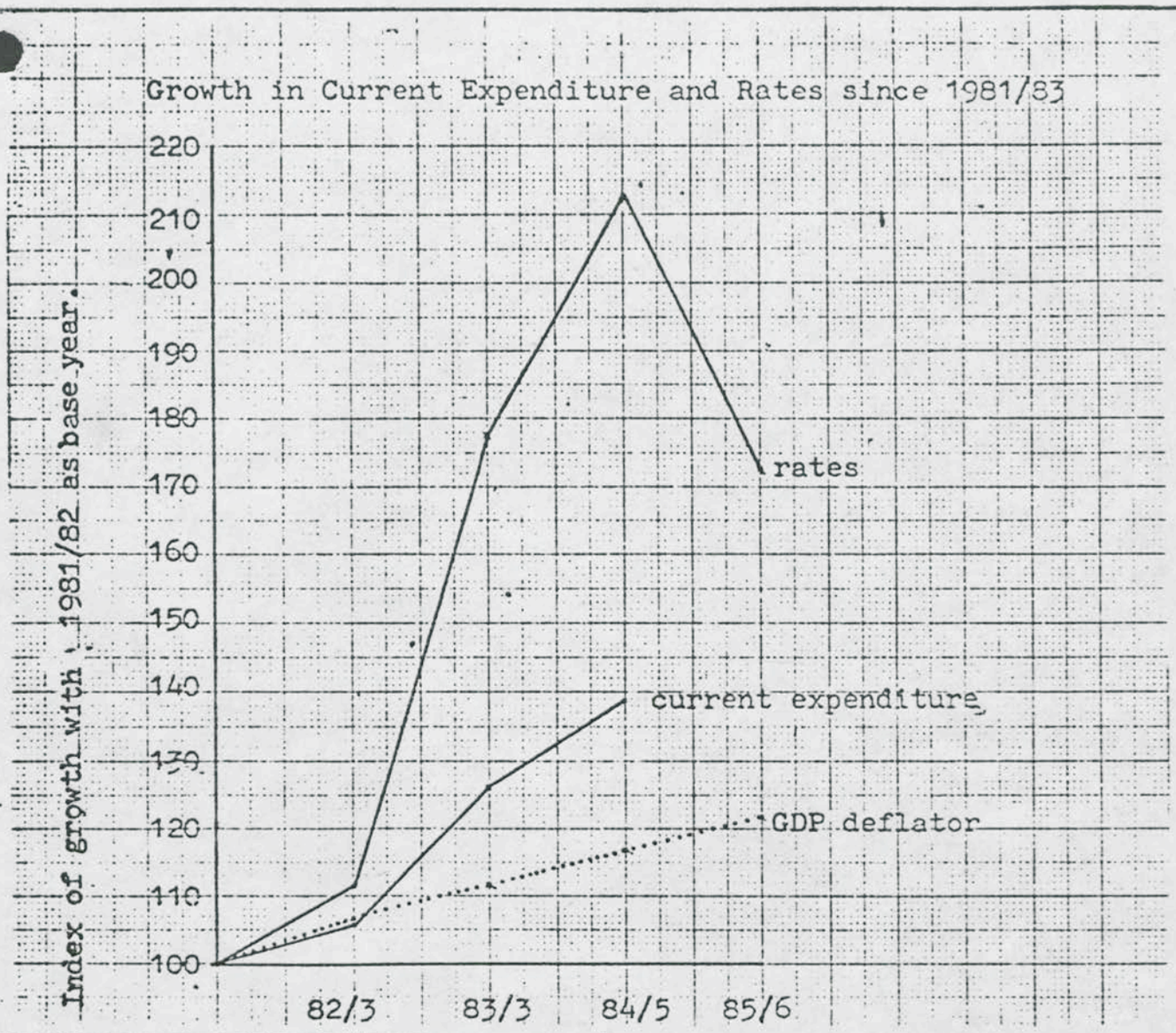
SPENDING

GLC's current spending has risen by 82.7% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a 1½ % cash terms decrease on their 1984/85 budget.

GRANT

GLC have received 255m Rate Support Grant from the Government over the past four years. In 1984/85 they received no in RSG. Other Government grants and allocations included £28.57m in housing subsidy and £1.31m urban programme resources (supported by 75% government grant).

Greenwich



RATES

Rates in Greenwich have risen overall by 112.6% since 1981/82 - and since 1983/84 they have gone up by 20% from 99.1p to 11891p

The rate limit proposed for Greenwich is 96.42p a decrease of 18.91% on their 1984/85 figure.

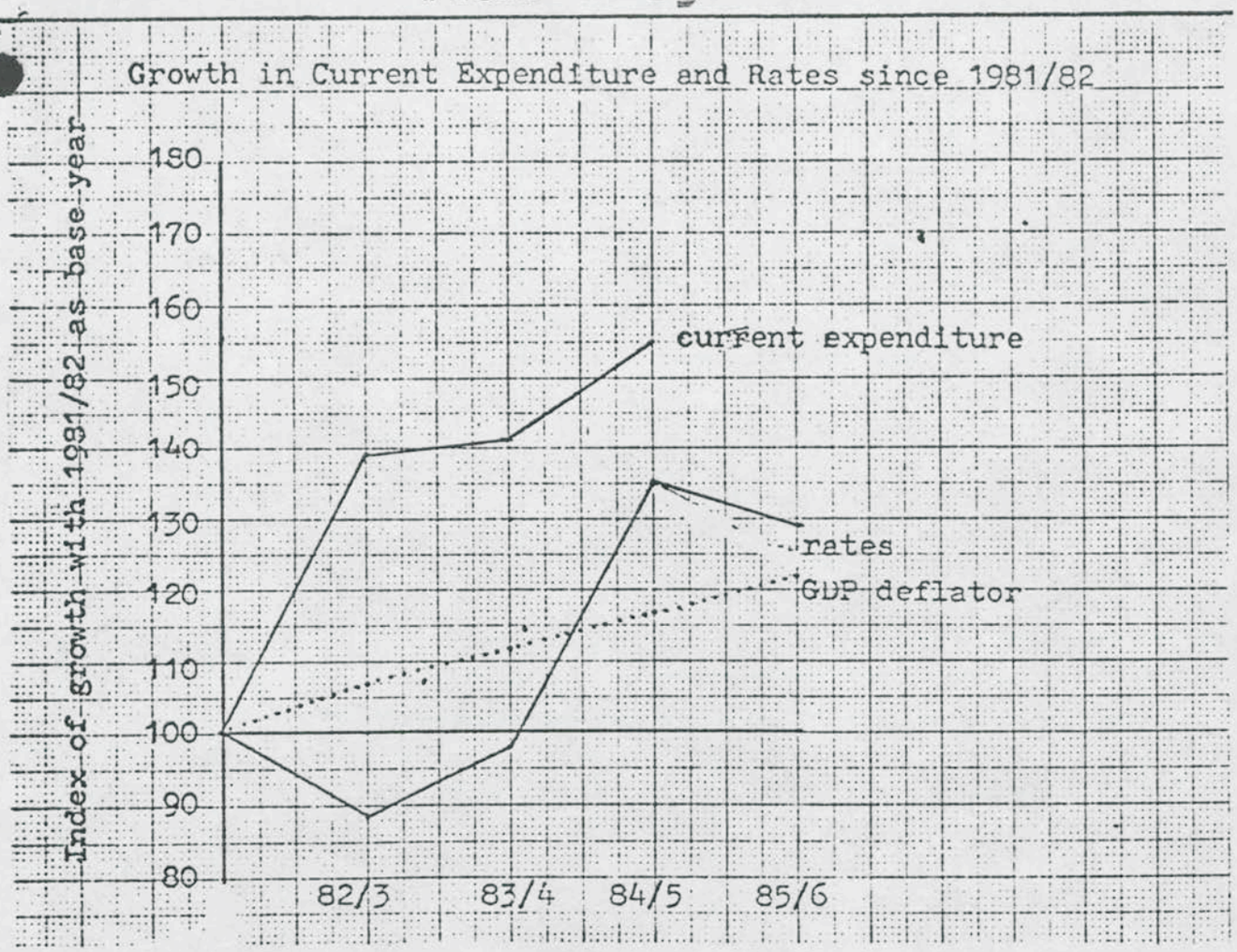
SPENDING

Greenwich's current spending has risen by 38.6% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a 1½ % cash terms decrease on their 1984/85 budget.

GRANT

Greenwich have received £109m Rate Support Grant from the Government over the past four years. In 1984/85 they received £25m in RSG. Other Government grants and allocations included £15.53m in housing subsidy and £1.07m urban programme resources (supported by 75% government grant).

Hackney



RATES

Rates in Hackney have risen overall by 34.83% since 1981/82 - and since 1983/84 they have gone up by 37.9% from 86.5p to 119.3p.

The rate limit proposed for Hackney is 114.09p a decrease of 4.37% on their 1984/85 figure.

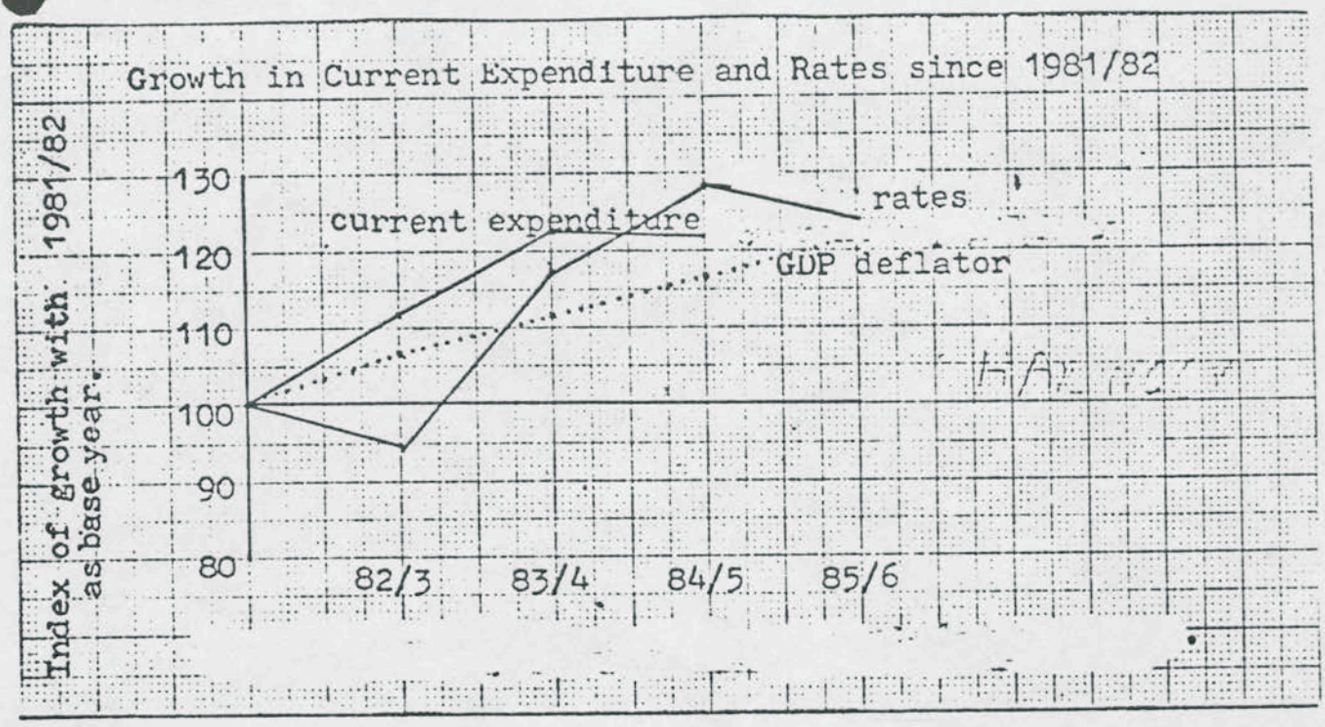
SPENDING

Hackney current spending has risen by 54.7% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Hackney have received £176m Rate Support Grant from the Government over the past four years. In 1984/85 they received £4.6m in RSG. Other Government grants and allocations included £20.86m in housing subsidy and £12.29m urban programme resources (supported by 75% government grant).

Haringey



RATES

Rates in Haringey have risen overall by 27.87% since 1981/82 - and since 1983/84 they have gone up by 8.97% from 210.3p to 229.2p.

The rate limit proposed for Haringey is 222.17p a decrease of 3.05% on their 1984/85 figure.

SPENDING

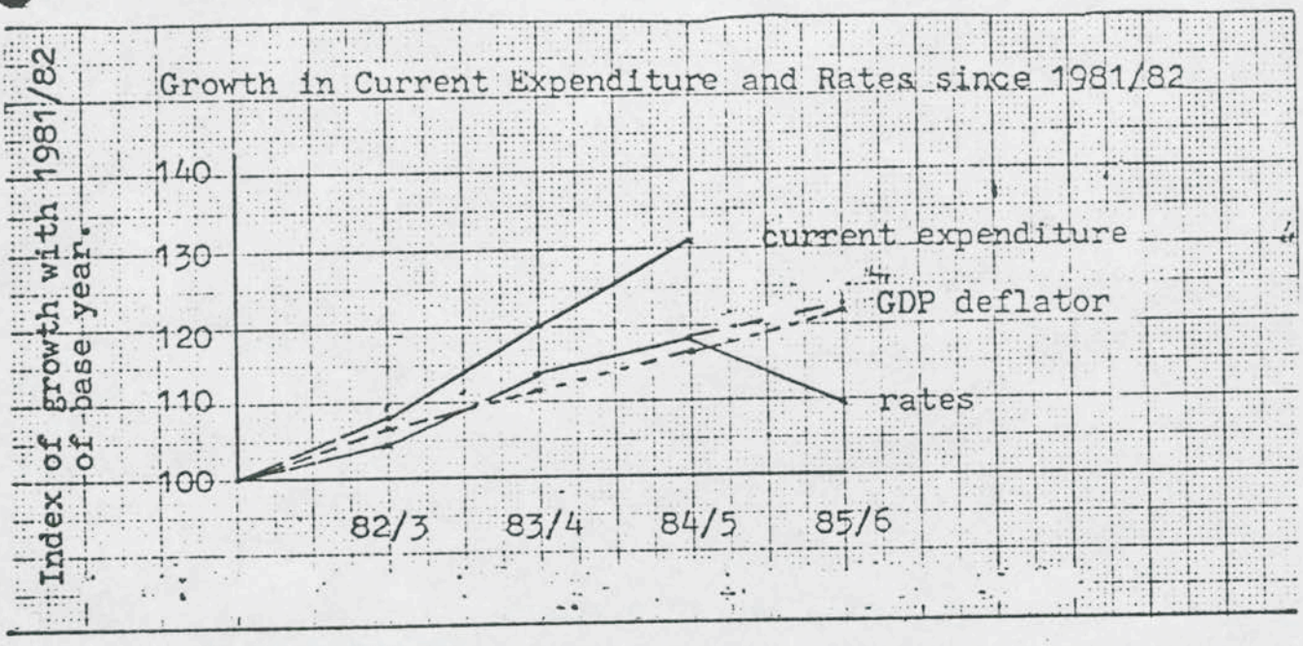
Haringey's current spending has risen by 21.8% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Haringey have received £211m Rate Support Grant from the Government over the past four years. In 1984/85 they received £50m in RSG. Other Government grants and allocations included £16.71m in housing subsidy and £1.95m urban programme resources (supported by 75% government grant)

ILEA

82



RATES

Rates in ILEA have risen overall by 18.2% since 1981/82 - and since 1983/84 they have gone up by 3.9% from 77p to 80p.

The rate limit proposed for ILEA is 74.19p a decerase of 7.26% on their 1984/85 figure.

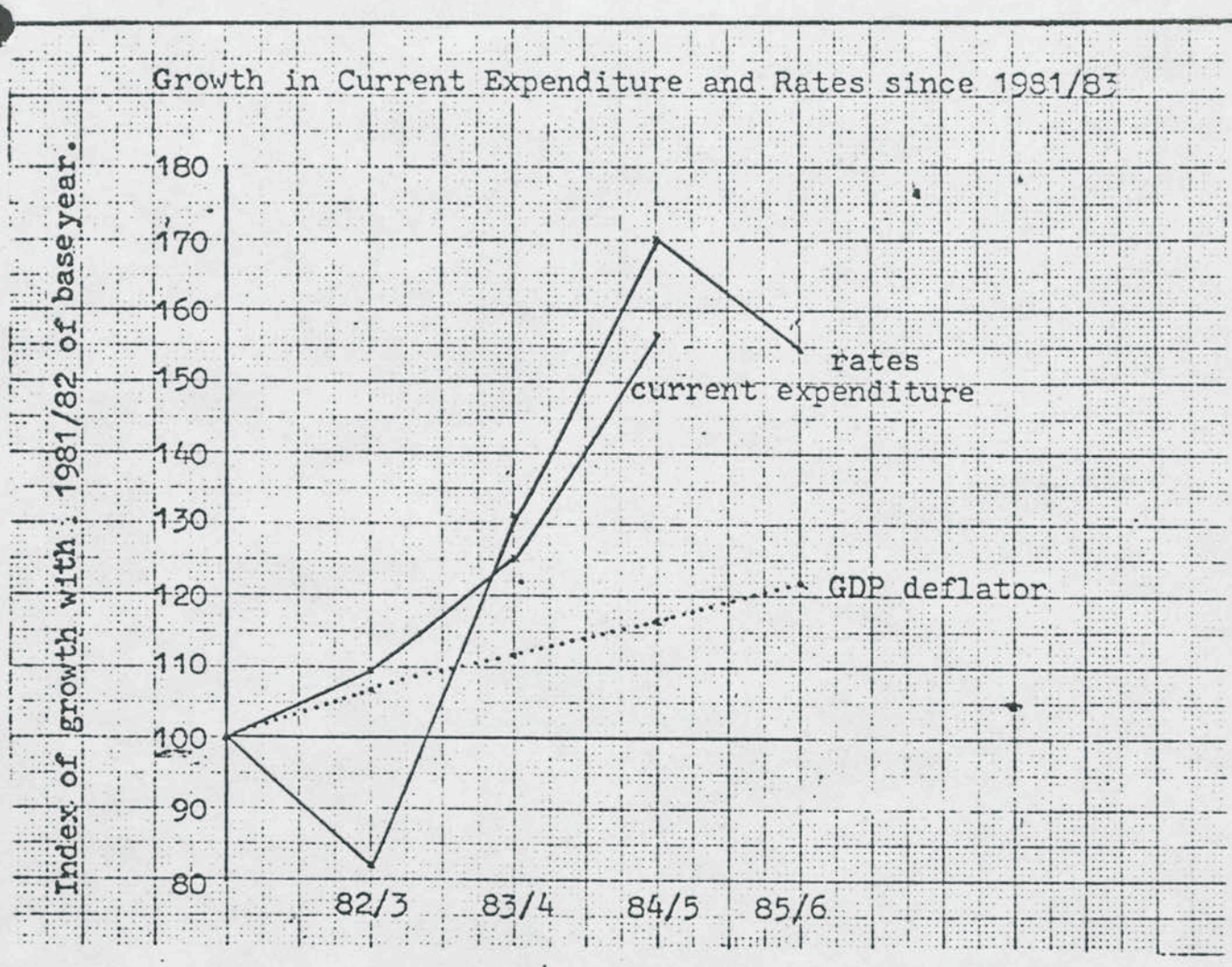
SPENDING

ILEA's current spending has risen by 30.8% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a 1½ % cash terms decrease on their 1984/85 budget.

GRANT

Among government grants received are £0.8m urban programme resources (supported by 75% government grant).

Islington



RATES

Rates in Islington have risen overall by 70.2% since 1981/82 - and since 1983/84 they have gone up by 29.6% from 94.7 to 122.7p.

The rate limit proposed for Islington is 111.21p a decrease of 9,39% on their 1984/85 figure.

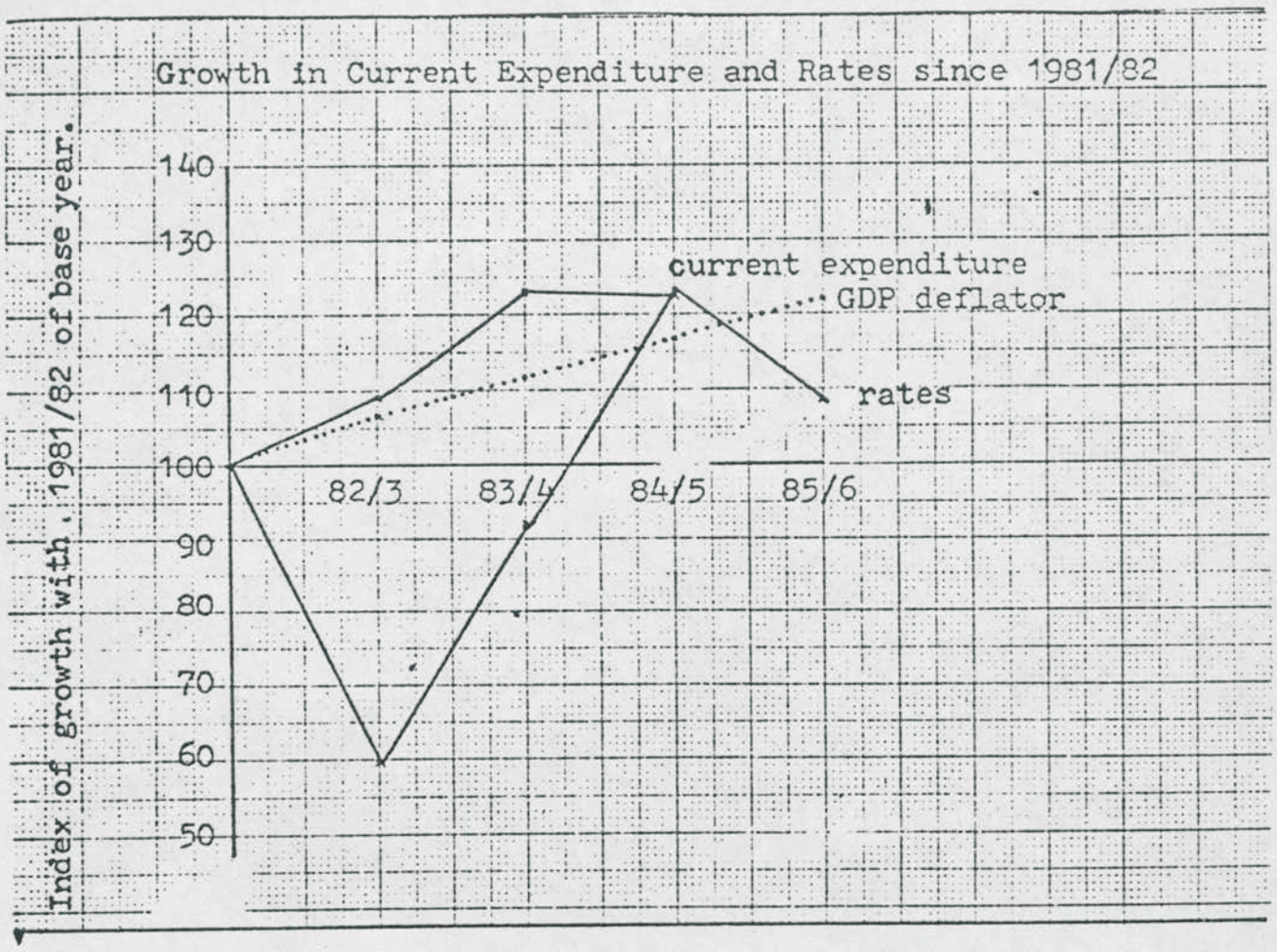
SPENDING

Islington current spending has risen by 56.7% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Islington have received £91m Rate Support Grant from the Government over the past four years. In 1984/85 they received £7m in RSG. Other Government grants and allocations included £36.38m in housing subsidy and £10.77m urban programme resources (supported by 75% government grant).

Lambeth



RATES

Rates in Lambeth have risen overall by 2 3% since 1981/82 - and since 1983/84 they have gone up by 34% from 91.6p to 122.3 p

The rate limit proposed for Lambeth is 107.57p a decrease of 12.07% on their 1984/85 figure.

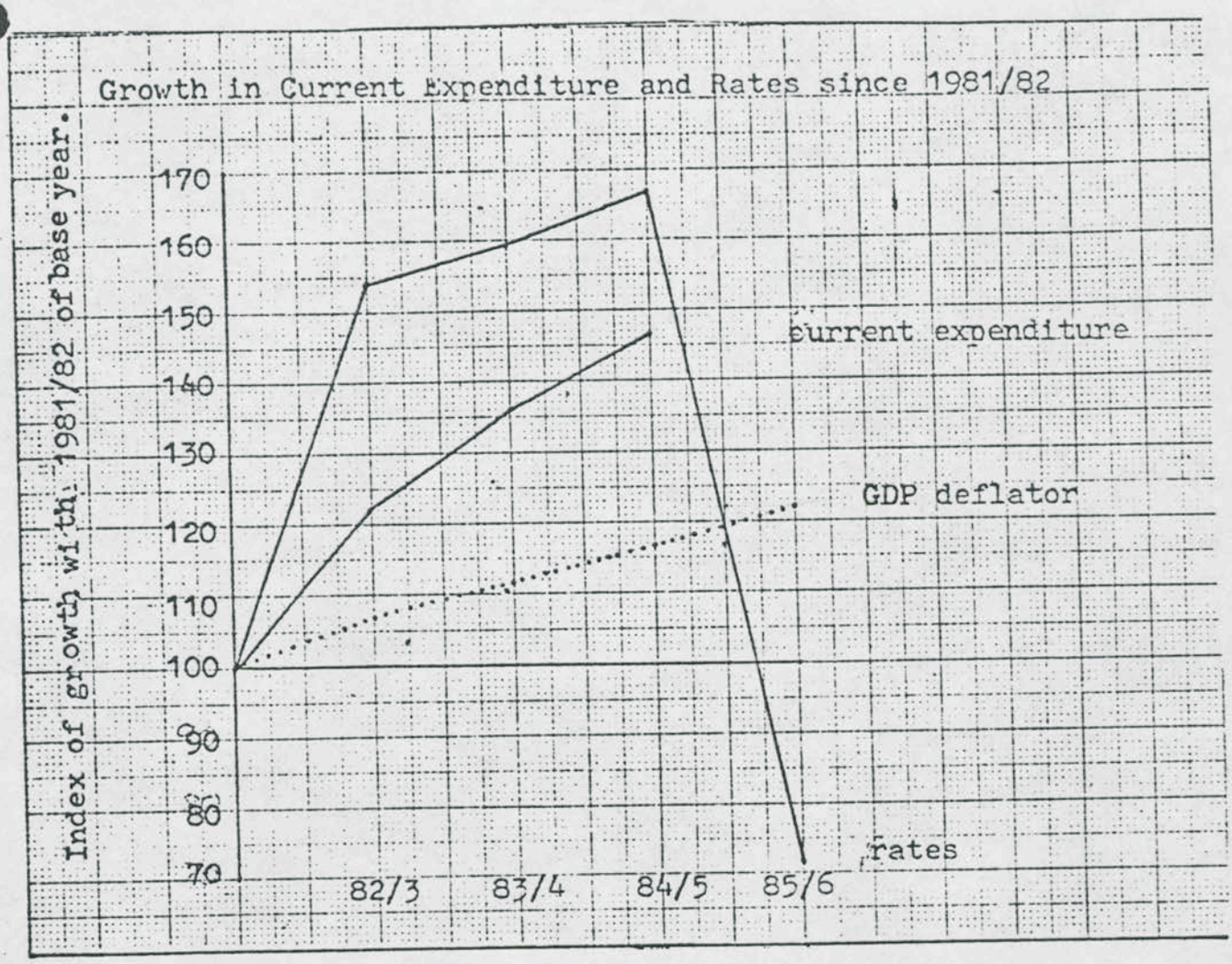
SPENDING

Lambeth's current spending has risen by 22.4% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Lambeth have received £198m Rate Support Grant from the Government over the past four years. In 1984/85 they received £40m in RSG. Other Government grants and allocations included £38.18m in housing subsidy and £13.75m urban programme resources (supported by 75% government grant).

Leicester



RATES

Rates in Leicester have risen overall by 66.7% since 1981/82 - and since 1983/84 they have gone up by 4.7% from 35.8 to 37.5p.

The rate limit proposed for Leicester is 16.27p a decrease of 56.6% on their 1984/85 figure.

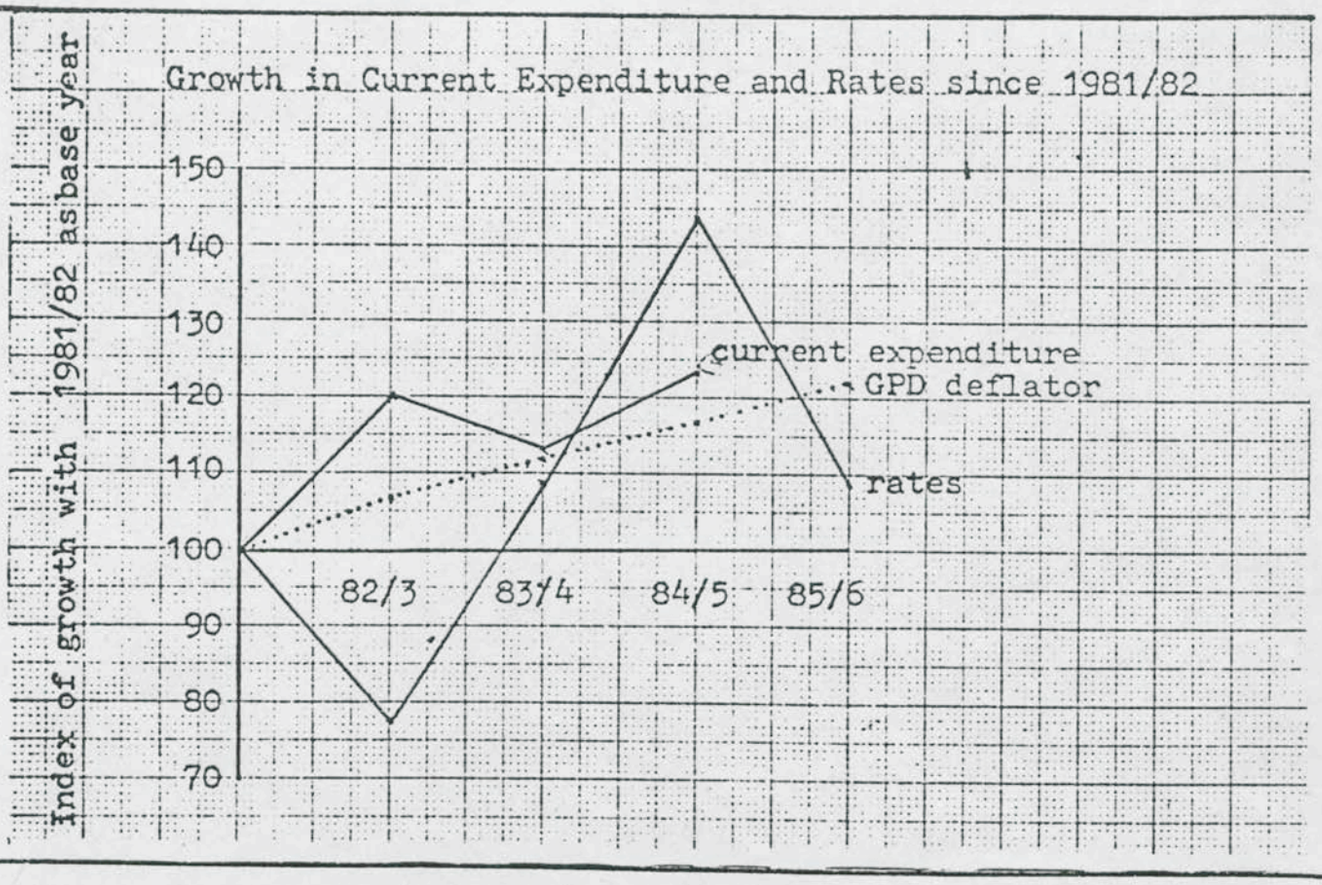
SPENDING

Leicester's current spending has risen by 46.1% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Leicester have received £35.9m Rate Support Grant from the Government over the past four years. In 1984/85 they received £9,[illegible] in RSG. Other Government grants and allocations included £5.4m urban programme resources (supported by 75% government grant)

Lewisham



RATES

Rates in Lewisham have risen overall by 43.7% since 1981/82 - and since 1983/84 they have gone up by 32.1% from 87.6pto 115.7p.

The rate limit proposed for Lewisham is 87.49p a decrease of 24,41on their 1984/85 figure.

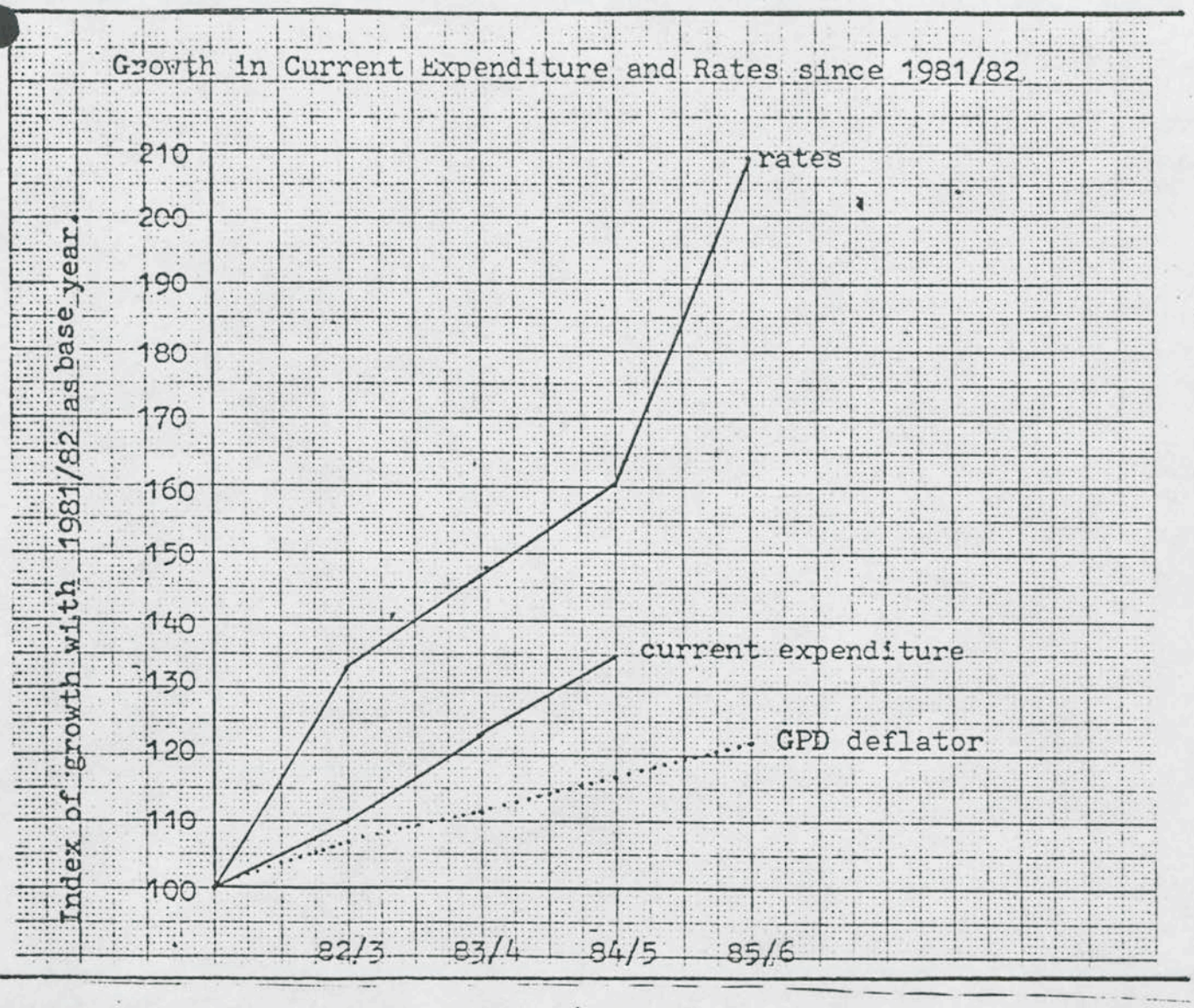
SPENDING

Lewisham's current spending has risen by 23.5% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Lewisham have received £179m Rate Support Grant from the Government over the past four years. In 1984/85 they received £43m in RSG. Other Government grants and allocations included in housing subsidy and £2.24m urban programme resources (supported by 75% government grant).

Merseyside



RATES

Rates in Merseyside have risen overall by 60.5% since 1981/82 - and since 1983/84 they have gone up by 9.4% from 59.4p to 65p.

The rate limit proposed for Merseyside is 82.86p a increase of 27.43% on their 1984/85 figure.

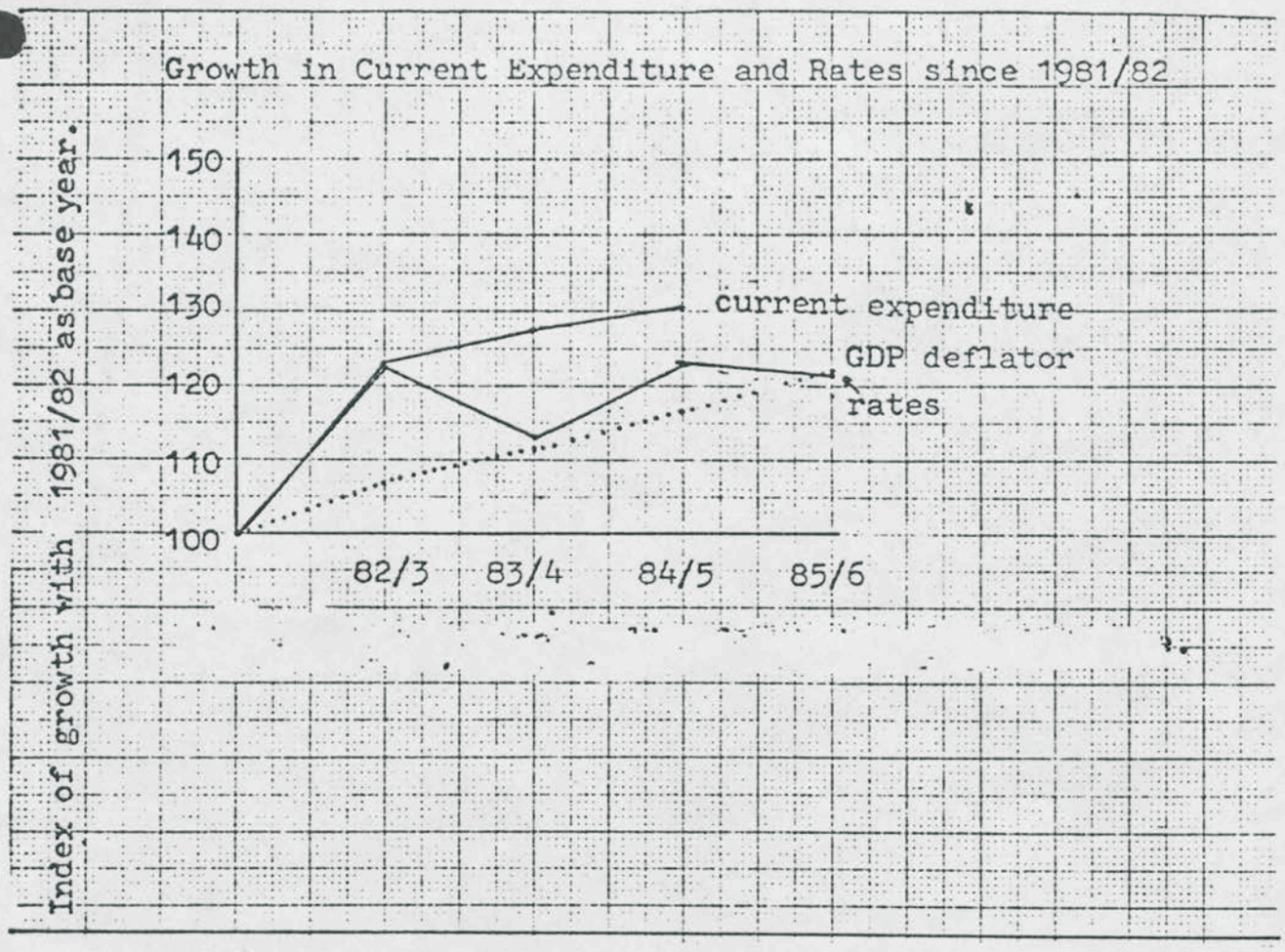
SPENDING

Merseyside's current spending has risen by 34.7% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Merseyside have received £270m Rate Support Grant from the Government over the past four years. In 1984/85 they received £63m in RSG. Other Government grants and allocations included £0.65m urban programme resources (supported by 75% government grant)

Portsmouth



RATES

Rates in Portsmouth have risen overall by 23.1% since 1981/82 - and since 1983/84 they have gone up by 8.8% from 25p to 27.2p.

The rate limit proposed for Portsmouth is 26.88p a decrease of 1.18% on their 1984/85 figure. Portsmouth have previously stated that they would budget within their expenditure level.

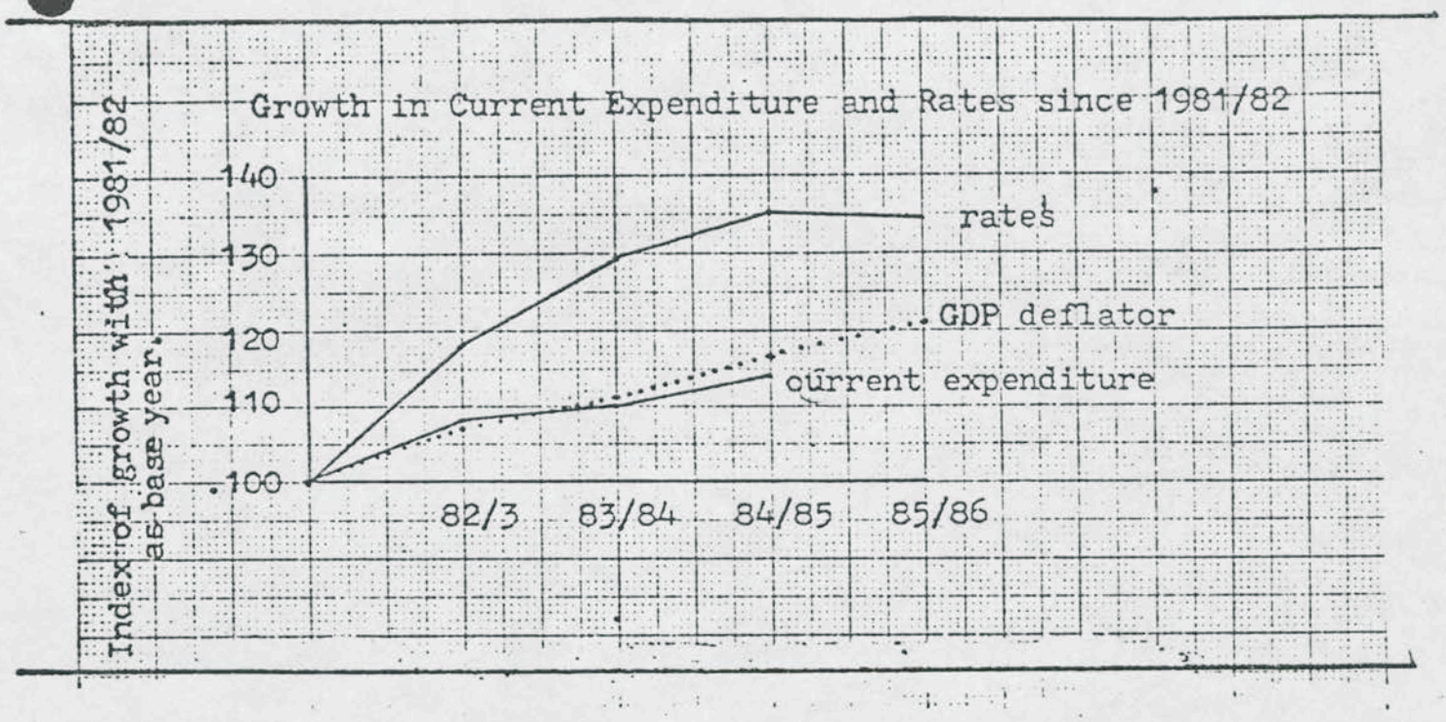
SPENDING

Portsmouth current spending has risen by 30.9% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Portsmouth have received 32,5m Rate Support Grant from the Government over the past four years. In 1984/85 they received £7.8m in RSG. Other Government grants and allocations included £0.28m urban programme resources (supported by 75% government grant)

Sheffield



RATES

Rates in Sheffield have risen overall by 35.2% since 1981/82 - and since 1983/84 they have gone up by 4.7% from 198.8p to 208.2p.

The rate limit proposed for Sheffield is £207.07p a decrease of 0.56% on their 1984/85 figure.

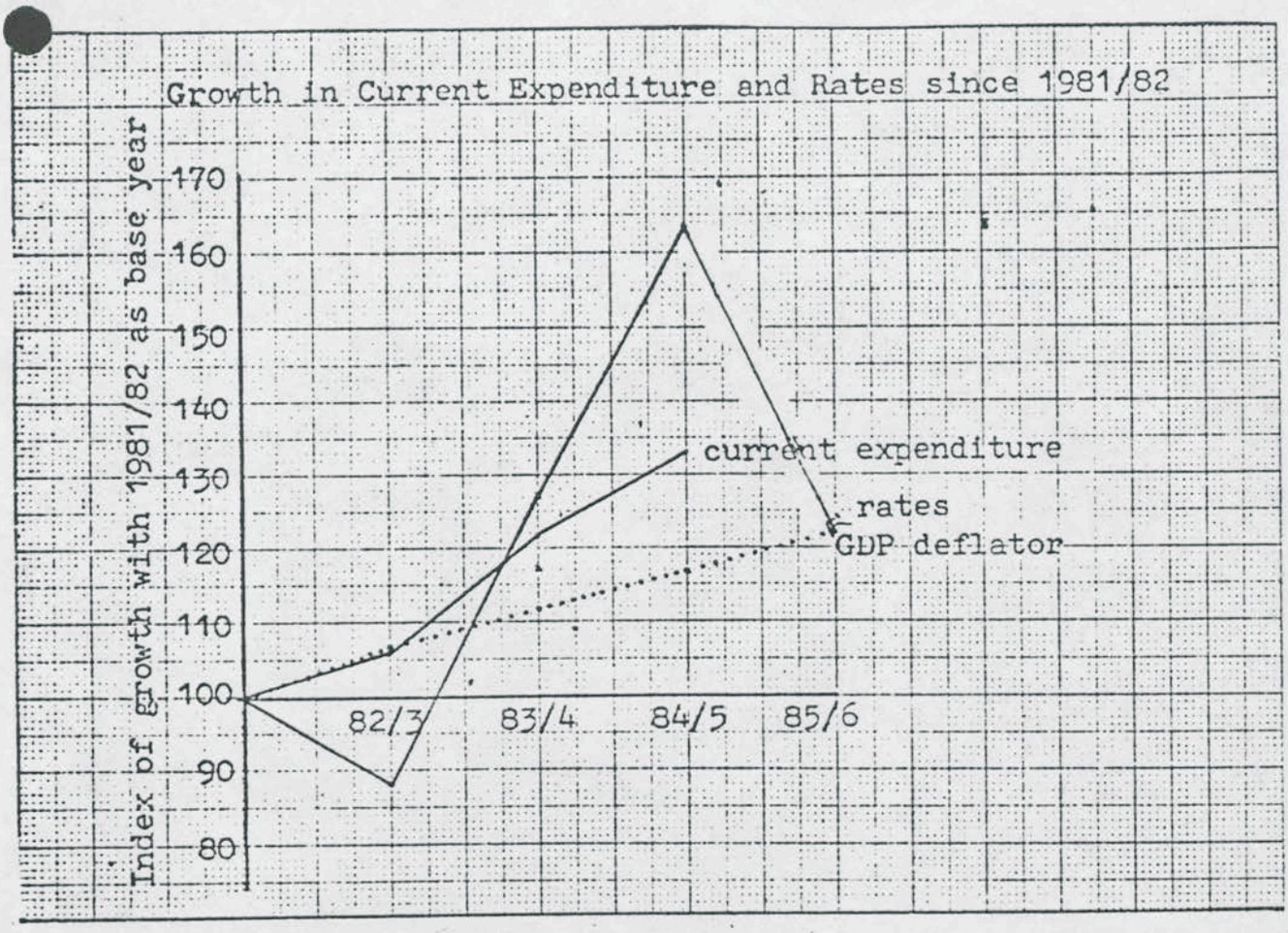
SPENDING

Sheffield's current spending has risen by 14.3% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Sheffield have received £343m Rate Support Grant from the Government over the past four years. In 1984/85 they received £84m in RSG. Other Government grants and allocations included £4.25m urban programme resources (supported by 75% government grant).

Southwark



RATES

Rates in Southwark have risen overall by 63.6% since 1981/82 - and since 1983/84 they have gone up by 28.4% from 116.6p to 149.7p.

The rate limit proposed for Southwark is 112.69% a decrease of 24.74% on their 1984/85 figure.

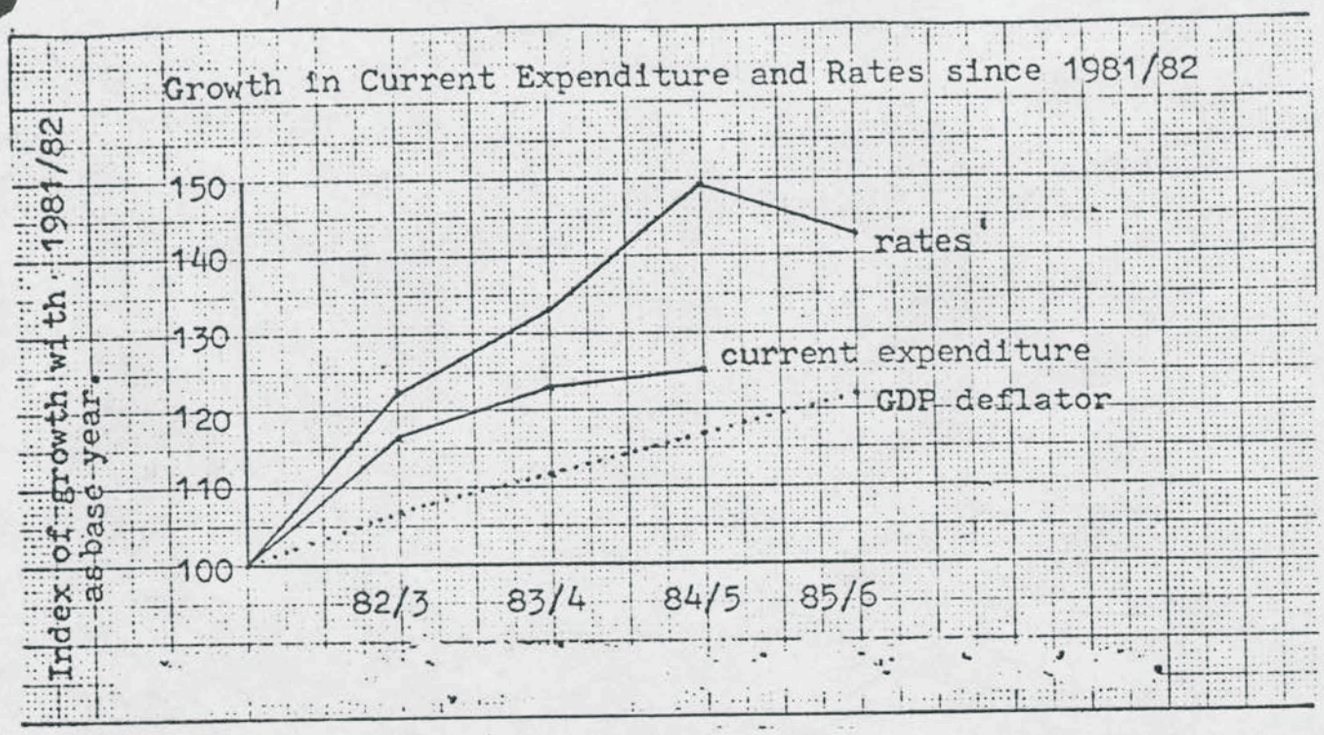
SPENDING

Southwark's current spending has risen by 33.15% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Southwark have received £142m Rate Support Grant from the Government over the past four years. In 1984/85 they received £21m in RSG. Other Government grants and allocations included £31.8m in housing subsidy and 3.61m urban programme resources (supported by 75% government grant).

South Yorkshire



RATES

Rates in S.Yorkshire have risen overall by 46.1% since 1981/82 - and since 1983/84 they have gone up by 9.9% from 75.8p to 83.3p.

The rate limit proposed for S. Yorkshire is 81.32p a decrease of 2.38% on their 1984/85 figure.

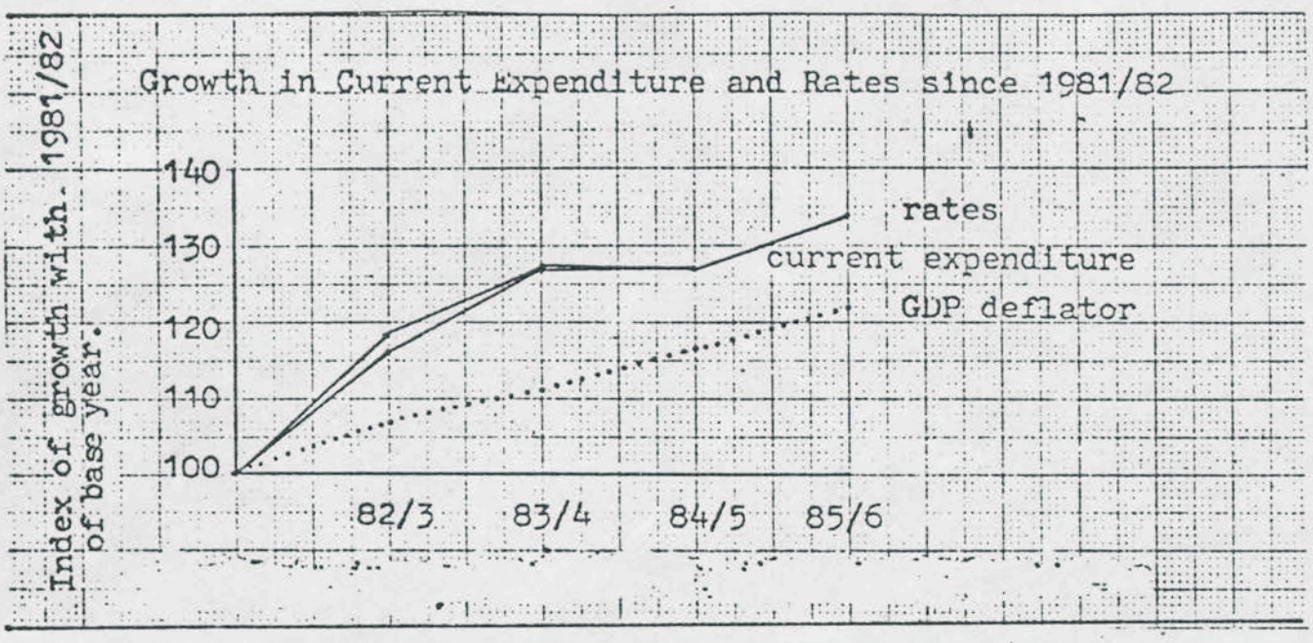
SPENDING

S. Yorkshire's current spending has risen by 24.9% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

S. Yorkshire have received £267m Rate Support Grant from the Government over the past four years. In 1984/85 they received £62m in RSG. Other Government grants and allocations included £0.07m urban programme resources (supported by 75% government grant)

Thamesdown



RATES

Rates in Thamesdown have risen overall by 27.2% since 1981/82 - and since 1983/84 they have gone up by 0.54% from 53.9 to 54.19p.

The rate limit proposed for Thamesdown is 57.22p a increase of 5.59% on their 1984/85 figure.

SPENDING

Thamesdown's current spending has risen by 25.0% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a cash freeze on their 1984/85 budget.

GRANT

Thamesdown have received £13.8m Rate Support Grant from the Government over the past four years. In 1984/85 they received £2.5m in RSG. Other Government grants and allocations included £0.22m urbane programme resources (supported by 75% government grant).

12/12

TF
Duty Clerk
Press Office
Policy Unit

RATE SUPPORT GRANT SETTLEMENT 1985/6

WITH PERMISSION, MR SPEAKER, I WISH TO MAKE A STATEMENT ON THE RATE SUPPORT GRANT SETTLEMENT IN ENGLAND FOR 1985/6.

IN MY STATEMENT TO THE HOUSE ON 24 JULY I SET OUT MY PROPOSALS FOR THE MAIN ELEMENTS OF THE RATE SUPPORT GRANT SETTLEMENT FOR NEXT YEAR AND LISTED THE 18 AUTHORITIES WHICH I WAS DESIGNATING FOR RATE LIMITATION. I HAVE TODAY LAID BEFORE THE HOUSE THE MAIN RSG REPORT FOR 1985/6 AND I AM SENDING RATE-CAPPED AUTHORITIES NOTICES ADVISING THEM OF THE RATE OR PRECEPT LIMIT PROPOSED FOR THEM. COPIES OF ALL THE MATERIAL BEING SENT TO LOCAL AUTHORITIES TODAY ARE AVAILABLE IN THE LIBRARY AND THE VOTE OFFICE.

I HAVE ALSO LAID TODAY TWO RSG SUPPLEMENTARY REPORTS. THE THIRD SUPPLEMENTARY REPORT FOR 1983/4 ADJUSTS AUTHORITIES' GRANT ENTITLEMENTS IN THE LIGHT OF THE LATEST INFORMATION ON OUTTURN EXPENDITURE FOR THE YEAR. THE SECOND SUPPLEMENTARY REPORT FOR 1984/5 IMPLEMENTS GRANT ABATEMENT FOR LIVERPOOL CITY COUNCIL, WHOSE BUDGET WAS RECEIVED TOO LATE TO BE TAKEN INTO ACCOUNT WHEN I IMPLEMENTED GRANT ABATEMENT FOR ALL OTHER AUTHORITIES IN JULY. BOTH REPORTS ALSO CONTAIN OTHER TECHNICAL ADJUSTMENTS TO GRANT.

I NOW TURN TO THE MAIN REPORT FOR NEXT YEAR. FOR 1985/6 FOR THE FIRST TIME THE RATES ACT ENABLES ME TO INFLUENCE DIRECTLY THE SPENDING LEVELS OF THE WORST OVERSPENDERS BY IMPOSING LIMITS ON THEIR RATES. AS WE PROMISED THROUGHOUT THE PASSAGE OF THE RATES BILL IN PARLIAMENT, THIS MEANS THAT RATE LIMITATION WILL NOT ONLY BENEFIT THE RATEPAYERS OF THE SELECTED AUTHORITIES. IT WILL ALSO BENEFIT LOW-SPENDING AUTHORITIES, SINCE I AM NO LONGER OBLIGED TO ASK THEM TO MAKE CUTS BECAUSE OF THE EXCESSES OF THE HIGH-SPENDING MINORITY.

I HAVE DECIDED TO CONFIRM THE TARGETS I PROPOSED IN JULY WITH TWO IMPORTANT CHANGES. THE FIRST ALLOWS MOST LOW SPENDING AUTHORITIES AN INCREASE OVER THIS YEAR'S BUDGETS OF 4½% INSTEAD OF THE 4¼% I PREVIOUSLY ANNOUNCED. THIS REFLECTS THE SLIGHT INCREASE IN THE FORECAST INFLATION RATE OVER THE PERIOD. FOR THE FIRST TIME TARGETS FOR THE LOWEST SPENDERS IMPLY SPENDING INCREASES IN LINE WITH INFLATION, OR IN OTHER WORDS, NO FURTHER REAL TERMS CUTS. THE SECOND CHANGE RELATES TO A PARTICULAR GROUP AMONGST THOSE LOW SPENDERS—NAMELY AUTHORITIES SUCH AS BERKSHIRE BUDGETING THIS YEAR TO SPEND NOT ONLY BELOW GRE, BUT ALSO AT OR VERY CLOSE TO TARGET. THEY WILL BE ALLOWED A FURTHER RELAXATION OF TARGETS SO THAT THEY MAY INCREASE SPENDING BY UP TO 4.625% - A LITTLE MORE THAN INFLATION-WITHOUT INCURRING PENALTIES. WITH THESE CHANGES, THE TARGETS FOR LOW SPENDING AUTHORITIES FULFIL TO THE LETTER THE UNDERTAKINGS WHICH I GAVE TO THE HOUSE LAST JANUARY.

I HAVE DECIDED TO CONFIRM THE STRINGENT HOLDBACK TARIFF WHICH I ANNOUNCED IN JULY AT THE RATE OF 7 PENCE IN THE POUND FOR THE FIRST PERCENTAGE POINT OF OVERSPEND, 8 PENCE FOR THE SECOND, AND 9 PENCE FOR EACH POINT THEREAFTER. I BELIEVE THAT IT IS ONLY FAIR TO MATCH REALISTIC TARGETS WITH A STRONG INCENTIVE THAT THEY SHOULD BE MET. I PROPOSE HOWEVER TO CONTINUE TO EXEMPT FROM PENALTY INCREASES IN CERTAIN URBAN PROGRAMME AND CIVIL DEFENCE EXPENDITURE, AND INCREASES IN EXPENDITURE ON SCHEMES JOINTLY FINANCED WITH HEALTH AUTHORITIES.

AGGREGATE EXCHEQUER GRANT WILL BE £11.764BN. THAT IS SLIGHTLY HIGHER THAN THE FIGURE WHICH I PROPOSED IN JULY. THE GRANT PERCENTAGE IS 48.7%.

I TURN NOW TO GRANT DISTRIBUTION. FOLLOWING CONSULTATION WITH LOCAL GOVERNMENT I HAVE DECIDED ON SOME LIMITED BUT IMPORTANT CHANGES TO GRE ASSESSMENTS, AFFECTING PRIMARILY THE GREs FOR PASSENGER TRANSPORT SUPPORT, HIGHWAY MAINTENANCE, RATE FUND CONTRIBUTIONS TO COUNCIL HOUSING, AND RECREATION. I HAVE ALSO INCREASED THE SLOPE OF THE BLOCK GRANT POUNDAGE SCHEDULE. THIS INCREASES THE IMPORTANCE OF SPENDING IN RELATION TO GRE AS A FACTOR IN GRANT ENTITLEMENTS, AND INCREASES THE MARGINAL COST OF SPENDING ABOVE GRE FOR ALL AUTHORITIES. AGAIN, THIS HELPS LOW-SPENDING AUTHORITIES, SINCE IT GIVES MORE OF THE AVAILABLE GRANT TO AUTHORITIES SPENDING AT OR BELOW GRE.

IN THE LIGHT OF THIS RSG SETTLEMENT, I AM ISSUING MAXIMUM RATE OR PRECEPT LIMITS FOR THE 18 SELECTED AUTHORITIES. SINCE JULY, WHEN I ANNOUNCED EXPENDITURE LEVELS FOR THESE AUTHORITIES, IT HAS BEEN OPEN TO EACH OF THESE AUTHORITIES TO APPLY FOR A REDETERMINATION OF THEIR EXPENDITURE LEVEL AT A HIGHER LEVEL, BUT NONE HAS DONE SO.

RATE OR PRECEPT LIMITS FOR 1985/6 ARE THEREFORE BASED ON THE JULY EXPENDITURE LEVELS. I AM TODAY SENDING OUT STATUTORY NOTICES INFORMING EACH AUTHORITY OF THE LIMIT THAT IS PROPOSED FOR THEM. A LIST OF THESE LIMITS HAS BEEN PLACED IN THE LIBRARY AND IS AVAILABLE IN THE VOTE OFFICE. IN CALCULATING THE RATE OR PRECEPT LIMITS I HAVE TAKEN ACCOUNT OF THE EXPENDITURE LEVELS SET AND THE AUTHORITIES' BLOCK GRANT ENTITLEMENTS NEXT YEAR. I HAVE ALSO HAD REGARD TO THE LEVEL OF FINANCIAL RESERVES AVAILABLE TO EACH AUTHORITY, MAKING ASSUMPTIONS AS NECESSARY.

AUTHORITIES NOW HAVE UNTIL 15 JANUARY TO COMMENT ON THE RATE OR PRECEPT LIMITS PROPOSED, AND TO DRAW MY ATTENTION TO ANY RELEVANT INFORMATION OF WHICH I MAY NOT BE CURRENTLY AWARE. UNLESS I HAVE COMMENTS BY 15 JANUARY, IT WILL IN THE ABSENCE OF AGREEMENT BE NECESSARY TO MOVE ON TO THE NEXT STAGE OF ASKING THE HOUSE TO CONFIRM THE RATE LIMITS BY AFFIRMATIVE ORDER.

THE PROPOSED RATE AND PRECEPT LIMITS I AM ANNOUNCING TODAY WILL BE WARMLY WELCOMED BY RATEPAYERS IN THE AREAS CONCERNED. FOR 13 OF THE 18 AUTHORITIES I HAVE SET RATE OR PRECEPT LIMITS WHICH ARE LOWER THAN THE RATES OR PRECEPTS BEING CHARGED THIS YEAR. IN THE 5 REMAINING CASES HOWEVER, THE RATE OR PRECEPT WILL BE LOWER THAN IT WOULD HAVE BEEN WITHOUT RATE-CAPPING.

MR SPEAKER, THIS YEAR'S AVERAGE RATE INCREASE WAS THE LOWEST FOR 10 YEARS. IF AUTHORITIES BUDGET TO MEET THEIR TARGETS NEXT YEAR, THE AVERAGE RATE INCREASE NEXT YEAR SHOULD BE EVEN LOWER. THE FIRST STAGE OF RATE LIMITATION WILL AT LONG LAST BRING RELIEF TO RATEPAYERS IN THE RATE CAPPED AREAS. MOREOVER, RATE CAPPING HAS ALLOWED ME TO SET MUCH FAIRER TARGETS FOR LOW SPENDING AUTHORITIES. THIS SETTLEMENT HAS MEANT INCREASING THE PROVISION FOR LOCAL AUTHORITY CURRENT SPENDING NEXT YEAR BY £820M ABOVE THE PROVISION IN THE PUBLIC EXPENDITURE WHITE PAPER. IN PRESENT ECONOMIC CIRCUMSTANCES, THIS IS A REASONABLE AND FAIR SETTLEMENT, AND I COMMEND IT TO THE HOUSE.

K01029

PRIME MINISTER

Rate Limitation:
Strategy and Counter-Obstruction Measures
(MISC 109(84)1 and 2)

BACKGROUND

The Secretary of State for the Environment is announcing the 1985/86 Rate Support Grant settlement (RSG) today. His statement will cover the rate and precept limits for the 18 authorities selected in July*. These authorities will have until 15 January to comment on the limits proposed. In the absence of agreement with the authorities, the next step is confirmation of the limits by Affirmative Order of the House of Commons. In the case of the 4 precepting authorities (Greater London Council (GLC), Inner London Education Authority (ILEA), South Yorkshire and Merseyside) the Secretary of State must set the maximum precept by 15 February (in order to give rating authorities sufficient notice). In the case of the 14 rating authorities, a maximum rate must be set by 1 March. In both cases the limits can be interim ones if negotiations with authorities are still in progress.

Annex

Proposals

FLAG A

2. MISC 109(84)1 sets out the strategy Mr Jenkin proposes for the remainder of the financial year. The main features are:

(a) separate Affirmative Orders (and debates) for rating and precepting authorities;

(b) a presumption against setting interim limits;

(c) further consideration with the Attorney General of the best legal response to any failure to

*List at Annex

set rates and precepts;

(d) suitable presentation and publicity:

- no paid publicity until Easter;
- maximum activity by Government supporters on capped authorities;
- Ministerial speeches stressing the advantages of rate limitation and the implications of illegality.

FLAG B 3. MISC 109(84)2 describes possible obstructive measures which authorities might take, and sets out Mr Jenkin's proposals on how the Government should react. The main points are:

(a) a general strategy of letting events take their course, rather than bringing them to a head;

(b) further work:

- with the Home Secretary on potential problems involving upper and lower tier authorities in the same area, especially on police and fire;
- with the Attorney General on legal enforcement of existing powers;
- with the Treasury and Bank on the credit-worthiness of local authorities;

(c) no new contingent legislation this session to plug holes in the existing law or provide solutions short of Commissioners;

(d) reliance on existing contingent legislation for Commissioners as the last resort.

MAIN ISSUES

4. The main issues for decision are:

i. What should the Government's general stance be? Broadly the choice lies between:

a. operating the prescribed procedures and letting pressure on authorities build up through the natural course of events;

b. attempting to bring matters to a head more quickly (eg by legislating to set a date by which councils must fix their rate, by with-holding RSG in 1985/86 until a rate has been set);

c. attempting to reach an early accommodation with authorities.

ii. What specific steps need to be taken, consistent with the preferred general stance, eg. in Parliament; on presentation?

iii. What further contingency planning needs to be done?

General Stance

5. Mr Jenkin recommends letting events take their course, which was the strategy the Government followed with Liverpool last year. The main argument for this strategy is that its effectiveness can be regularly reviewed. It would be premature to risk losing public sympathy by provoking an early confrontation with authorities while their intentions remain unclear. To do so would risk uniting what is at present a fragmented group, and might push them into the sort of illegality the Government is seeking to prevent, at a time when contingency plans are still incomplete. Similarly an attempt to compromise at this stage would need to be costly to be successful; if it were unsuccessful it would weaken the Government's position and might stiffen authorities' resolve.

6. Ministers will wish to ensure that the general stance they adopt on rate limitation is consistent with their stance on Liverpool (on which a separate brief is being provided).

Rate and Precept Limitation Orders

7. Mr Jenkin and the business managers have agreed that there should be separate Orders for rating and precepting authorities. Although this will lead to two debates, there are practical and tactical advantages in splitting the precepting authorities off from the rating authorities. Mr Jenkin's strategy of not setting interim limits unless authorities engage in genuine negotiations, as opposed to time wasting, is consistent with the aim of not being drawn into an early compromise. Brent and Portsmouth will probably try and live with their rate limits (RLs). The 16 Labour authorities seem unlikely to wish to consult, although they may subsequently try to draw the Government into 'Liverpool-style' negotiations covering the whole range of RSG issues. Once set, RLs can be increased, but not reduced.

Legal Action by Government

8. Obstruction by local authorities is likely to follow one of two main courses; either

a. failure to make a legal rate, or

Press reports indicate that councils are favouring (a)

b. the making of a rate which is insufficient to cover planned expenditure.

9. The Group may wish to offer guidance to Mr Jenkin and the Attorney in their further considerations about:

- possible applications to the courts to require a rate to be made (after 10 March in the case of precepting

authorities; when a financial loss has been made in the other cases, who do not have to make a rate by a fixed date);

- a Parliamentary statement about the consequences for councillors of illegal action. This was discussed in relation to Liverpool last year. It was argued then that it was unnecessary, since councillors should be advised by their officers of the position, and that it would be seen as threatening and provocative.

New Contingent Legislation

10. MISC 109(84)2 concludes, in paragraphs 7 and 8, that none of the potential measures would be helpful in the short term. Any such legislation would be contentious and inconsistent with Mr Jenkin's proposed low-profile, wait-and-see strategy. Ministers will also wish to consider the presentational effect of seeking new powers so soon after the Rates Act, and, possibly, before any illegality has occurred.

Creditworthiness

11. So far the market has remained calm, and has adjusted to the situation by charging marginally higher rates to capped authorities.

Commissioners

12. This would remain a last resort. Department of the Environment officials are working on ways of making any takeover more palatable, eg. by allowing an early return of elected authorities with limited powers to work alongside Commissioners, but are not hopeful that this will prove practicable.

Contingency Planning

13. The main task is to review and update existing plans for maintaining essential services after a financial collapse, and for interdepartmental co-ordination. An official group has already been set up for this purpose. One new aspect is the possibility of action involving upper and lower tier authorities in the same area (eg. Sheffield and S.Yorkshire), which could pose particular problems for the police and fire service. Officials will also be looking at the interaction between ILEA and the GLC.

Timing

14. It is very difficult to predict what action individual authorities will take, and at what stage any problems will come to a head, because there are so many variables. The most likely next important date will be 10 March, by which time precepting authorities should have fixed a precept. Thereafter a crisis could be caused by court action (by ratepayers, other councils or the Attorney), by events in the financial markets, or action by the Public Works Loans Board (PWLB). The probability is that most if not all authorities have various devices open which could postpone financial collapse for a considerable period as Liverpool did last year.

HANDLING

15. You will wish to ask the Secretary of State for the Environment to introduce his papers. All Ministers present are likely to want to contribute to the discussion on general strategy. The Lord President and Lord Privy Seal will have views on the Parliamentary position. The Chancellor of the Exchequer can comment on the effect on financial markets. The Secretaries of State for Education and Science and Social Services and the Minister of State,

Home Office can advise on the position as regards their services. The Attorney General can advise on the legal aspects.

CONCLUSIONS

16. You will wish the Group to record conclusions on:

i. the general stance to be adopted by the Government towards capped authorities;

ii. consistent with this, arrangements for presentation and publicity, either:

a. as proposed by Mr Jenkin, or
b. on some other basis;

iii. whether to plan for new contingent legislation short of Commissioners (ie. to fix a date for making a rate, to fix an "automatic" default rate, to suspend RSG payments, to speed up audit processes, to make debt a statutory first charge)

iv. whether to offer guidance on the direction of further work on possible legal action by Government;

v. what contingency planning to put in hand.

17. The Secretary of State for the Environment will need to keep the Group in touch with important developments. The run-up to precept-fixing day (10 March) is likely to be the next important period, as the attitude of the precepting authorities crystallizes.

C J S BREARLEY

11 December 1984

ANNEX

Authorities subject to Rate Limitation

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

7.55

CONFIDENTIAL

B cc OF Cabinet

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

LOCAL AUTHORITY CAPITAL CONTROLS SYSTEM IN ENGLAND AND WALES, 1985-86

On 20 November E(A) invited me to chair a small group to try to work out a compromise between the proposals set out by Peter Rees in E(A)(84)61 and by Patrick Jenkin in E(A)(84)62. The other members of the group were Leon Brittan, George Younger, Patrick Jenkin, Nick Edwards, Peter Rees and Nicholas Ridley.

2. We have met twice, and moved some way towards meeting the remit we were given. But we have not in the time available been able to reach a final agreement. So I must now report to you and Cabinet colleagues where we have reached, and the compromise I have put forward as the Group's chairman.

The present control system

3. It may help colleagues to start with a description of the existing system of capital controls, and the defects in it that we all agree need to be put right. For England we make public expenditure provision for five blocks of local authority capital expenditure (housing, transport, education, personal social services, and other services) in net terms, that is after allowing for receipts. We then combine these blocks into a single cash limit. There is a separate cash limit, covering the same services, for Wales.

4. To convert these public expenditure figures, which we agree in Cabinet, into the allocations to be divided between individual local authorities we have to make an estimate of likely capital receipts. Local authorities at present have the power to spend a proportion of their receipts, as follows:-

(a) 40 per cent of in-year housing receipts;

(b) 50 per cent of other in-year receipts ((a) and (b) combined are called the "prescribed proportions"),

5. The rest of their forecast in-year receipts, plus the net cash limit, give us, broadly, the total to be allocated between the authorities. We then allow individual authorities to spend their allocations plus 40 per cent of in-year housing receipts and 50 per cent of other in-year receipts as described above. On top of that, however, we also allow them to spend the same proportion of unspent receipts accumulated from previous years.

Need for a new system

6. We are all agreed that the system as it stands is most unsatisfactory. It permitted what would have been a massive capital overspend by local authorities this year had we not taken steps to contain it, and which, even after those steps, will be a substantial figure, perhaps £500 million. In particular, the arrangements that permit authorities to spend such a high proportion of accumulated receipts from asset sales in previous years represents a serious weakness in the system, since these accumulated receipts now stand at around £6bn.

7. We are all agreed that it is important to have a certain amount of flexibility in the system, to encourage authorities to spend up to the plans for individual services, and in total, and to achieve good value for money. We also need to retain incentives for authorities to dispose of assets. But we cannot allow a system to continue that leads to the collective cash limit being broken by substantial amounts year after year.

8. We also agree that for 1985-86 we are not looking for radical changes, but adjustments to the present system to improve control.

Proposals for 1985-86

9. For England the net cash limit for 1985-86 derived as

described in paragraph 2 above is £1.95 billion. But, largely because of the accumulated receipts from the past (particularly from housing sales), the present system of allocations - were we to continue to use it - would put this cash limit at risk to the extent of £2½ billion potential overspending.

10. Peter Rees put forward proposals that would have reduced the amount at risk to £200 million. Patrick Jenkin has proposed reductions in the prescribed proportions (to 25 per cent for London and 40 per cent for all other areas) which would reduce the potential threat to £1.6billion.

11. In an attempt to reach a compromise acceptable to all members of my group I have made the following proposal. It recognises, as I accept that we should, that authorities are not in practice likely to use all of their potential spending power.

12. I propose that for 1985-86 the prescribed proportions for different categories of receipts, including accumulated receipts as well as in-year receipts, should be as follows:-

(a) 15 per cent for housing receipts other than housing land;
(b) 30 per cent for housing land receipts; and
(c) 30 per cent for non-housing receipts.

13. I believe it is right to preserve a difference between the proportions for housing and non-housing assets. In the case of housing, sales are essentially generated by the tenant's right to buy, on very generous terms and this in itself should ensure a continuing flow of receipts. For other assets, where there is no right to buy, local authorities need some extra incentive to encourage them to make disposals. In both cases, of course, the system will continue to favour those authorities that have

co-operated with our policy of asset sales.

14. This proposal would enable colleagues to issue allocations totalling just over £3 billion. I have suggested the distribution between services shown in the annex to this minute. It would:-

(i) give allocations to housing and other services in 1985-86 that are 85 per cent of those for 1984-85. Local authorities were told earlier this year to plan on the assumption that the figure would not be less than 80 per cent.

(ii) provide allocations for the other three blocks consistent with the public expenditure decisions we reached in Cabinet last month.

(iii) give Patrick Jenkin a reserve of £100 million with which to make supplementary allocations to authorities which have co-operated with this year's request for expenditure restraint.

15. These proposals would, in the worst case, where authorities used their maximum theoretical spending power, permit overspending of some of £¾ billion in 1985-86. But I accept that on a realistic estimate of the amounts authorities are actually likely to spend next year - perhaps 85 per cent of their total spending power from allocations and receipts - there should be no threat of a serious overrun of the cash limit.

16. Finally, I propose that the carry-forward of any underspending on the national cash limit from one year to the next should be to a maximum of 5 per cent of the cash limit instead of the present 2 per cent. Peter Rees accepts that we should tell local authorities that we would take no in-year action to restrain spending in 1985-86 if the forecast overspend at the national

1[illegible] did not exceed 5 per cent of the cash limit. Beyond this point, and as a confidential agreement between the Ministers concerned, Peter Rees is also prepared not to press for in-year action unless there were a significant risk of an overspend of more than 10 per cent of the cash limit, provided there were no need for more general measures to restrain public expenditure. Any overspending would of course be deducted from the provision for a subsequent year.

16. Both Keith Joseph and Nicholas Ridley have told me they are broadly content with these proposals. Agreement has also been reached with Nick Edwards, who is to have a prescribed proportion of 15 per cent for housing receipts and 50 per cent for non-housing receipts, and allocations of about £265 million - a level which should prevent overspending of more than about £10 million. I regret, however, that Patrick Jenkin has not felt able to agree.

17. Nevertheless, I believe that the proposals meet the criteria we set out to achieve, and that they represent a fair and reasonable compromise. They reduce, without eliminating completely, the threat to next year's cash limit; retain, a worthwhile incentive to secure capital receipts while smoothing out their use over time;
provide allocations for services which, supplemented by those receipts, are consistent with our decisions on public expenditure last month; and, by reducing the likelihood of the need for in-year action of the kind we had to take this year, would enable local authorities to plan in a more securely based and cost-effective way.

18. I therefore commend these proposals to Cabinet. I also suggest that we ask officials to report to us by Easter on the changes that might be made in the system for subsequent years.

CONFIDENTIAL

19. I am sending copies of this minute to other members of the Cabinet, the Paymaster General and the Chief Whip, and to Sir Robert Armstrong.

DLCheeke

pp N.L.

11 December 1984

(Seen and approved by the Chancellor, and signed in his absence)

CONFIDENTIAL

ANNEX

ALLOCATIONS 1985-86: ENGLAND

Housing	1576	1670	+94.
Other services	320		
Education	325		
Transport	640		
Personal social services	70		
Supplementary allocations	100*		
	3031	3125	

*For those authorities which comply with the request for restraint in 1984-85.

85% of allocations this year.

RR

Rates file

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 December 1984

Dear Colleague,

I have announced this afternoon the proposed rate or precept limits for the 18 authorities selected for rate limitation in 1985/6. As you will be aware your constituency is within an area covered by one or more of these authorities.

A list of the proposed limits for each authority is attached below together with a background note giving further details of how the proposed limit has been calculated. This includes details of the procedure by which authorities can comment on the proposed limits. I also attach a profile for the authority or authorities which concern your own constituency.

In 13 of the 18 authorities, the rate or precept limit proposed is lower than the rate being charged by the authority this year. In the other 5 cases the limit proposed is undoubtedly lower than it would have been without rate limitation. This can only be good news for ratepayers in these areas.

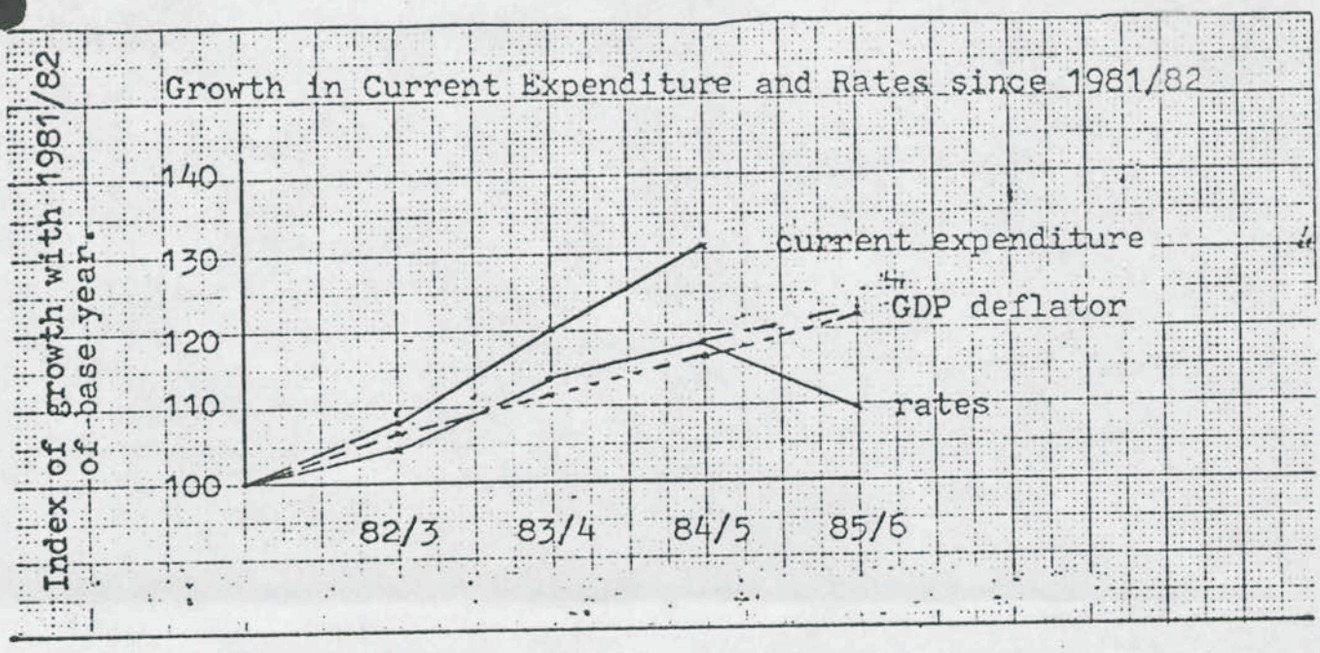
Yours ever

Patrick

PATRICK JENKIN

ILEA

82



RATES

Rates in ILEA have risen overall by 18.2% since 1981/82 - and since 1983/84 they have gone up by 3.9% from 77p to 80p.

The rate limit proposed for ILEA is 74.19p a decerase of 7.26% on their 1984/85 figure.

SPENDING

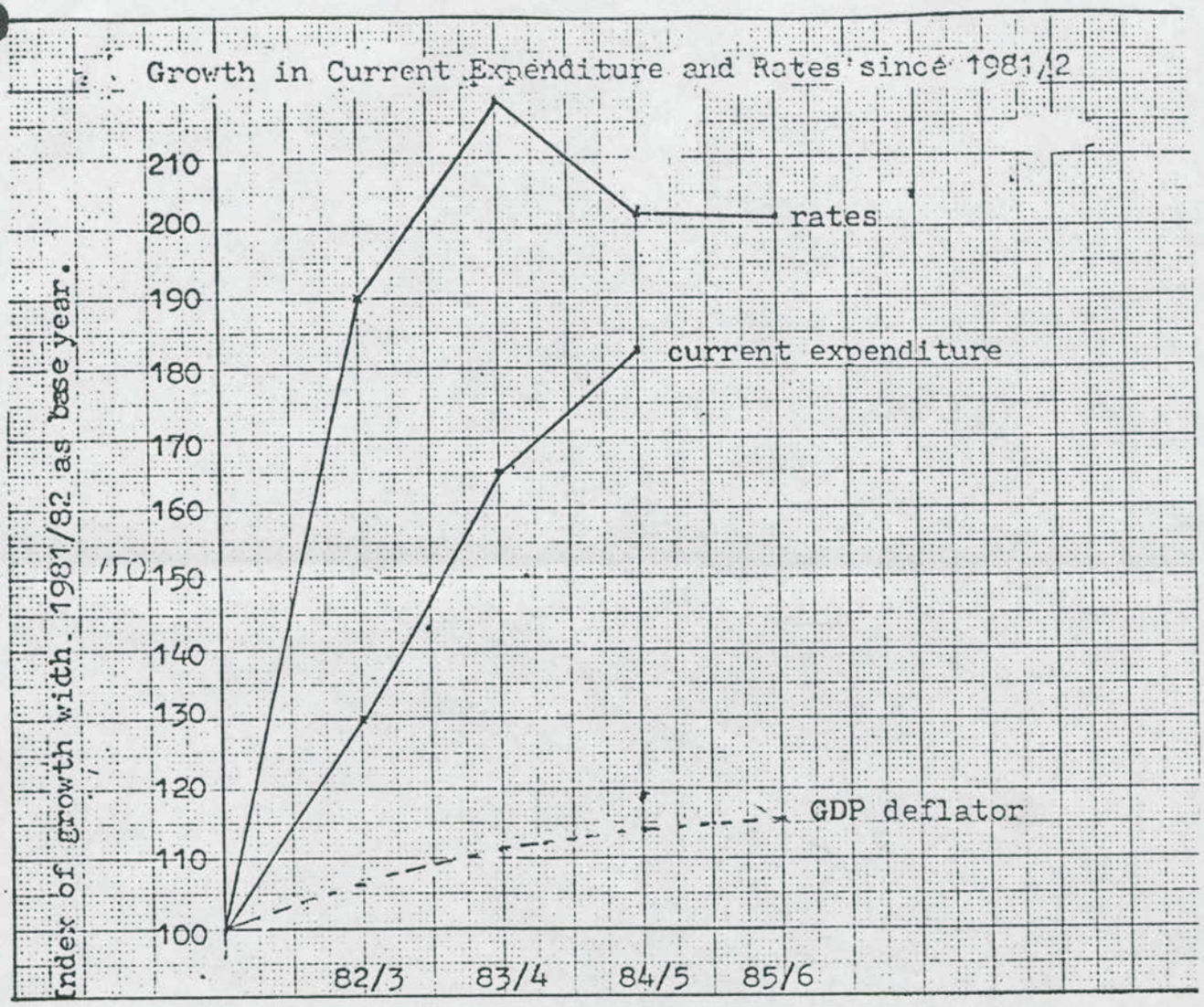
ILEA's current spending has risen by 30.8% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a 1½ % cash terms decrease on their 1984/85 budget.

GRANT

Among government grants received are £0.8m urban programme resources (supported by 75% government grant).

GLC

82



RATES

Rates in GLC have risen overall by 101.9% since 1981/82 - from 18.1p to 36.55p

The rate limit proposed for GLC is 36.52p - decrease of 0.8% on their 1984/85 figure.

SPENDING

GLC's current spending has risen by 82.7% since 1981/82. Their rate limit for 1985/86 is based on a spending level which is a 1½ % cash terms decrease on their 1984/85 budget.

GRANT

GLC have received 255m Rate Support Grant from the Government over the past four years. In 1984/85 they received no in RSG. Other Government grants and allocations included £28.57m in housing subsidy and £1.31m urban programme resources (supported by 75% government grant).

Rate Limits 1985/86

	Expenditure Level Col 1	Local rate 1984/85 Col 2	Rate Limit 1985/86 Col 3	rate increase implied by Rate Limit Col 4
Basildon	£ 13.662m	42.80p	50.33p	17.59%
Brent	£ 140.021m	193.42p	196.42p	1.55%
Camden	£ 117.429m	91.94p	92.02p	.09%
GLC	£ 785.233m	36.55p	36.52p	-.08%
Greenwich	£ 66.584m	118.91p	96.42p	-18.91%
Hackney	£ 82.315m	119.30p	114.09p	-4.37%
Haringey	£ 128.658m	229.16p	222.17p	-3.05%
ILEA	£ 900.366m	80.00p	74.19p	-7.26%
Islington	£ 85.564m	122.74p	111.21p	-9.39%
Lambeth	£ 113.559m	122.34p	107.57p	-12.07%
Leicester	£ 24.392m	37.50p	16.27p	-56.61%
Lewisham	£ 79.301m	115.74p	87.49p	-24.41%
Merseyside	£ 205.180m	65.00p	82.86p	27.48%
Portsmouth	£ 16.751m	27.20p	26.88p	-1.18%
Sheffield	£ 216.573m	208.24p	207.07p	-.56%
Southwark	£ 108.437m	149.74p	112.69p	-24.74%
South Yorkshire	£ 178.291m	83.30p	81.32p	-2.38%
Thamesdown	£ 14.199m	54.19p	57.22p	5.59%

SELECTIVE RATE LIMITATION IN 1985/86: ANNOUNCEMENT OF PROPOSED RATE AND PRECEPT LIMITS ON 11 DECEMBER 1984

1. The Secretary of State for the Environment has today announced the rate or precept limits he is proposing for authorities selected for rate limitation in 1985/86. A list of the proposed limits is attached below.

2. In calculating the proposed rate or precept limits the Secretary of State has, in the absence of any applications for redetermination of any expenditure level, taken account of the expenditure level determined by him for each authority in July 1984. He has also referred to the block grant entitlements for 1985/86 as determined in the Rate Support Grant Main Report 1985/86 (including receipts from the London Rate Equalisation Scheme where appropriate). This estimated entitlement takes account of the likely level of grant penalty for each authority, including an estimate of expenditure likely to be disregarded for penalty purposes, but does not make allowance for "close-ending".

3. The Secretary of State has also had regard to the level of financial reserves available to each authority, making assumptions as necessary. In four cases (Leicester, Portsmouth, GLC and ILEA) where levels of reserves appear to him to be higher than necessary, he has proposed limits which assume the reduction of those reserves to a lower level. In six cases (Brent, Hackney, Haringey, Merseyside, Sheffield and South Yorkshire) where authorities have budgetted in 1984/85 to use special funds substantially to reduce their budgetted total expenditure, he has made some allowance for the possibility that they may have inadequate reserves in 1985/86. In the case of Haringey, he has disregarded the existence of substantial reserves which he understands from independent sources to be held in trust for the rebuilding of Alexandra Palace.

4. Authorities have been asked to indicate to the Secretary of State by 15 January whether they agree to the rate or precept limit proposed, or wish to propose a different maximum. They may wish to draw to the Secretary of State's attention any further information which they consider relevant. In cases where the authority agrees to the maximum proposed, or where it agrees with the Secretary of State on a different maximum, he will confirm the figure in a statutory notice to the authority. In all other cases, it will be necessary for the Secretary of State to seek Parliamentary confirmation of the proposed limit through an Order subject to the Affirmative Resolution procedure in the House of Commons.

Department of the Environment 11 December 1984

Prime Minister ①

Agree Policy lines points be put to D.E.?

AT 11/12

Yes - but I also need to know more about these people. I agree with the Policy Unit that Sheila Browne is not the right person.

MR TURNBULL

11 December 1984

ENQUIRY INTO LOCAL GOVERNMENT ABUSE

Patrick Jenkin asks for comments about the people whom he has provisionally selected to serve on the enquiry. We have not been able to obtain any trustworthy unpublished information about David Widdicombe QC, Sir James Swaffield or Professor Robert Jack. The potted biographies in Who's Who (attached) suggest that all three are respectable. But has the DoE checked that this trio would be acceptable to the Right Wing of the Labour Party and the Alliance? Such acceptability is essential for the success of the project.

Check with Home Sec

We do not support the suggestion that Miss Sheila Browne should be a member: our contacts with her when she was Senior Chief Inspector of Schools lead us to believe that she is woolly-minded.

Harry Pordum

We agree with Patrick Jenkin that the Committee should be small, but we are worried about three features of his minute:

1. There is no discussion of the agenda. When the Committee is launched, it should surely be given not merely terms of reference but also a clear list of problems that need to be investigated. These might include: Qualgos, professional councillors, electoral bribery, the use of public funds for advertising and the role of co-opted members and outside advisers.

+ untaxed standing orders

2. There is no timetable. Committees of enquiry are traditionally lethargic. In this case, there is no room for such lethargy; the situation is desperate and a remedy is urgently needed. We believe that

the Committee should be given at most one year in which to make its report.

3. There is no reference to publicity. One of the main advantages of setting up such an enquiry will be lost if the hearings are private or semi-private. The DoE needs to devise some means of ensuring that the evidence presented to the Committee receives maximum publicity.

We suggest that the Prime Minister should write to Patrick Jenkin, raising these points and opposing the inclusion of Miss Browne's name.

Oliver Letwin.

OLIVER LETWIN

SWAFFIELD, Sir James (Chesebrough), Kt 1976; CBE 1971; RD 1967; DL; Director-General and Clerk to the Greater London Council, Clerk to Inner London Education Authority and Clerk of Lieutenancy for Greater London, 1973-84; solicitor; *b* 16 Feb. 1924; *s* of Frederick and Kate Elizabeth Swaffield, Cheltenham; *m* 1950, Elizabeth Margaret Ellen, 2nd *d* of A. V. and K. E. Maunder, Belfast; two *s* two *d*. *Educ*: Cheltenham Grammar Sch.; Haberdashers' Aske's Hampstead Sch.; London Univ. (LLB); MA Oxon 1974. RNVR, 1942-46. Articled Town Clerk, Lincoln, 1946-49. Asst Solicitor, Norwich Corp., 1949-52; Cheltenham Corp., 1952-53, Southend-on-Sea Corp., 1953-56, Dep. Town Clerk, subseq. Town Clerk and Clerk of Peace, Blackpool, 1956-62; Sec., Assoc. of Municipal Corpns, 1962-72. Past Pres., Soc. of Local Authority Chief Executives; Vice-Pres., RIPA; Member: Council, Law Soc.; Council, Policy Studies Inst.; Internat. City Management Assoc. Hon. Fellow, Inst. Local Govt Studies, Birmingham Univ. Chm., St Paul's Cathedral Ct of Advisers; Member: Ct of Governors, Admin. Staff Coll.; Bd of Governors, Nat. Inst. for Social Work. DL Greater London, 1978. OStJ. *Address*: 10 Kelsey Way, Beckenham, Kent. *Clubs*: Reform, Naval.

JACK, Prof. Robert Barr; Partner, McGrigor, Donald & Co., Soliciton, Glasgow, since 1957; Professor of Mercantile Law, Glasgow University, since 1978; *b* 18 March 1928; *s* of Robert Hendry Jack and Christina Alexandra Jack; *m* 1958, Anna Thorburn Thomson; two *s*. *Educ*: Kilsyth Acad.; High Sch., Glasgow; Glasgow Univ. MA 1948, LLB 1951. Admitted a solicitor in Scotland, 1951. Member: Company Law Cttee of Law Society of Scotland, 1971- (Convener, 1978-); Scottish Law Commn, 1974-77. Scottish observer on Dept of Trade's Insolvency Law Review Cttee, 1977-82; Member: DoT Adv. Panel on Company Law, 1980-; Council for the Securities Industry, 1983-. Director: Brownlee plc, Timber Merchants, Glasgow, 1974-; Scottish Metropolitan Property plc, 1980-; Clyde Football Club Ltd, 1980-; Joseph Dunn (Bottlers) Ltd, Soft Drink Manufacturers, Glasgow, 1983-. Chm., Scottish Nat. Council of YMCAs, 1966-73; Mem. Council of Management, 1971-, and Mem. Exec. Cttee, 1972-, Quarrier's Homes. Governor, Hutchesons' Educational Trust, Glasgow, 1978- (Chm. 1980-). *Publications*: lectures on various aspects of company law, and articles on the legal implications of current cost accounting and recent company legislation. *Recreations*: golf, hopeful support of one of Glasgow's less fashionable football teams; a dedicated lover of Isle of Arran which serves as a retreat and restorative. *Address*: (home) 39 Mansewood Road, Glasgow G43 1TN. *T*: 041-632 1659; (office) 224 Ingram Street, Glasgow G1 1JP. *T*: 041-248 5981. *Clubs*: Caledonian; Western (Glasgow); Pollok Golf; Western Gailes Golf; Shiskine Golf and Tennis (Isle of Arran) (Captain 1973-75).

WIDDICOMBE, David Graham, QC 1965; *b* 7 Jan. 1924; *s* of Aubrey Guy Widdicombe and Margaret (*née* Puddy); *m* 1961, Anastasia Cecilia (*nee* Leech); two *s* one *d*. *Educ*: St Albans Sch.; Queen's Coll., Cambridge (BA 1st cl. Hons; LLB 1st cl. Hons; MA). Called to the Bar, Inner Temple, 1950, Bencher, 1973. Mem., Cttee on Local Govt Rules of Conduct, 1973-74; Chm., Oxfordshire Structure Plan Examination in Public, 1977. *Publication*: (ed) Ryde on Rating, 1968-. *Address*: 2 Mitre Court Buildings, Temple, EC4. *T*: 01-353 4844; Flat 6, 2 Albert Terrace, NW1. *T*: 01-586 3583. *Clubs*: Athenæum, Garrick.

017/109

NBPM
AT 12/12 CCNO

Treasury Chambers, Parliament Street, SW1P 3AG

Paul Skellon Esq
Private Secretary to the
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

11 December 1984

Dear Paul

WELSH RSG ANNOUNCEMENT: 12 DECEMBER

We spoke about the Chief Secretary's comments with AT on the draft statement circulated with your letter of 10 December to Andrew Turnbull.

I explained the Chief Secretary's concern that the forward indications of targets for 1986-87 and 1987-88 which your Secretary of State proposes to give for the first time should not unacceptably constrain future decisions by Ministers on total expenditure levels. The Chief Secretary acknowledges that the existing figures in PES are realistic and for this reason he is prepared to agree that forward indications should be given in order to encourage sensible planning by local authorities. He asked however for an explicit reference to be inserted in the statement making it clear that the forward indicators could not be regarded as sacrosanct. You agreed to add a further sentence to the end of paragraph 3 on page 3 of the draft statement as follows:

> "I must emphasise however that these are indeed <u>indications</u> and circumstances in which the government has to review them cannot be ruled out."

I am copying this letter to Andrew Turnbull (No. 10), John Ballard (Department of the Environment) and Mr John Graham (Scottish Office).

Yours sincerely

Richard Broadbent

R J BROADBENT
Private Secretary

014/109

NBPM AT 10/12

Treasury Chambers, Parliament Street, SW1P 3AG

John Ballard Esq
Private Secretary to the
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

11 December 1984

Dear John

SELECTIVE RATE LIMITATION IN 1985-86
SETTING OF RATE AND RATE PRECEPT LIMITS

We have discussed separately the substance of your Secretary of State's letter of 4 December. This letter concerns presentation.

In endorsing the overall package of proposals put forward by your Secretary of State, the Chief Secretary gave particular weight to the fact that they implied a small net reduction in effective spending levels (ELs) compared with the total of ELs agreed in July. We discussed how this point should be presented publicly and agreed it would be appropriate for Ministers to say that the rate precepts had been set at a level that implied a small net reduction in expenditure levels. This was the government's aim although actual expenditure levels would depend at the end of the day on decisions by individual councils on what, for example, represented a prudent level of reserves. It would be important for no individual Minister to refer to the rate precepts allowing spending up to certain specified levels on particular services.

I am sending a copy of this letter to Andrew Turnbull (No. 10), Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodkinson (Department of Education and Science), John Graham (Scottish Office), Colin Jones (Welsh Office), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), Dinah Nichols (Department of Transport), Iain Jack (Lord Advocate's Department,) Paul Thomas (Lord Gowrie's Office), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office, David Beamish (Government Whip's Office, Lords) and to Richard Hatfield (Cabinet Office).

Yours sincerely
Richard Broadbent
R J BROADBENT

004/109

CONFIDENTIAL

CC NO

NBPM

AJ 12/12

Treasury Chambers, Parliament Street, SW1P 3AG

John Ballard Esq
Private Secretary to
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

4 December 1984

Dear John

SELECTIVE RATE LIMITATION IN 1985-86:
SETTING OF RATE AND PRECEPT LIMITS

Your Secretary of State sent the Chief Secretary a copy of his letter of 4 December to the Lord President.

In general the Chief Secretary welcomed your Secretary of State's proposals, which seemed to him to strike about the right balance in the first year of rate-capping. He was glad to see that they implied a small net reduction in effective spending levels compared with the total of ELs agreed in July. He was however concerned about two points which we discussed on the telephone.

First, the Chief Secretary wondered whether it might not be possible to reduce the increase of 30 per cent in Merseyside's precept. However, he took the point that the authority might not be able to live within an RL set with no adjustment for the possibility of inadequate reserves in 1985-86.

Second, the Chief Secretary wondered whether your Secretary of State's calculations took account of the alleged underspending by the GLC and ILEA this year. You told me that your Secretary of State proposed to adjust downwards slightly the RL for ILEA in the light of latest information. On the GLC the current best information did not suggest the GLC was likely to underspend by a large margin. On this basis the Chief Secretary accepted your Secretary of State's proposals.

I am sending copies of this letter to the Private Secretaries of other members of E(LA), and to Andrew Turnbull (No. 10), Andrew Galloway, Paymaster General's Office, Murdo MacLean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely

Richard Broadbent

R J BROADBENT
Private Secretary

Local Govt Pt 24
Relating

LOCAL GOVT MEMS
Pt 24

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 8545 (Llinell Union)

ODDI WRTH YSGRIFENNYDD
PREIFAT YSGRIFENNYDD
GWLADOL CYMRU

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

10 December 1984

Dear Andrew,

... I enclose a copy of the statement my Secretary of State expects to make on RSG on Wednesday, 12 December. If you have any comments I would be grateful if they could be with me by 5.00 pm on Tuesday, 11 December.

/ I am sending a copy of this letter to David Hayhoe (Leader of the House of Commons) and (Lord Privy Seal), the Prime Minister's Chief Press Secretary, Murdo MacLean (Government Whip's Office), Richard Hatfield (Cabinet Office), David Beamish (Government Whip's Office, Lords), Mr Durant (Welsh Whip) and Janet Lewis Jones (Lord President's Office), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office), Viscount Long (Welsh Spokesman, Lords), Alex Galloway (Paymaster General's Office), Iain Jack (Lord Advocate's Department), and John Ballard (Department of the Environment).

Yours ever

Paul Skellon

PAUL SKELLON

Andrew Turnbull Esq
10 Downing Street
London
SW1

FM2/15/D7

DRAFT PARLIAMENTARY STATEMENT - 12 DECEMBER 1984

WALES RATE SUPPORT GRANT SETTLEMENT: 1985/86

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

I am today announcing to the Welsh Consultative Council on Local Government Finance the details of the 1985/86 Rate Support Grant Settlement. Copies of the text of my statement to the Consultative Council will be placed in the Library of the House. The Rate Support Grant Report has been laid before the House today and will be debated in the usual way. A copy of the Report, together with a number of key statistical tables have been placed in the Library of the House. I will be announcing my decisions on the related capital expenditure issues in the near future.

The main features of the 1985-86 Rate Support Grant Settlement confirm the intentions I announced in July. The total of relevant expenditure provision accepted for grants is £1,514.1m. This comprises £1.309m for current expenditure and £205.1m for non-current items. Current expenditure provision - after allowing for the abolition of National Insurance Surcharge from next April and the greater role of the Manpower Services Commission in funding certain areas of further education - is £46m or 3.6 per cent more than the provision underlying local authority current spending in the present year while the total of relevant expenditure is about 5 per cent more than the comparable budgeted total for the present year.

Aggregate exchequer grant will be £1,014.2m, comprising £149m for specific grants, £26.5m for transport supplementary grant, £2m for national parks supplementary grant and £836.7m for the rate support grants. Domestic rate relief is unchanged at 18$^{1}/_{2}$ pence in the £ which costs £25.5m, leaving £811.2m as block grant. After deducting £0.6m for payments to specified bodies the amount available for distribution to local authorities is £810.6m.

The aggregate exchequer grant of £1,014.2m is £18.2m or 1.8 per cent more than the aggregate exchequer grant provision in the main rate support grant Settlement for the current year; but far more important for rating purposes, it is almost £50m or 5 per cent higher than the amount authorities have included in their budgets for the present year, after allowing for the expenditure changes I have already referred to.

I believe the Settlement is very fair, and the Welsh Consultative Council has acknowledged that it represents an improvement on last year. That this is so owes much to the restraint which has been exercised by a majority of Welsh local authorities.

There are, unfortunately, a small minority who persist in spending in excess of their targets. I have decided therefore for 1985-86 to retain targets and grant penalties for exceeding those targets. I have retained the same basic system for determining next year's expenditure targets as that used in the present year, but increased the weighting given to the grant related expenditure component.

The targets may require local authorities to make difficult choices in determining their spending priorities; but the targets, are, I believe, achievable by all authorities. Every authority's target gives a cash increase in its current expenditure: the minimum increase is 2 per cent and the maximum 4 per cent, after making allowance for the National Insurance Surcharge and further education changes. In addition, for authorities spending at or below target in 1984-85, I have added one-half of one per cent to their current expenditure total. Thus the maximum increase for such authorities is 4.5 per cent, in line with the projected rate of inflation for the economy as a whole. In aggregate, the targets I am announcing today are £7.6 million higher than the provisional sum notified to authorities in the summer. The increase largely reflects the use of fixed interest rates, and a slightly lower assumption for council house rents.

restraint, I regard the Settlement as very fair. It is now up to the local authorities in Wales to respond sensibly and with restraint. I believe they will. Given this and a continued vigilance against spending excesses and manpower increases, it should be within their power to maintain satisfactory levels of service in key areas while keeping rate increases on average to levels comparable with inflation.

I commend my proposals for the 1985-86 Welsh Rate Support Grant Settlement to the House.

file

DA

a Miss Dreyer 10/12

10 DOWNING STREET

From the Principal Private Secretary

10 December 1984

Many thanks for your letter of 7 December. I am afraid that neither 1 nor 2 January would be good dates for a meeting from the Prime Minister's point of view. But, contrary to what you will no doubt suspect, I am not simply trying to put you off; and I will certainly arrange as early a date as you can conveniently manage after you return from your holiday.

As regards your second paragraph, in these days of timed devices, the security at 10 Downing Street has to be as rigorous when the Prime Minister is away as when she is here. I had considered taking the steps which you mention, but do not think that they would greatly increase the security of the objects concerned. And to move them would attract attention to them.

E. E. R. BUTLER

The Lord Rothschild GBE GM FRS

CONFIDENTIAL

EL3 AAR

10 DOWNING STREET

From the Private Secretary

10 December 1984

RSG STATEMENT

The Prime Minister has seen and is content with the RSG statement, a draft of which was attached to your letter to me of 6 December.

I am copying this letter to the Private Secretaries to members of E(LA) and to Iain Jack (Lord Advocate's Department), Paul Thomas (Lord Gowrie's Office), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Government Whip's Office, Lords) and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL

CONFIDENTIAL - UNTIL 4.00pm 11 December

CC NO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBPM
AT
10/12

My ref:

Your ref:

10 December 1984

Dear Lord President

SELECTIVE RATE LIMITATION IN 1985/86: SETTING OF RATE AND PRECEPT LIMITS

Following my letter of 4 December seeking comments on the rate and precept limits to be proposed for 1985/86 for authorities selected for rate limitation, I now enclose a table showing the limits upon which I have finally decided. I shall announce these in the House tomorrow as part of my RSG Settlement Statement.

There is no change in the general basis underlying these limits, as described in my letter of 4 December. Where the figures are different from those previously circulated, it is either because of minor technical refinements in the calculations or because updated information has been used.

I am copying this letter to members of E(LA), the Paymaster General, the Chief Whip and Sir Robert Armstrong.

Yours sincerely

for PATRICK JENKIN

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

CONFIDENTIAL

The Rt Hon the Lord Whitelaw CH MC

CONFIDENTIAL

Rate Limits 1985/86

	Expenditure level Col 1	Local rate 1984/85 Col 2	Rate Limit 1985/86 Col 3	rate increase implied by Rate Limit Col 4
Basildon	£ 13.665m	42.89p	50.33p	17.39%
Brent	£ 140.021m	193.42p	196.42p	1.55%
Camden	£ 117.429m	91.94p	92.02p	.09%
GLC	£ 795.232m	36.55p	36.52p	-.08%
Greenwich	£ 66.584m	118.91p	96.42p	-18.91%
Hackney	£ 83.315m	119.30p	114.09p	-4.37%
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ILEA	£ 900.366m	80.00p	74.19p	-7.26%
Islington	£ 85.564m	122.74p	111.21p	-9.39%
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Merseyside	£ 205.180m	65.00p	82.86p	27.48%
Portsmouth	£ 16.751m	27.20p	26.88p	-1.18%
Sheffield	£ 216.573m	208.24p	207.07p	-.56%
Southwark	£ 108.457m	149.74p	112.69p	-24.74%
South Yorkshire	£ 178.291m	83.30p	81.32p	-2.38%
Thamesdown	£ 14.199m	54.19p	57.22p	5.59%

Local Govt Pt 24

Relocating

10 DOWNING STREET

From the Private Secretary

Prime Minister (1)

RSG Statement

There are two adjustments from the preliminary announcement in July

(i) A little more has been found for the low spenders - pages 2 & 3

(ii) In turning expenditure limits, for which the rate capped councils, which are unchanged since July, into rates/precepts, Mr Jenkin has taken account of councils' reserves. This has marked effects in Merseyside which gets some relief (and reduces risk that police authority collapses at same time as Liverpool City); and for ILEA which is being driven to uses its reserves. Oliver's note spells out a bit more.

Content?

Yes mt

AT 7/12

PRIME MINISTER

RATE CAPPING

On Tuesday, 11 December, Patrick Jenkin will announce provisional rate and precept limits for 1985/86. Three points should be noted:

(i) Merseyside Council fiddled their books this year by using up their balances. The result is that their actual expenditure will have been much higher than their apparent expenditure. They will not be able to achieve the reductions implied by the expenditure limited that Patrick set a few months ago. The Conservative Group on the Council have assured the DOE that they, like the Labour Group, will resign if they are asked to meet this impossible limit. To avoid this, Patrick is proposing to set a precept that implies expenditure £15 million higher than the official expenditure limit. This may well be represented as a concession. On the other hand, if no such concession is made now, it will almost certainly have to be made later, when it may appear much worse.

(ii) Because of the vagaries of the RSG system, the expenditure limit set for the GLC implied a rise in the precept. Patrick now proposes to avoid this by asking the GLC to reach further into its large reserves: he will set a precept limit slightly lower than this year's precept. However, the law makes it impossible for him to do this without also setting a low precept limit for the ILEA, which probably also has large reserves. Francis Morrell will no doubt represent this as a further attack on her budget. Patrick and Keith will have to pull out all the stops to convince the public that the ILEA is being asked merely to dig further into its reserves rather than to cut spending beyond the expenditure limit. If this propaganda effort fails, the ILEA Conservatives will probably join Mrs. Morrell in her protest.

/(iii)

(iii) The aggregate effects can be presented in different ways. The Treasury and DOE say that there will be a reduction in the total amount that rate-cap Councils are allowed to spend. Keith, on the other hand, will want to stress that ILEA expenditure does not have to be cut further if balances are used. There is consequently a great danger that Ministers will end by saying inconsistent things.

Since the Government is obliged to set the provisional precept limit on Tuesday, and the package has been approved by E(LA), the only practicable option is to make sure that all the Departments concerned are fully alive to the severe presentational problems created by the package, and that they all take the same line. We suggest that you should ask Andrew to check on this with the relevant Private Offices.

O. Letwin

O. Letwin
7 December, 1984

CONFIDENTIAL

PRIME MINISTER

MISC 109

The message of the four papers from the DOE is:

(a) the different councils are likely to use different tactics in the rate capping revolt; the Government does not yet know exactly who will do what;

(b) the DOE have not been able to find any easy solutions that will enable Ministers to avoid putting in Commissioners;

(c) therefore, DOE recommend that the Government should stick to its present course, using the legal remedies that are already available, and carrying on until "quarter-past twelve";

(d) if the councils hold out beyond "quarter-past twelve", the DOE believe that Commissioners will have to be sent in; this may happen especially fast in the case of Liverpool.

We believe that this line is basically right. But it is important to establish what is meant by "quarter-past twelve". Some members of MISC 109 may think that political uproar is enough to justify sending in Commissioners; others, like the Chancellor, may consider that default is the end of the road. You may therefore want to make it completely clear that the Government will have to pursue this uncomfortable policy right to the end - i.e. until services break down and the local inhabitants are clamouring for action.

There is also one notable lack in the DOE papers: they nowhere mention the need to study the probable pattern of service breakdown, and they do not investigate means of replacing emergency services from the centre without sending in Commissioners. You may want to ask Patrick Jenking to co-ordinate with the CCU on these points.

O. Letwin

O. Letwin

7 December, 1984

LORD ROTHSCHILD

Telephone: 01-280 5000

Telex: 888031

N.M. Rothschild & Sons Ltd.
New Court
St. Swithin's Lane
London EC4P 4DU

7th December, 1984

a. Miss Drew 10/12

Confidential

Dear Robin,

When we spoke on the telephone you referred to early January as a possible time for me to see the Prime Minister and I said that was no good because I was going on my summer holiday. On looking at my diary, however, I note that I go on Wednesday January 2 and that I have nothing on Tuesday January 1. Might sometime on January 1 be a starter? As I said, it makes no difference to me where. Alternatively, I leave the country for my holiday at 3.15 p.m. on Wednesday January 2. Might any time before that suit?

May I turn to another matter? She is, I think, going away on or about December 19 and will, presumably, not be in London (if you succeed in your plans) until after Christmas. Bearing in mind, as you told me, that the security arrangements at No. 10 are primarily and rightly concerned with her, would it not be a good idea for the objects to be packed up in tissue paper and put in some container "in the safe" until she returns? If you think this a good idea, I can easily send my private secretary round with the container and some tissue paper.

Please let me know.

Yours
Victor

Minister for Local Government

Department of the Environment
2 Marsham Street London SW1P 3EB

Telephone 01-212 3434

- 7 DEC 1984

Dear Willmore,

In July Patrick Jenkin published a consultation paper on "The Transfer of the Greater London Council's Interest in Land under the Green Belt (London and Home Counties) Act 1938". It concerns the future of some 12,200 acres of land inside and outside Greater London which is currently owned by the GLC together with other interests amounting to less than outright ownership in a further 27,500 acres. The paper set out a range of options and in view of the local interest at the time in the areas affected I felt sure you would wish to have details of the outcome.

Enclosed is a copy of the press notice Patrick issued together with a copy of our, more detailed, paper "Decisions in Response to Consultation". As you will see, we are proposing to transfer the land to the London boroughs and to the Home Counties; much of the 1938 land is in fact already owned and successfully managed by these authorities and the transfer will enable them to consolidate holdings.

Patrick has also taken this opportunity to reconfirm our absolute commitment to protecting this land and to regarding it as inalienable. A full statement, which I am sure will be welcomed, is included in paragraph 6 of the enclosed paper.

Yours ever,
Kenneth

KENNETH BAKER

DOE Department of the Environment

2 Marsham Street
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Press Notice

494 7 November 1984

1938 ACT LAND: PATRICK JENKIN PUBLISHES HIS DECISIONS

Patrick Jenkin, Secretary of State for the Environment, today announced his decision to prepare an Order, to take effect, subject to the enactment of the main substantive legislation, on the day of abolition of the Greater London Council, transferring their interests in land under the Green Belt (London and Home Counties) Act 1938. The Statement of Decisions published today in response to earlier consultations proposes that:

(1) Land owned by the GLC within London will pass to London Boroughs.

(2) Land owned by the GLC outside London will pass to Counties.

(3) GLC interests in land owned by other authorities will pass to the owning authority.

(4) Exceptional arrangements will be possible in a number of cases, for example, where land straddles a local authority boundary, is adjacent to land owned by a District Council, or some other arrangement would unify the management of an estate.

Mr Jenkin said today:-

"This land is significant both historically and as an important amenity resource for London and the Home Counties. Many of the sites are in key locations to provide visual coherence to surrounding areas of Green Belt. Others supply useful recreational facilities. My aim has been to secure its future protection while providing a transfer which would, by removing an unnecessary tier of day-to-day local government consultation, make the most efficient use of resources and provide the greatest scope for effective management of interests under the Act.

"I have already set out, in Departmental Circular 14/84, my policy for the continued protection of Green Belt under planning legislation. The arrangements for reorganisation of local government in the metropolitan areas will not in any way affect this and I am satisfied that the arrangements set out in the paper I am publishing today provide a sound basis for the future management of 1938 Act land.

"Much of the 1938 Act land is already owned and successfully managed by London Boroughs and County and District Councils in the Home Counties. This transfer provides an opportunity for these authorities to consolidate neighbouring properties and for a considerable simplification of administration of the Act.

"I am also taking this opportunity to remind authorities of my own considerable powers and responsibilities for the oversight of all 1938 Act interests, including those being transferred when the GLC is abolished, and of my continuing determination to regard this land as inalienable."

NOTES TO EDITORS

1. The consultation paper on 'The Transfer of the Greater London Council's Interest in Land under the Green Belt (London & Home Counties) Act 1938' was published this summer. Interests in nearly 40,000 acres of open land in and around London are to be transferred.

2. A copy of the paper outlining the decisions is attached.

Press Enquiries: 01-212 3494/5
(out of hours: 01-212 7132)

Public Enquiries: 01-212 3434
(ask for Public Enquiries Unit)

DECISIONS IN RESPONSE TO CONSULTATION

THE TRANSFER OF THE GREATER LONDON COUNCIL'S INTEREST IN LAND UNDER THE GREEN BELT (LONDON & HOME COUNTIES) ACT 1938

1. The Consultation Paper on "The Transfer of the Greater London Council's Interest in Land under the Green Belt (London & Home Counties) Act 1938" was published this summer. This paper reports on the decisions taken in response to consultation. It also sets out Government policy on 1938 Act land and, in particular, the policy of the Secretary of State in exercising his powers and duties under the Act.

2. The response to consultation indicated considerable concern about the future of this land. There was support for the suggestion that holdings should be consolidated with other local authority holdings in each area. Concern was also expressed about the need to maintain one overall interest in the management and protection of 1938 Act land.

3. The Secretary of State recognises the importance of this land and his aim has been to secure its future protection while making the most efficient use of resources and providing the greatest scope for consolidation and simplification of interests under the Act.(1) Accordingly it has been decided that, within London, as proposed in Option C of the Consultation Paper, 1938 Act land owned by the GLC will pass to the relevant London Borough. Outside London, however, it has been necessary to take account

(1) Any financial implications of this transfer will be taken into account in the general financial arrangements for abolition

of the pattern of existing land holdings. The Home Counties already have a substantial tranche of land holdings and are better placed to accommodate the management of this land. It has therefore been decided that 1938 Act land owned by the GLC outside Greater London will pass to the relevant County Councils. This will enable the County Councils to consolidate their holdings and to co ordinate more effectively the management of land under the Act. It is, however, recognised that there are some sites where, in the interest of efficiency and good land management, a different arrangement would exceptionally be more appropriate, this could be the case, for example, where 1938 Act land owned by the GLC straddles the Greater London boundary or where it is adjacent to land owned by a District Council. The Secretary of State will therefore be willing to consider on their merits any representations he receives from the affected local authorities for special treatment for particular sites, where these straddle boundaries or, for example, abut 1938 Act land under the ownership of another local authority willing to undertake a sensible consolidation.(2)

4. With respect to the transfer of the GLC 1938 Act interests which amount to less than outright ownership - the so called "contributing interests" - the policy is to simplify the subsequent management and administration of such interests. Option C of the Consultation Paper proposed that where the GLC has a contributing interest with a single London Borough the GLC

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(2) Smallholdings will pass to the designated Shire Counties as proposed in the White Paper.

interest would pass to that London Borough and where the only other contributing authority is a County the GLC interest would pass to that County. It has now been decided that where the GLC has a contributing interest in relation to land vested in another local authority the contributing interest should be transferred to that authority. Where the land is not owned by an authority under the Act the contributing interest should pass to the London Borough or County Council as appropriate. Again it is appreciated that, in view of the diversity of existing arrangements under the 1938 Act, a different arrangement for the future may exceptionally prove more effective. The Secretary of State is therefore willing to consider on their merits any representations for special treatment for particular sites, for example, where the effect would be to unify the management of an estate.

5. In coming to these decisions the Secretary of State has had regard to the fact that much of the 1938 Act land is already owned and successfully managed by London Boroughs, County Councils and District Councils. He has also had regard to his own overall powers to protect land under the Act which will not be affected by the proposals described above. These are briefly:-

(a) the requirement for local authorities to obtain consent to the disposal or appropriation to other purposes of Green Belt land vested in them;

(b) the requirement for public utilities to obtain consent before initiating any compulsory purchase of 1938 Act land;

(c) the requirement that any person proposing to erect a building on 1938 Act land must obtain consent;

(d) the confirmation of byelaws regulating the use of 1938 Act land;

(e) the power to enforce any of the restrictions imposed by the Act on the land.

6. Government policy on the designation and protection from inappropriate development of Green Belts has, since the 1950's, been applied through the Town and Country Planning legislation. This ensures a consistency of approach across all Green Belt land, including 1938 Act land and that in its vicinity. At the same time the Secretary of State maintains a special interest in all 1938 Act holdings and it should be noted that, in the exercise of his powers of guardianship, there has been great stability and little or no change in the period of nearly 50 years of their application. The Consultation Paper on the transfer of GLC interests made it clear that no change of policy was proposed. This should dispel any doubts there may be or any uncertainty as to the future. The Secretary of State recognises the significance of this land both historically and as an important amenity resource for London and the Home Counties. Many of the sites are in key locations to provide visual coherence to surrounding areas of Green Belt. Others supply a significant recreational facility. The Secretary of State continues to urge authorities with 1938 Act interests to manage this land having regard to best practice and taking all the necessary steps to enhance the countryside. By taking the lead in these areas authorities can help to ensure the future agricultural, recreational and amenity value of the Metropolitan Green Belt. The Secretary of State also wishes to take this

opportunity to remind authorities that he regards this land as inalienable: Agreements were acquired giving a public authority interest in each holding. The intention was that this should be in perpetuity and, while the Secretary of State must continue to consider any proposals on their merits, he would only agree to changes in the most exceptional circumstances.

DOE
PLUP 1 November . 1984

CONFIDENTIAL

CC NO

B/F with response
AT 7/12

PRIME MINISTER

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

In my minute of 2 October I set out initial proposals for establishing an inquiry into certain aspects of the present working of local government. A primary objective of the inquiry would be to examine the development of abuses which, in some Councils, are threatening to undermine the traditional processes of local democracy. You will recall that in the Debate on the Address I told the House that I would be putting forward further proposals for an impartial inquiry into these issues.

Reactions so far to the proposed inquiry, particularly from many serving in local government, have been favourable. It is now essential to maintain the impetus by moving forward quickly with the promised consultations on the nature and composition of the inquiry, with a view to having work well under way early in the New Year.

Of the available candidates for the chairmanship of a small but high-powered committee of inquiry, I believe that Mr David Widdicombe, QC, would make an excellent choice. He has had considerable experience of dealing with local government as a practising QC, and he served as a member of the 1973/4 Committee of Inquiry into Local Government Rules of Conduct. I have discussed with him - quite informally and without commitment - the possibility of his heading the inquiry and he has responded favourably. I believe he would command the respect of people across the political spectrum for his thoughtfulness and fair-mindedness. Certainly he has the required gravity and wisdom. Many years ago he stood for Parliament as a Labour Candidate, but has no record of any recent political activity. I should therefore be grateful for your approval of the choice of Mr Widdicombe as Chairman.

CONFIDENTIAL

Once the chairmanship is settled, I will be able to open informal discussions with the Opposition Parties and with the Local Authority Associations on the nature and composition of the Inquiry. I shall indicate to them the proposed terms of reference which colleagues have already broadly endorsed and which are set out for convenience in the Annex to this letter. George Younger and Nick Edwards will be participating in this process. Once these soundings have been taken, I shall be in a position to make final recommendations to you about how we should proceed, and I will simultaneously circulate the proposed terms of an oral statement I would wish to make to the House on this important issue.

I should perhaps indicate now that, after having reviewed the options very carefully, I have concluded that the most effective way of proceeding would be to appoint a Committee of some three high-powered individuals, supported if necessary by a small team of assessors. Soundings we have taken of the English Local Authority Associations indicate that they too favour this approach. A small Committee would have the substantial advantage of reducing or eliminating the scope for internal dissent; and would probably (but not certainly) enable a report to emerge more rapidly, thus leaving open the option of early legislation. There is also the advantage that a three-person Committee would be less inclined to fudge the analysis or evade awkward remedies. No "representative" group, however carefully selected, would be likely to satisfy all parties or interests; and there could indeed be positive embarrassment to individual associations or political groupings in considering whether a particular individual adequately represented their interest. To appoint a Committee of, say, a dozen members would involve a strong risk of minority reports emerging.

Names from which the final choice might be made - subject to the views of colleagues - could include -

Sir James Swaffield. A former Director-General of the GLC, highly respected for his profound knowledge of local government;

Professor Robert Jack. Professor of Mercantile Law at Glasgow University, and a practising solicitor with wide experience of private business; or

Miss Sheila Browne. Former Senior Chief Inspector of Schools, DES, currently Principal of Newham College, Cambridge. Well regarded for her acumen and independence of mind.

I would welcome your views, and those of colleages, on these proposals.

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

P J

7 December 1984

Approved by the Secretary of State and signed in his absence

PROPOSED TERMS OF REFERENCE

"To inquire into practices and procedures in local government in Great Britain with particular reference to -

a. the conduct of council business;

b. the rights and responsibilities of elected members;

c. the respective roles of elected members and officers; and

d. the limits and conditions governing discretionary spending by local authorities

and to make any necessary recommendations for safeguarding the democratic process."

NBPM
RT
7/12

MR. TURNBULL

Lord Rothschild and his Review of
Local Government Finance

I have spoken to Lord Rothschild and to Mr. Waldegrave about the points in Lord Rothschild's letter to 29 November.

As regards a meeting with the Prime Minister, I have told Lord Rothschild that I would recommend against fitting it in next week. I said that we could offer 7 or 8 January, but Lord Rothschild said that he would be away for three weeks from 2 January. We will need, therefore, to fix up the meeting after he returns. I suggest some time in the week beginning 4 February so that we have a little time for preparation. I told Mr. Waldegrave about this and his view was that it was better not to try to have the meeting next week. I said that we would consult him nearer the time on who should be invited to the meeting other than himself, and particularly whether it would be helpful to invite Mr. Baker.

On Lord Rothschild's letter to local authorities, Lord Rothschild denied having been given advice by Mr. Waldegrave. Mr. Waldegrave tells me, on the contrary, that he told Lord Rothschild that, while there might be some ructions in Parliament and elsewhere, his personal advice to Lord Rothschild was to go ahead and send the letter on his own responsibility. Mr. Waldegrave told me that he would get in touch with Lord Rothschild again this weekend to pass on this message. He would also make it clear that the Prime Minister had not been consulted on this point.

F.E.R.B.

7 December, 1984

(2) Agree X be put, diplomatically, to DoE? AT 6/12 file

PRIME MINISTER 6 December 1984

THE POLITICS OF LOCAL GOVERNMENT

There have been a number of important new developments in local politics over the last few weeks.

1. Staff Attitudes

The various unions representing the staff of the London Boroughs have combined to form an organisation known as London Bridge. The group calls for 'total non-cooperation ... all-out strike action, sit-ins and occupations ... if any Councillor, Council, Council Officer or any other agency, attempts to carry out the Government policy of cuts in local government services.' This is significant because, if militant Labour councillors can carry their unions and their staff with them during the rate-capping revolt, they may be able to bring about a break-down of services earlier than we previously suspected, and may be able to sustain such a break-down for longer.

2. QUALGOs Report

Teresa Gorman has recently produced a useful report on the growing activity of 'QUALGOs' (Quasi-Autonomous Local Government Organisations). She cites various examples including:

a. Islington Council which has been licensing 'Short Life User Groups' to take over unoccupied property and to offer tenancies at £7 per week to 'politically aware squatters' who are thereby enabled to jump the housing queues;

b. Westminster City Council, which funds the Paddington Law Centre (an organisation that actively supports the CND) and the Pimlico Neighbourhood Aid Centre (a group

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that pickets DHSS Inspectors and organises demonstrations against council cuts).

We will need to check that these topics are included on the agenda when DoE come forward with plans for the review of local government abuses.

3. PA Report on Abolition of the MCCs

PA Management Consultants are publishing, today, a report on the non-financial aspects of the abolition of the MCCs. It makes a number of serious criticisms about the new Joint Boards in the Metropolitan areas. These need to be countered:

- Criticism: 28 out of 42 services covered by the MCCs are subject to some form of joint arrangement.

  Reply: 26 of the 42 services are either returned directly to the Districts, or are subject only to voluntary co-operation.

- Criticism: 67% of MCC expenditure is on the services covered by the new statutory joint boards.

  Reply: The Government's aim is to ensure real control over this large block of expenditure. The old system of precepts did not do this because the MCCs had power without responsibility: under the new system, the Districts will be able to exert control via their representatives on the Joint Boards.

- Criticism: There were previously 6 MCCs; there are now 24 statutory bodies.

  Reply: Each MCC was a huge organisation: the new statutory bodies will be smaller, leaner, single-service operations.

- Criticism: The Joint Boards and other joint arrangements will not be accountable to the electorate.

  Reply: The members of all joint bodies will be doubly accountable because (1) they will be elected councillors and (2) they will be representatives who can be cashiered by their home councils if they misbehave.

- Criticism: There will be hideous problems of coordination between the various joint bodies: no-one will be taking an overall view.

  Reply: (1) There are already huge coordination problems within the MCCs. (2) The logical conclusion of the argument for greater coordination is total centralisation of all services, which PA do not recommend. (3) Each district will be able to take an overall view of the various services that affect its constitutents.

It is interesting to note that PA 'wished to discuss [their] work with the Department of Environment' but 'the Department declined to meet [them].' (Page 5). Had the DoE been willing to talk, the study might not have been so adverse. This ought to teach us that the Government cannot expect to win the argument if it refuses to speak to those who have an influence on public opinion.

You may wish to mention to Patrick Jenkin and Ken Baker, when you next meet them that:

i. they need to answer the PA report point by point; and

ii. they still need to make more effort to inform the opinion-formers.

Oliver Letwin

OLIVER LETWIN

CONFIDENTIAL

2 MARSHAM STREET
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01-212 3434

My ref:

Your ref:

Prime Minister

Content?

AT 7/12

6 December 1984

Dear Andrew

I enclose a copy of the statement my Secretary of State expects to make on RSG next Tuesday. If you have any comments I would be grateful if they could be with me by 10am on Monday 10 December.

I am sending a copy of this letter to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodkinson (Department of Education and Science), John Graham (Scottish Office), Colin Jones (Welsh Office), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), Richard Broadbent (Chief Secretary's Office), Dinah Nichols (Department of Transport), Iain Jack (Lord Advocate's Department), Paul Thomas (Lord Gowrie's Office), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Government Whip's Office, Lords) and to Richard Hatfield (Cabinet Office).

Yours sincerely

John Ballard

J F BALLARD
Private Secretary

Andrew Turnbull Esq

CONFIDENTIAL

RATE SUPPORT GRANT SETTLEMENT 1985/6

With permission, Mr Speaker, I wish to make a statement on the rate support grant settlement in England for 1985/6.

In my statement to the House on 24 July I set out my proposals for the main elements of the rate support grant settlement for next year and listed the 18 authorities which I was designating for rate limitation. I have today laid before the House the main RSG Report for 1985/6 and I am sending rate-capped authorities notices advising them of the rate or precept limit proposed for them. I am placing copies in the Library of all the material being sent to local authorities today.

I have also laid today two RSG Supplementary Reports. The third Supplementary Report for 1983/4 adjusts authorities' grant entitlements in the light of the latest information on outturn expenditure for the year. The second Supplementary Report for 1984/5 implements grant abatement for Liverpool City Council, whose budget was received too late to be taken into account when I implemented grant abatement for all other authorities in July. Both reports also contain other technical adjustments to grant.

CONFIDENTIAL

I now turn to the main Report for next year. For 1985/6 for the first time the Rates Act enables me to influence directly the spending levels of the worst overspenders by imposing limits on their rates. As we promised throughout the passage of the Rates Bill in Parliament, this means that rate limitation will not only benefit the ratepayers of the selected authorities. It will also benefit low-spending authorities, since I am no longer obliged to ask them to make cuts because of the excesses of the high-spending minority.

I have decided to confirm the targets I proposed in July with two important changes. The first allows most low spending authorities an increase over this year's budgets of 4½% instead of the 4¼% I previously announced. This reflects the slight increase in the forecast inflation rate over the period. For the first time targets for the lowest spenders imply spending increases in line with inflation, or in other words, no further real terms cuts. The second change is a small extra allowance for authorities such as Norfolk budgeting this year to spend not only below GRE, but also at or very close to target. Their targets will now allow a 4.625% increase from budget this year. With these changes, the targets for low spending authorities fulfil to the letter the undertakings which I gave to the House last January.

CONFIDENTIAL

I have decided to confirm the stringent holdback tariff which I announced in July at the rate of 7 pence in the pound for the first percentage point of overspend, 8 pence for the second, and 9 pence for each point thereafter. I believe that it is only fair to match realistic targets with a strong incentive that they should be met. I propose however to continue to exempt from penalty increases in certain Urban Programme and civil defence expenditure, and increases in expenditure on schemes jointly financed with health authorities.

Aggregate Exchequer Grant will be £11.764bn. That is slightly higher than the figure which I proposed in July. The grant percentage is 48.7%. This is higher than the 48.3% of relevant expenditure which is represented by present grant payment, after holdback, this year.

I turn now to grant distribution. Following consultation with local government I have decided on some limited but important changes to GRE assessments, affecting primarily the GREs for passenger transport support, highway maintenance, rate fund contributions to council housing, and recreation. I have also increased the slope of the block grant poundage schedule. This increases the importance of spending in relation to GRE as a factor in grant entitlements, and increases the marginal cost of spending above GRE for all authorities. Again, this helps low-spending authorities, since it gives more of the available grant to authorities spending at or below GRE.

CONFIDENTIAL

In the light of this RSG settlement, I am issuing maximum rate or precept limits for the 18 selected authorities. Since July, when I announced expenditure levels for these authorities, it has been open to each of these authorities to apply for a redetermination of their expenditure level at a higher level, but none has done so.

Rate or precept limits for 1985/6 are therefore based on the July expenditure levels. I am today sending out statutory notices informing each authority of the limit that is proposed for them. A list of these limits has been placed in the Library and is available in the Vote Office. In calculating the rate or precept limits I have taken account of the expenditure levels set and the authorities' block grant entitlements next year. I have also had regard to the level of financial reserves available to each authority, making assumptions as necessary.

Authorities now have until 15 January to comment on the rate or precept limits proposed, and to draw my attention to any relevant information of which I may not be currently aware. Unless I have comments by 15 January, it will in the absence of agreement be necessary to move on to the next stage of asking the House to confirm the rate limits by affirmative Order.

5F

CONFIDENTIAL

The proposed rate and precept limits I am announcing today will be warmly welcomed by ratepayers in the areas concerned. For 13 of the 18 authorities I have set rate or precept limits which are lower than the rates or precepts being charged this year. In the 5 remaining cases however, the rate or precept will be lower than it would have been without rate-capping.

Mr Speaker, this year's average rate increase was the lowest for 10 years. If authorities budget to meet their targets next year, the average rate increase next year should be even lower. The first stage of rate limitation will at long last bring relief to ratepayers in the rate capped areas. Moreover, rate capping has allowed me to set much fairer targets for low spending authorities. This settlement has meant increasing the provision for local authority current spending next year by £820m above the provision in the public expenditure White Paper. In present economic circumstances, this is a reasonable and fair settlement, and I commend it to the House.

1. Mr. Plesher
2. Mr. Barclay 5/12
c. Mr. Ingham (with one of the enclosures)

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From The Minister of State

CT/3594/84

5 December 1984

Dear Mr Butler

REPORT BY HMI ON THE EFFECTS OF LOCAL AUTHORITY EXPENDITURE ON EDUCATION IN WALES 1983/84

I am writing to let you know that my Secretary of State will be publishing on Friday a paper by Her Majesty's Inspectorate of Schools in Wales entitled "The Effects on the Education Service in Wales of Recent Local Authority Expenditure Policies: An Assessment by HM Inspectorate". I enclose two copies of the report and accompanying press notice for your information.

Publication will be announced in a Written Reply following which the report will be made available generally, and copies will be sent to the news media, all Welsh MPs, local authorities, teacher organisations and other bodies in Wales.

Copies of this letter go to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Employment, Northern Ireland and Scotland, and the Secretary to the Cabinet.

Yours sincerely

Mike Chown

M D CHOWN
Private Secretary

Robin Butler Esq
Private Secretary
10 Downing Street
LONDON

IN CONFIDENCE

THE EFFECTS ON THE EDUCATION SERVICE IN WALES OF RECENT LOCAL AUTHORITY EXPENDITURE POLICIES : AN ASSESSMENT BY HM INSPECTORATE

Previous reports by HM Inspectors have covered the calendar year prior to that in which the report has issued. This report covers the school/college year 1983/84.

SCHOOLS

The findings of this section of the report are based upon the assessments of HMI resulting from inspection visits to primary and secondary schools during 1983/84. No schools have been visited solely for the purpose of assessing the effects of LEA expenditure policies. It is the task of HMI to assess the nature and quality of pupils' work and their judgements on the effects of expenditure policies derive from that function. The quality of provision encountered in classrooms by HMI is affected partly by the nature of the teaching, including the use of resources, partly by the curricular and organisational policies of the school and partly by the educational and financial policies of the LEA. When these 3 major influences are in alignment, then the best use is likely to be made of the resources available. Should they not be so aligned, it is likely that, in a time of pressure on resources, provision will be adversely affected.

During the period of review the fall in rolls has continued, though the effects have been felt differently in different areas. Some schools have experienced either a period of static rolls or even a slight increase. The expenditure policies of LEAs take changes in rolls into account, but in many cases the adjustments in expenditure consequent upon falling rolls and those occasioned by pressure on resources are combined in such a way as to make distinctions between them very difficult.

Staffing

There have been only marginal changes in the teacher/pupil ratio over the period of the report. Most LEAs and most schools are coping adequately with the reductions in staffing caused by falling rolls and the main body of the curriculum is generally being maintained.

Staffing ratios are strictly applied in all LEAs. At primary level this, combined with the need to redeploy staff, means that some classes may be taught over long periods by a succession of temporary staff. In a number of instances classes have been taught by several teachers within the school year, with evident detrimental effect on the continuity and progression of

pupils' learning. The education of very young children is particularly vulnerable in this respect.

The number of amalgamations of primary schools has continued to increase. As detailed decisions on the staffing, and particularly the headship, of such schools are often postponed until a very late stage and staffing ratios are strictly applied, the transition to what is educationally a significantly different school is not helped thereby.

Although the main body of the curriculum has been maintained in most schools, strict application of ratios, together with the need to redeploy and to adjust staffing to falling rolls, has meant that some secondary schools have failed to maintain small teaching groups in minority subjects or have been obliged to increase the size of groups in major subjects. Constraints on staffing cause difficulties for those schools which are endeavouring to adapt to significant curricular and organisational change and have generally made schools somewhat reluctant to tackle new initiatives, particularly those which in their early stages are likely to require generous staffing so as to allow for readjustments in organisation and the preparation of learning materials. Fewer difficulties are experienced when new initiatives in specific curriculum areas are funded centrally, though in these circumstances any staff reductions resulting from falling rolls may have to be borne by the limited number of subjects which lie outside the scope of the new scheme. Although staffing of bilingual provision has been maintained in most LEAs, supported by specific grant, recently established bilingual schools face particular difficulties in their early stages.

In some schools, the fall in rolls has not only been substantial in itself but has also brought the size of the school down within a range where general diseconomies of scale begin to apply. Thus a secondary school which is reduced in roll from 1700 to 1300 may continue to cope reasonably well, despite pressure on resources, whereas a comparable reduction in the roll of a school of 1200 brings general diseconomies of scale which render it more vulnerable to any pressure on resources. In a somewhat similar way primary schools may suffer, through the loss of very few pupils, a disproportionately adverse reduction in staffing. This can happen when reductions in roll and strict application of ratios lead to the formation of mixed age classes or where small schools, for example, three-teacher schools, make the educationally significant transition to two-teacher status or two-teacher status with part-time assistance.

All LEAs apply strict rules in providing supply cover for teacher absence. The rules can be waived in special circumstances and they must be seen in the light of the relief provided in some LEAs for headteachers who have full-time charge of a class. Nonetheless, schools are increasingly being expected to use their own resources to effect cover. At secondary level supply cover may not be provided on a one for one basis. At primary level the threshold in terms of numbers on roll at which a head takes full-time charge of a class may be lowered or the head may be expected to assume full-time charge of a class for a specified period, for example, during maternity leave.

Staffing for special educational needs has remained largely unaffected by expenditure constraints. A few LEAs have established more stringent criteria for the allocation of remedial teaching resources and have reduced the time spent on this work. Many LEAs have made generous allocations of ancillary support to enable handicapped pupils to attend ordinary classes and such support can sometimes be used, without detriment to the handicapped pupil, to the general good of the school. However, LEAs have generally failed to provide additional staffing designed to facilitate implementation of the requirements of the 1981 Education Act relating to special educational needs in the ordinary school.

Some LEAs have begun to relate staffing policy in secondary schools to the maintenance of a balanced curriculum. When vacancies occur in these LEAs they are filled as far as possible by redeployment but, if necessary, are subsequently advertised. The relationship between staffing and curriculum is less clear in other LEAs and cuts in staffing required by falling rolls tend to occur in a random fashion which makes it difficult to maintain curriculum balance.

One LEA has effected improvements in staffing ratios designed to meet the challenge of underachievement in the later secondary years and to allow the development of new courses for the less able. Another LEA has attempted to take account of bilingual needs in its staffing. The success of some of these pleasing initiatives has been somewhat vitiated by subsequent decisions to reduce staffing which have followed hard upon the original improvements. This highlights the increasing uncertainty which affects the process of making decisions in many LEAs. As staff costs are by far the longest item in LEA budgets, staffing is peculiarly susceptible to change at a time of pressure on resources. The effect of such uncertainty is to undermine schools' confidence that they can carry to a successful conclusion

any new venture which they undertake. Decisions on staffing may now be taken by LEAs at very short notice, thus adding further uncertainty. In one LEA, visiting teachers at primary level (Welsh and remedial) were temporarily diverted to supply work, with adverse effects on the continuity of their work. The redeployment of teachers (a significant element in staffing when, as in one LEA, 100 secondary teachers are identified as eligible) can take a considerable time to complete. If places cannot be found for some of these teachers, they remain at their schools, but no formal timetable can be planned for them in advance and their lack of a clearly defined role adds to the general uncertainty over staffing.

In-Service Education and Training

There is considerable disparity across Wales in this aspect of the education service and while no manifest deterioration has been observed in the period of review, provision remains limited in some LEAs. The support given by the specific grants for Welsh and INSET has helped LEAs to maintain, and in some cases bring about improvement in, existing provision. In one LEA, INSET provision has in effect doubled and in others a small number of long-planned additional teachers' centres have opened. Secondment to long courses has been maintained in some LEAs, increased in others and substantially reduced in others. Cover for seconded teachers is now sometimes restricted to the actual period of secondment where that does not extend over the whole school year. Attendance at local courses is supported by most LEAs, though in 2 LEAs decisions to support attendance at other courses have been reversed within the school year as a result of emergency financial reviews. This contributes further to uncertainty in the schools and adversely affects morale and motivation. A further disincentive to course attendance is the strict application of rules regarding supply cover which, though taking account of special circumstances (for example, very small schools), rarely allow cover until several days have elapsed. Nonetheless, many teachers make laudable efforts to attend courses, sometimes at their own expense.

Advisory Services

Complement has been increased in one LEA, has been reduced considerably in another and has either remained constant or has deteriorated slightly in the rest. Posts that become vacant through natural wastage are often left unfilled, at least for a period. Where major curriculum areas are thus left unassigned, responsibility for them may be added to other advisers. Some such posts may be filled after a considerable interval, with consequent effects on continuity. Decisions to appoint advisers are subject to the

same uncertainty that affects other posts. In one case a decision to appoint was reversed at a very late stage in the appointment procedure. The piecemeal loss of posts hampers systematic advisory coverage and is particularly unhelpful in those LEAs where advisory provision is for historical reasons unbalanced. A considerable amount of advisory time in all LEAs is perforce devoted to the consequences of other constraints on expenditure, and especially to the redeployment and early retirement of teachers. The reduction in the number of advisers has been partially balanced in some LEAs by the appointment, on fixed term contracts, of advisory teachers for specific aspects of provision such as micro-computers, health education and educational technology.

Non-Teaching Staff

There is great variety. In one LEA there have been additions to the school psychological service and a substantial increase in ancillary service in the wake of the 1981 Education Act. In another LEA clerical and technical support is generally less than adequate and the deployment of personnel is arbitrary and uneven: in some secondary schools technicians in specialist areas are sometimes used more generally for office and reprographic work, thus reducing their commitment to their major role. In the remaining LEAs there has been less significant change, though in all LEAs the hours worked by non-teaching staff and the scope of their duties have been subject to strict review. In some cases this has led to a reduction in hours and a broadening of the range of tasks. Few schools have sufficient non-teaching staff to enable them to respond fully to new initiatives and to maintain initial developments.

Premises

As in previous years this continues to be a cause of considerable concern in a majority of LEAs. Essential emergency repairs are carried out promptly in all LEAs. However, routine maintenance and the repairs of non-urgent defects frequently suffer considerable delay and tend increasingly to be carried out piecemeal. The result is that there may be significant differences in the upkeep of different areas of the same school. Repairs also tend to be effected in stages so that they may not be completed for a considerable time. The interval between redecoration is lengthening in all LEAs and in some cases already exceeds 10 years. The net effect is a slow but persistent decline in the quality of the learning environment. In the period of this review some LEAs have allocated resources for the repair of some of the worst defects in schools, but a substantial backlog of work has built up which in some LEAs can only be carried out at substantial

cost. In one LEA there has been an increase in the incidence of emergency repairs, some of which have been caused by poor maintenance. In this LEA resources allocated to maintenance were reduced substantially during 1983/84. In the same LEA the need to allocate substantial sums to individual building projects in areas of population growth and to eliminate split sites has meant that other schools have been relatively neglected.

The replacement of damaged and broken furniture is unsatisfactory in many schools; there are few resources devoted to this. Marginal improvements are sometimes effected when primary schools are closed or amalgamated as a result of trading between schools. Some modern furniture was not designed to be used for as long as, in practice, it has been. Replacement tends to be piecemeal and in small quantities. The effect is further deterioration in pupils' general learning environment.

An increasing number of schools are involved in self-help projects which include, in addition to decoration, the building of garages for school buses, conversion of cloakrooms and relocation of internal doors.

Capitation

In a small number of LEAs capitation has been cut in 1983/84 (in one case shortly after a previous increase). In one LEA the cut was substantial and followed upon a period of some months during which all capitation had been suspended. In other LEAs capitation has either been maintained at the previous year's levels or increased slightly, though in a few cases the range of items to be purchased out of capitation has also been increased. In general, levels of capitation have not kept pace with the increased cost of books and materials. Systematic acquisition and use of resources is difficult in some LEAs because of decisions made at short notice either to cut or suspend capitation, or, occasionally, to increase it through the use of contingency funds.

In most schools resources are adequate but in many the replacement of worn and outdated stock is being postponed. As a result there is added pressure on the available stock of materials and equipment, some of which is coming to the end of its useful life. This is particularly true of pieces of expensive technical apparatus in use in the science and craft departments of secondary schools. As these items wear out schools find difficulty in replacing them and pupils' learning experiences are impoverished as a result. In these

circumstances modes of teaching and learning are directly affected in that there is necessarily more teacher demonstration and less practical involvement on the part of pupils. As textbooks wear out there is increasing dependence on worksheets, some of them of poor quality but nonetheless expensive to reproduce. This pressure on resources is acutely felt in some of the larger departments, such as English, where teaching groups are large throughout the main school.

Where schools are attempting new courses (except those funded nationally), for example, for older less able pupils or in recently established bilingual schools, there is some difficulty in responding fully to needs. In one LEA a school undertook a large amount of preparatory work in designing an integrated science course but ultimately had to abandon its plans because of insufficient money to resource it; in another school a new science course for less able pupils had to be abandoned because of the loss of a science teacher. A school which had instituted a City and Guilds course could not fund the expenses involved in the work experience programme; another school paid for expenses involved in a link course out of school funds. The allocation of capitation takes less account than formerly of the special circumstances under which some schools work. In one LEA, for example, special allocations related to educational disadvantage have been withdrawn.

Parents continue to make a substantial contribution through school funds to the purchase of a wide range of equipment and materials. In only a minority of schools are parental contributions any longer restricted to the purchase of additional rather than essential items. In some schools the sums contributed are very large, in many cases they are equivalent to a substantial proportion of the schools' capitation and they actually exceed it in some cases. In addition to parents, local businesses often make a contribution to the materials required by schools. While such help is gratefully received, the materials are not always of the quality required for educational purposes.

General

An attempt is made in this section to assess the effects of LEA expenditure policies over the 3/4 year period since the publication of the first report in this series.

In general the schools are coping with their problems and the position is not yet critical in any school or LEA. There is no doubt that in a period of pressure on resources both schools and LEAs have become more aware of the importance of good resource management. As a result they have carefully scrutinised former practices and have attempted, successfully on the whole, to eliminate waste. They have also been obliged to examine their educational priorities carefully and to decide where developments should be supported and where they must temporarily be postponed.

However, a price has been paid for these efforts. It is clear that both schools and LEAs are devoting increasing time and energy to resource management at the expense of other tasks. The redeployment of teachers (an important aspect of resource management) is a necessary consequence of falling rolls, but the pressure on resources has allowed LEAs and schools little flexibility and what under any circumstances would have been temporarily difficult adjustments have lacked the cushioning that would have been possible in more favourable circumstances. Hiatuses in the staffing of schools and unsatisfactory match of teacher to task have had adverse effects on pupils' learning in some schools.

There is no doubt that maintenance and decoration of premises have been carried out less often and less effectively over recent years. The problems are worse in some LEAs than in others. In general the LEAs (rural or urban) with the greatest proportion of old buildings have suffered most. Wales has a large stock of such buildings, many of them dating back to the last century. Although it is rare to encounter school premises which are at serious risk, the drab appearance of many buildings does little to enhance the learning of pupils in schools where pressure on resources has already led to some impoverishment of experience.

Pressure on resources has produced few major discernible adverse effects on the curriculum and on pupils' learning. Schools generally are coping and the quality of work in a majority of schools is certainly no less than satisfactory. However, the nature and character of pupils' learning are being gradually affected as the narrowing of the range of resources and of teaching and learning methods continues, and the increasing demands made upon teaching staff in the absence of adequate non-teaching support staff create further problems. Schools find it less easy to take on new tasks and to ensure the provision of rich and stimulating learning experiences across a broad, balanced, relevant and appropriately differentiated curriculum.

ADVANCED AND NON ADVANCED FURTHER EDUCATION

During the review period there have been inspections of single FE institutions and a variety of surveys, for example, of non-advanced part-timr courses for students released from work by their employers, YTS course provision, engineering courses, and of a small range of bilingual FE courses. NAFE and AFE classes cover a wide range of technical and vocational subjects at a variety of levels. This is especially noticeable in the part-time classes which often contain students who vary considerably in terms of age, industrial background and experience. Matching teaching approaches to the employment needs and situations of these working students makes particular demands, especially on NAFE teaching staff. There is wide variation in the quality and effectiveness of teaching and learning in both NAFE and AFE classes. The benefit to staff of professional updating and of industrial experience and contact are generally little recognised by LEAs and by some college managements.

Provision of Courses

The overall balance of course provision continues to change. Enrolments in part-time release courses, especially in engineering, manufacturing and craft studies, are still declining as a result of the economic situation and recruitment practices in industry and a number of courses have been terminated for lack of support. There is increasing evidence of at least one LEA's readiness to cut out some courses when enrolment numbers do not reach acceptable "Pilkington" levels. By contrast, enrolments into full-time vocationally oriented courses continue to increase, and there is continuing evidence in several LEAs of appropriately qualified applicants being turned away from colleges when certain full-time courses are full - for example, preliminary social work and caring courses, business studies, catering services and beauty culture courses, computing and some applied science and technician-level courses. In some LEAs, colleges are tending to favour the establishment of MSC courses rather than starting or extending conventional FE courses designed to lead to vocational or professional qualifications. The continuing impact of MSC programmes has affected the courses, the resources and staffing of colleges in a number of ways and more especially by:

(i) making unaccustomed demands on college management and in some cases disrupting planning by requiring short-term decisions;

(ii) introducing an unfamiliar range of students and demands (including external contacts and negotiations);

(iii) providing additional income to LEAs, some of which has been channelled back into the colleges, but with considerable variations in the conditions attached to its use.

LEAs may thus have benefited from the resources and finance provided by MSC, but the colleges have tended to experience additional difficulties as a consequence of the above features in terms of staffing and staff development. There is evidence of dependence in some LEAs on the appointment of temporary full-time staff to meet new needs (including some with little or no experience), and in some colleges to an inordinate degree on overtime on the part of full-time staff. In some colleges nearly 40% of the teaching is undertaken by either part-time staff or full-time staff on overtime.

Overall, therefore, the matching of course provision to need and demand is limited, and in some cases inadequate, though there are also instances of colleges having made considerable efforts to provide additional capacity and to enlarge intakes into existing courses.

The geographical availability of part-time advanced courses has been generally maintained in spite of reductions in enrolments, though a small number of courses in rural areas have been lost. However, in NAFE the spread of course provision is not always well coordinated and there is in some cases unfulfilled demand. At the same time the phasing out of redundant capacity in some engineering craft courses has been slow.

Short term adjustment of provision to demand has been a feature of YTS work in many colleges. This has been achieved in a number of cases by channelling back the YTS fees into payments for materials and equipment and by colleges' use of staff overtime, part-time tutors and temporary full-time appointments. In some colleges these devices are used to give flexibility of resourcing where otherwise little, if any, would exist.

Course developments under the various external bodies (BTEC, GCLI etc) have remained largely unaffected by general expenditure controls or policies on the part of LEAs, but provision of non-teaching time and clerical support to allow for development work varies greatly between LEAs. Although the introduction of new technology options in established courses has been delayed, in four authorities money has been provided for information technology AFE provision, and for extending and updating equipment in NAFE.

Accommodation and Teaching Resources

Capital expenditure programmes in NAFE on the part of the LEAs (in combination with the MSC's system of specific capital grants) have resulted in a number of college extensions and conversions during the period of review. About 1 in 3 of those colleges largely involved in NAFE have recently built accommodation in use or are in process of building. Some of the MSC-funded extensions are short-term projects and take the form of large groups of temporary hutments on certain college sites. This does not necessarily lead to poor learning, but may constrain teaching approaches. There has been continued use (and sometimes well designed development) of external annexes. Some switching of NAFE courses out of colleges to provide a greater proportion of AFE to NAFE work has effectively extended the capacity available to AFE provision. One college has had an expansion of computer teaching capacity as a result.

The decline in the standards of maintenance of NAFE premises noted in successive reports on LEA expenditure policies has continued and its cumulative effects are now widespread, obvious and, in some places, serious. While there are many examples of well-developed and well-resourced teaching spaces, there are also cases of poor external and internal conditions, grossly inadequate maintenance and unsuitable teaching/learning environments, including some specialist workshops, studies and laboratories. A few colleges have resorted to covert "self-help" maintenance activities; in one extreme example, all the new permanent buildings and extensions at one college over the last 10 years have been erected by the college itself. Disparities between colleges in terms of standards of accommodation, teaching environment and maintenance are growing.

Provision and maintenance of furnishings and equipment also vary greatly. Generally, standards remain acceptable, though there is little discernible improvement, except in some larger AFE institutions. Most LEAs have attempted to provide the same level of capital and equipment budgets from one year to the next, but there have been 5% or 10% reductions in some, and in one a cut of as much as 25% compared with the previous session. MSC fees and capital/equipment grants have tended to mask the more severe effects of these constraints, and in a minority of colleges have constituted almost the only source of funds for the updating of equipment vital to the proper performance of vocational educational provision.

With the exception of those in one LEA where there were initial difficulties in finding the requisite finance, most colleges in Wales have benefited from the Department of Industry's CNC matched-funding scheme for providing technical equipment, especially in the new technology sectors. Most colleges have enhanced their provision of computing, microcomputer and some CAD/CAM equipment, sometimes using MSC and other external funds. Colleges' planning for developments in CNC, CAD/CAM and other new technology areas varies considerably, depending upon the incentives and matchfunding schemes available, but also on the expenditure constraints imposed. In some college departments which concentrate on AFE provision, technical development in information technology, industrial controls and manufacturing systems (such as robotics), and the associated software developments, are being encouraged by earmarked grants. The gulf between the well resourced, developing colleges and those less well provided and planned for is widening. Possibilities for the development of short courses and services to industry on the part of colleges in these new high technology/information services sectors, and the associated staff contact with industry, depend crucially on the level of support and investment afforded by the LEA, in conjunction with other agencies. In general, and particularly in AFE, the capacities of colleges for development of such services have been enhanced by measures of this kind; but there are exceptions, including where staffing limitations and practices have hindered developments.

Capitation budgets for books and materials are being maintained in some LEAs, but cut in others. One authority, having cut its capitation to colleges by 10% has instructed colleges that they may spend only 75% of it, and keep the other 25% in reserve. Library budgets have been curtailed in some authorities, even when prior library extensions have been undertaken. Some further curtailment of consumable materials purchasing has been imposed in a number of colleges.

Staffing

There is pressure in some authorities for reductions in teaching staff establishments; these may be achieved by cutting the teaching hours on some courses, by cancelling courses which have difficulty in attracting an adequate number of enrolments, or by selectively eliminating units or modules from the option structures of courses. In one authority, delays in the replacement of staff retiring or transferring have been used to achieve marginal cuts in staffing budgets, occasionally at the expense of continuity of teaching of

some subjects in established courses. Other authorities, however, have retained existing staffing levels even where courses have attracted an increased number of enrolments. As a result of changes in demand from industry, especially for part-time courses, there is some overstaffing in engineering and sciences, and here redeployment measures are helping to take up some of the slack. Elsewhere, increased enrolments are being partly met by increasing the size of classes taught.

As noted previously, part-time and temporary full-time staff appointments are increasingly being used to bring colleges' teaching capacities up to the increased levels needed to meet the demand now being experienced, especially in YTS programmes. Because of the uncertainty and the lack of job security in these arrangements, many colleges are increasingly finding that the quality of applicants for such posts has declined. Generally, staffing standards in AFE courses have been maintained, and in qualitative terms enhanced as new courses and extensions of courses in the information technology and microtechnology fields are opened.

Most colleges and LEAs have made some effort to provide for in-service training and staff development needs in relation to new course developments in NAFE. Support for the FE teacher training courses has been on the whole adequately maintained, and there is continuing support also for the in-college/in-LEA workshop-seminar staff development networks sponsored for one year by the MSC. Staff updating activities are supported by most AFE institutions, but less noticeably in NAFE. There remain significant gaps, both geographical and institutional, in staff development provision and its take-up, and there remain problems in many colleges for those who undertake staff development and updating courses in implementing their new ideas and knowledge. New developments in prevocational NAFE imply continued needs in staff development which so far have not been systematically planned and provided. Poor quality performance or outcomes observed in some cases tend to reflect shortcomings of professional analysis and failure to match presentation to students' needs.

Ancillary technician and clerical administrative support remains static or under pressure for reductions despite the growth of demand and enrolments. NAFE is more seriously affected than AFE, but there have been difficulties in maintaining the level of service and support in both sectors. The most damaging shortages, where they occur, are of laboratory and workshop

technicians and library and computer support staffs. Such restrictions noticeably constrain the range and variety of teaching/learning approaches which can be offered.

Course development

There is much variation in the effectiveness of college and LEA administration of FE and HFE. Change and development arising out of YTS and MSC and the work of external professional bodies including BTEC have presented both NAFE and AFE colleges with major problems of adaptation, and the pace of change is not slackening. The general response of departmental and college managements to these challenges is good; but the co-ordination of responses within colleges and LEAs has sometimes been faulty. In some cases a lack of consistency is observable between the policy of the LEA and that of the college, and as a consequence the effectiveness of resourcing has been impaired and teaching approaches have been adversely affected.

In a minority of LEAs, planning for change, in curriculum and course development, and in staff and organisational capacities and resource deployment in NAFE colleges has been adversely affected by the uncertainties and constraints brought about through financial restrictions and short term changes in funding and resourcing policies. Other colleges have been more successful in maintaining both standards of provision and expectations. Continuity of expectations is an important contributory factor in maintaining staff commitment and professional development.

It is difficult to relate levels of achievement to specific factors in resourcing and funding either at LEA or college level, or to expectations and continuity in teaching, administration, organisation or support. However, the indications of over-timetabling and of excessive reliance on a basically teacher-centred, class-teaching approach, owe as much to difficulties in providing adequate resource backing and accommodation as to limitations of professional outlook and unconstructive attitudes to change. A failure to support the development of libraries and resources organisation and provision may well be hindering the development of more appropriate teaching approaches based on the evaluation of students' learning needs, and better suited to the professional needs of employers.

YOUTH AND ADULT

The level of funding for youth and adult education has remained largely unchanged over the past year, often at a very low level in a number of LEAs. Some authorities continue to give priority to special categories, particularly the unemployed and those in need of basic education. One has increased its budget by £100,000 to prolong the opening hours of youth clubs, extend its programme of basic education and pilot a special project aimed at the young unemployed. Most other authorities can record some initiative and have at least succeeded in protecting this sector from further cuts. Where this has not occurred the youth service directly administered by the authority in question is approaching the point of collapse. The differing approaches and priorities of authorities are increasing the disparities that already existed in levels of provision.

The level of fees for adult classes continues to vary between 30 and 75 pence per hour but in most instances they are unchanged from last year. There has been some growth in enrolments overall, but where fees have increased, in one instance by 10%, numbers in classes and fee income have fallen. Fee increases have also resulted in a reduction in the number and range of adult courses. The proportion of students qualifying for reduced fees or total exemption continues to increase. In one authority as many as 40% of students pay less than the standard; this fee and the numbers involved, which have increased from 6400 in 1982/82 to 10,583 in 1983/84, are indicative of increased participation by the unemployed.

The neglect of maintenance and repair continues to give cause for concern. The quality of the learning environment varies widely, but is often at its best in community centres jointly funded by county and district authorities and at its poorest in purpose built, free standing youth clubs.

In only one authority has there been any significant change in staff levels. Although staff training is non-existent in some LEAs and neglected in others, 2 authorities have taken initiatives to improve arrangements.

Following severe cuts in 1979-81 the youth and adult service has been largely spared during the year under review and in some instances has enjoyed additional funds to meet special needs. Authorities tend to find difficulty in catering adequately for young people, but through increasing reliance on self-funding and self-programming courses most offer a relatively better service to adults.

This sector of education is particularly vulnerable to any demand for economies and in many authorities uncertainty over the continuity of funding is constraining forward planning and weakening the response of the system to changing needs.

File.

CONFIDENTIAL

NBPM
AT 7/12

Hobson.
cc Sir G Young
PS/Mr Waldegrave
PS/Lord Arran
Mr Heiser
Mr Owen
Mr Hicks
Mr Fletcher/Rowell
Mr Kidgell/Marin
Mr Smith/Lewis
Mr Young
Mr Rosebe Mr Ghosh.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

4 December 1984

Dear Willie,

SELECTIVE RATE LIMITATION IN 1985/86: SETTING OF RATE AND PRECEPT LIMITS

This letter contains my proposals, on which I should be grateful for urgent comments, for the rate or precept limits to be proposed for authorities selected for rate limitation under the Rate Act 1984. In the light of colleagues' comments I will decide on the limits to be put forward in the RSG Settlement Statement.

As you will be aware, section 4 of the Act contains the statutory framework for the setting of rate limits (RLs). The Secretary of State is required to have reference to the expenditure level (EL) as determined, block grant entitlements, and any contributions from or to the LRES. He may also take into account "any financial reserves available to the authority."

No major issues are raised in incorporating into the calculation the EL, grant entitlement and LRES payments. None of the selected authorities has applied for a redetermination of its EL, and so these remain unchanged. The exemplifications attached to this letter are based on the finally agreed grant distribution package for 1985/86, and take into account where appropriate the grant effects in 1985/86 of the two Supplementary Reports to be made at Christmas. They do not make any allowance for close-ending of 1985/86 grant, but in estimating holdback effects they assume the same level of disregard for the authorities concerned as in 1984/85.

The major issue in calculating RLs is taking account of the use of financial reserves (special funds, balances etc) by authorities. The information we have is very patchy; we have specifically asked the selected authorities for information about reserves under the powers in section 8 of the Act, but only a proportion of authorities has responded and most of their responses are incomplete. The Act allows me to make assumptions in the absence of a response, but there are difficult legal issues involved in what kinds of information (eg papers supplied for Opposition Councillors, Press reports, information supplied for officers of the Council outside the context of a formal application for a redetermination) can and should be taken into account, and how.

In practice, the exemplifications (on which I comment in the paragraphs below) incorporate my best judgements about reserves based on:-

i. Information derived from formal returns to our section 8 questionnaire where appropriate.

ii. Estimates of the special funds/balances available, obtained by projecting forward the returns we have for end 1983/84, or in a few cases 1982/83, using 1984/85 budget information.

I have additionally taken due account of such further information as is available to me, bearing in mind the extent to which I can be certain of its accuracy and completeness.

The selected authorities divide into three groups. Group 1 is those authorities which we consider will in March 1985 possess substantial balances (defined as more than 10% of their EL). The group consists of Leicester, Portsmouth, Thamesdown, Greenwich, Lambeth, Lewisham and Haringey. For each of these authorities we have considered reducing their level of balances to some defensible level based on our best judgement of necessary levels of working balances for efficient operation. This level varies for different classes, and sizes, of authority. Our analysis of local authority balances in recent years leads us to think that reasonable balance levels might be 10% of total expenditure for metropolitan counties and districts, 15% for the London boroughs, and 30% for shire districts; though practice varies widely. We further think it desirable to limit the size of reserve reduction in a single year for authorities in this group, to avoid substantial oscillations in rate levels between years; and intend not to assume a reserve reduction greater than one third of available reserves.

Table 1 shows for each of the group 1 authorities the effect of applying these arrangements, and the RL that would result. In practice, only Leicester, Portsmouth and Haringey are affected.

In Leicester's case the maximum size of reserve reduction is relevant because of their very substantial reserves (amounting to 68% of EL). Portsmouth is the only authority with significant HRA balances. Although Haringey hold substantial reserves (estimated at 21.3% of EL at end 1984/85), we have established from various sources that the vast majority of this consists of money held in trust for the rebuilding of Alexandra Palace, and not available to support general expenditure. The authority has made no formal representations to this effect; nevertheless I am legally advised that I should not take account of this money in considering reductions in reserves. The attached exemplifcations are on this basis (but see also paragraph

12 below). I should also add that the effects in London at ratepayer level shown in the exemplifications are distorted by the incidence of the LRT precept for the first time, and the likely increase in the Metropolitan Police precept.

Group 2 is those authorities which have shown a budgetted intention to use special funds in 1984/85 to depress their budgetted total expenditure, and which do not appear to possess adequate reserves in those funds in 1985/86 to do the same again; they could therefore be in genuine difficulties if we assume that their reported 1984/85 spending level is realistic, and set an RL accordingly. The group consists of Sheffield, Hackney, Southwark, Brent, Merseyside and South Yorkshire. None of these has applied for a redetermination of their EL. We have considered whether we should allow in RLs for some latitude to take account of this budgetted use of reserves.

There are risks in making such an allowance:-

a. Our overall information about the financial position of these authorities, including their 1984/85 outturn, is necessarily incomplete in the absence of applications for redeterminations; they may still have cash reserves available though undeclared, for example by means of contingencies built into their budgets.

b. Special action on RLs could jeopardise the future of the redetermination procedure.

c. There is still an opportunity for these authorities to appeal against their RLs after RSG Settlement Day.

d. We can increase RLs after Settlement Day but not decrease them.

However, we have concluded that the risks in not making some allowance outweigh these considerations. We suspect that authorities such as Merseyside might in practice be unable to live within RLs if these were set purely on the basis of their ELs with no adjustment on account of reserve use; and at least some of these authorities might deliberately refrain from appealing against their RL in order to embarrass the Government. The consequences of major financial difficulties, for example on Merseyside, are I believe unacceptable.

We have therefore sought a consistent way of helping such authorities. We propose that, for any authority whose forecast reserves at end 1984/85 are less than their "class average" (see paragraph 6 above) and whose special fund use in 1984/85 is budgetted to be more than 5% of EL, then we should in calculating the RL make an allowance for that special fund use. We would do this by assuming in 1985/86 the use of funds equal to the amount by which their 1984/85 special fund use exceeded the 5% level. Because of the 5% threshold, this

arrangement helps only those authorities who are budgetting to make substantial use of special funds this year, and who are therefore the most likely to experience difficulty. The authorities affected are Sheffield, Hackney, Brent, Merseyside and Haringey. It will be noted that the effect of this adjustment on holdback, because it permits extra spending in 1985/86 financed from reserves, is to produce substantially increased RLs in some cases; in particular Merseyside's RL shows a 30% increase over this year's precept level.

The top half of table 2 shows the RLs which the group 2 authorities would be set on the basis set out in paragraph 12. (Haringey appears in table 1 because of the non-available Alexandra Palace funds).

Group 3 is those authorities who, so far as we know, neither have excessive reserves (ie above 10% of their EL) nor have used reserves in 1984/85 to adjust their level of "total expenditure". These are Basildon, Camden, Islington, GLC and ILEA. I see no reason in the case of the first three authorities to make any special adjustment in respect of reserves; Basildon's high RL arises from its substantial use of balances this year, and from the effect of the RSG Settlement on its grant entitlement.

The GLC and ILEA raise difficult issues. They are large authorities which have historically operated with low levels of working balances. The balance levels we estimate for them at end 1984/85 are not far below 10% (9.6% and 7.3% respectively), and can reasonably be regarded as larger than necessary for efficient working for such authorities. If no adjustment were made for reserves, then the precept limits would shown an increase of 9% for the GLC - despite the reduction in their functions - because of their extensive use of balances this year to depress their precept; and only a small decrease (less than 1%) for ILEA.

An assumed reduction in GLC and ILEA reserves to 2% of their EL would produce a precept freeze for the GLC. I believe that in the case of these large authorities such a reduction is defensible, since although we would then be treating them differently from the other authorities they are indeed different in kind.

The RLs for group 3 authorities derived on the basis set out in paragraph 14-16 are shown in the lower half of table 2 of the exemplifications.

The total of effective levels of spending, as implied by the RLs I am proposing, is of the order of £20m lower than the total of ELs agreed in July.

I should be grateful to know by close of play on Wednesday 5 December at latest whether you or other colleagues have any comments on these proposals. (The figures may be subject to minor technical changes).

CONFIDENTIAL

I am copying this letter to members of E(LA), the Paymaster General, the Chief Whip and Sir Robert Armstrong.

Yours ever

Patrick

PATRICK JENKIN

The Rt Hon the Lord Whitelaw CH MC Lord President

Illustrative Rate Limits For 1985/86 Based On Settlement Grants

	Balances as % of EL	1984/85 local rate poundage	Rate limit	Percentage local rate increase	Rate increase at ratepayer level
GROUP I					
Leicester	68.0%	37.50p	16.06p	-57.17%	-
Portsmouth	36.6%	27.20p	26.19p	-3.71%	-
Thamesdown	25.4%	54.19p	57.24p	5.62%	-
Greenwich	11.9%	118.91p	96.45p	-18.89%	-6.20%
Lambeth	11.6%	122.34p	107.61p	-12.04%	-3.03%
Lewisham	11.7%	115.74p	87.51p	-24.39%	-8.64%
Haringey	21.3%	229.16p	228.11p	-.46%	3.93%

	Balances as % of EL	1984/85 local rate poundage	Rate limit	Percentage local rate increase	Rate increase at ratepayer level
GROUP II					
Sheffield	1.8%	208.24p	207.08p	-.56%	-1.13%
Hackney	-.2%	119.30p	109.37p	-8.33%	-1.14%
Southwark	.9%	149.74p	113.73p	-24.05%	-10.38%
Brent	3.7%	193.42p	196.44p	1.56%	6.20%
Merseyside	6.9%	65.00p	84.72p	30.33%	-
South Yorkshire	1.1%	83.30p	81.17p	-2.56%	-
GROUP III-					
Basildon	6.7%	42.80p	50.34p	17.62%	-
Camden	2.2%	91.94p	92.02p	.09%	3.26%
Islington	1.5%	122.74p	111.25p	-9.36%	-1.74%
GLC	9.6%	36.55p	36.51p	-.10%	-
ILEA	7.3%	80.00p	75.13p	-6.09%	-

THE RT HON PATRICK JENKIN MP

SECRETARY OF STATE FOR THE ENVIRONMENT

SPEECH

FOR

ABOLITION: SECOND READING

ON

MONDAY 3 DECEMBER 1984

I BEG TO MOVE THAT THE BILL BE NOW READ A SECOND TIME.

THIS BILL WILL ABOLISH THE GREATER LONDON COUNCIL AND THE SIX METROPOLITAN COUNTY COUNCILS AND DEVOLVE ALMOST ALL THEIR SERVICE FUNCTIONS TO THE LONDON BOROUGHS AND TO THE METROPOLITAN DISTRICTS.

TO UNDERSTAND THE NEED FOR CHANGE ONE MUST LOOK AT THE PRESENT STRUCTURE.

TAKING LONDON FIRST, THE HERBERT COMMISSION'S REPORT PROPOSED, AND IN THE LONDON GOVERNMENT ACT PARLIAMENT ENACTED, THAT THE BOROUGHS WERE TO BE THE PRIMARY UNITS OF LOCAL GOVERNMENT. THE GLC WAS MADE SOLELY RESPONSIBLE ONLY FOR AMBULANCES, SEWERAGE AND SEWAGE DISPOSAL, THE FIRE SERVICE, WASTE DISPOSAL, STRUCTURE PLANNING AND SOME MAJOR ROADS. THE INNER LONDON EDUCATION AUTHORITY PROVIDED EDUCATION FOR ONE-THIRD OF LONDON'S CHILDREN.

THE GLC WAS ALSO GIVEN A STRATEGIC HOUSING ROLE, AND TOOK OVER THE LCC HOUSING ESTATES, BUT THE BOROUGHS WERE ESTABLISHED AS THE MAIN HOUSING AUTHORITIES. THE GLC INHERITED SOME OF THE LCC'S OPEN SPACES. IN 1970 IT ACQUIRED RESPONSIBILITY FOR LONDON TRANSPORT.

SINCE THEN, AMBULANCES HAVE GONE TO THE HEALTH SERVICE, SEWERS AND SEWAGE DISPOSAL TO THE WATER AUTHORITY AND, THANKS TO LORD PLUMMER AND SIR HORACE CUTLER, MOST OF THE HOUSING ESTATES HAVE GONE TO THE BOROUGHS. UNDER LAST SESSION'S ACT THE GLC LOST ITS RESPONSIBILITY FOR PUBLIC TRANSPORT.

THEREFORE VIRTUALLY ALL THE LOCAL GOVERNMENT SERVICES AFFECTING PEOPLE'S DAILY LIVES ARE NOW WITH THE BOROUGHS.

THE NEW SYSTEM NEVER REALLY SETTLED DOWN. THE CREATION OF POWERFUL BOROUGHS, THE SHARING OF MAJOR FUNCTIONS BETWEEN THE TIERS, THE LACK OF A CLEARLY DEFINED ROLE FOR THE GLC - ALL THESE MADE FOR CONFLICT AND CONFUSION. TO THE GLC, GREATER LONDON IS A SINGLE ADMINISTRATIVE AREA TO BE RUN FROM THE CENTRE. TO MOST LONDONERS LONDON IS A SERIES OF SEPARATE LOCAL AREAS WITH VERY DIVERSE CHARACTERISTICS. CAMDEN HAS LITTLE IN COMMON WITH CROYDON; HACKNEY HAS LITTLE IN COMMON WITH HARROW; REDBRIDGE HAS LITTLE IN COMMON WITH RICHMOND. PERHAPS I COULD REMIND THE HOUSE THAT IT WAS A FORMER CONSERVATIVE PRIME MINISTER, LORD SALISBURY, HIMSELF RESPONSIBLE FOR THE CREATION OF THE LONDON BOROUGHS, WHO SAID IN 1898 AFTER THE CREATION OF THE LONDON COUNTY COUNCIL:-

"WE MIGHT HAVE OBTAINED A MUCH MORE EFFICIENT MACHINE IF WE HAD BEEN CONTENT TO LOOK UPON LONDON AS WHAT IT IS, NOT AS ONE GREAT MUNICIPALITY, BUT AS AN AGGREGATE OF MUNICIPALITIES".

THE GLC DOES NOT RUN LONDON; THE GLC NEVER HAS RUN LONDON; THE GLC HAS NEVER BEEN MORE THAN THE MINOR PARTNER IN THE PROVISION OF LOCAL GOVERNMENT SERVICES IN LONDON. THE MAJOR PARTNERS ARE, AND SINCE 1965 HAVE BEEN, THE LONDON BOROUGHS.

TURNING TO THE METROPOLITAN COUNTY COUNCILS, NO LESS THAN 33 OF THE 36 METROPOLITAN DISTRICTS ENCOMPASS FORMER COUNTY BOROUGHS. THEY HAVE ALWAYS RESENTED THE LOSS OF POWERS TO WEAK AND INEFFECTIVE UPPER-TIER AUTHORITIES. PEOPLE HAVE NEVER IDENTIFIED WITH THE METROPOLITAN COUNTIES.

OF COURSE, THE MET COUNTIES HAVE RUN SOME SERVICES WELL BUT THAT'S NOT THE POINT. THEY SIMPLY DO NOT HAVE ENOUGH MAJOR FUNCTIONS TO JUSTIFY THEIR EXISTENCE AS A SEPARATE DIRECTLY-ELECTED TIER OF GOVERNMENT.

MOST HON MEMBERS, FROM ALL PARTS OF THE HOUSE, NOW AGREE THAT THERE HAS TO BE CHANGE. THE ARGUMENT, THEREFORE, IS ABOUT WHAT CHANGE. DO WE GIVE THE GLC AND MCCS INCREASED POWERS? DO WE KEEP THEM BUT WITH REDUCED POWERS? OR DO WE ABOLISH THEM?

THERE HAVE BEEN SOME WHO HAVE ARGUED FOR MORE POWER FOR THE UPPER TIERS, TURNING THEM INTO A REGIONAL TIER OF GOVERNMENT. SOME HANKER FOR A SO-CALLED "STRATEGIC AUTHORITY". AND "STRATEGIC" HERE MEANS, NOT LAND USE PLANNING, BUT SOCIAL AND ECONOMIC PLANNING AND ENGINEERING - SO DEAR TO SOCIALIST HEARTS.

WE HAVE ALSO HEARD - AND SHALL HEAR - SIMILAR VIEWS FROM THE ALLIANCE. MR LIVINGSTONE THINKS THAT HIS AUTHORITY SHOULD BE GIVEN WIDER POWERS. STRANGE BEDFELLOWS!

BUT, LEAVING THEM ASIDE, THERE IS LITTLE SUPPORT FOR A FORM OF GOVERNMENT WHICH WOULD BE RIGHTLY SEEN AS SUCKING POWER UPWARDS AWAY FROM THE PEOPLE. "REGIONAL GOVERNMENT" HAS ALWAYS BEEN A MINORITY CULT IN ENGLAND! SO WE REJECT THAT.

RATHER MORE VOCAL ARE THE ARGUMENTS - ESPECIALLY IN LONDON - IN FAVOUR OF KEEPING AN UPPER TIER, BUT IN A WEAKER, SLIMMED-DOWN FORM. BUT MOST SUCH SCHEMES, WHEN EXAMINED CLOSELY, TURN OUT TO BE LITTLE DIFFERENT FROM THE PRESENT AUTHORITIES. TALK OF A "HEAD OFFICE FOR THE BOROUGHS" HAS AN OMINOUS RING ABOUT IT.

AND WHERE WOULD IT LEAD? MR LIVINGSTONE IS BRUTALLY FRANK. HE SAYS THAT HE WOULD SETTLE FOR A GLC WITH 80% OF THE PRESENT POWERS BECAUSE A FUTURE LABOUR GOVERNMENT COULD EASILY GIVE IT BACK THE OTHER 20%. ANYONE WHO FAVOURS A SLIMMED-DOWN UPPER TIER FOR ITS OWN SAKE HAS TO TELL US WHAT SUCH WEAK AUTHORITIES WOULD ACTUALLY DO. IF THEY HAD SUBSTANTIVE FUNCTIONS HOW WOULD THEY AVOID THE DUPLICATION, CONFLICT AND BUREAUCRACY OF WHICH IT IS THE INTENTION OF THIS BILL TO RID US? IF THEY HAD NO SUBSTANTIVE FUNCTIONS, WHAT SORT OF PEOPLE WOULD WASTE THEIR TIME SERVING ON THEM? THAT IS THE DILEMMA FACED BY THOSE WHO ARGUE FOR SOME NEW ELECTED PAN-LONDON BODY. OF COURSE, THE GOVERNMENT WILL LISTEN TO THE ARGUMENTS; BUT I HAVE TO TELL THE HOUSE I HAVE YET TO HEAR A CONVINCING CASE WHICH RESOLVES THAT DILEMMA.

THE THIRD OPTION IS ABOLITION. THAT IS THE ONE THAT THIS GOVERNMENT HAS UNHESITATINGLY CHOSEN. WE BELIEVE THAT LOCAL GOVERNMENT SHOULD BE LOCAL. WE SEE NO CASE FOR A TWO TIER STRUCTURE IN LONDON OR IN THE MET COUNTIES; AND THAT WAS WHY IN OUR 1983 MANIFESTO WE COMMITTED OURSELVES TO ABOLISHING THESE COUNCILS.

WE HAVE YET TO HEAR WHICH OF THESE OPTIONS THE OPPOSITION WOULD CHOOSE. WHY, MR SPEAKER, ARE THEY SO SHIFTY AND EVASIVE ON THIS ISSUE? IS IT BECAUSE THEY KNOW THAT NO GOVERNMENT WOULD WANT TO CONTINUE WITH A STRUCTURE WHICH INEVITABLY LEADS TO CONFLICT? NO DOUBT THEY KNOW IN THEIR HEARTS THAT A SLIMMED-DOWN UPPER TIER WOULD BE A FUTILE DEVICE. IS IT THAT PERHAPS THEY REALLY AGREE WITH THE POLICY WE HAVE ADOPTED, BUT ARE TOO SCARED TO SAY SO?

NOT ALL HON MEMBERS OPPOSITE ARE SO AMBIVALENT. AFTER THE LAST ELECTION THE HON MEMBER FOR PERRY BARR WROTE:

"I DO NOT INTEND TO LIFT ONE LEGISLATIVE FINGER TO STOP THE RETURN OF SINGLE TIER LOCAL GOVERNMENT IN BIRMINGHAM."

MR SPEAKER, WE SHALL WATCH CLOSELY WHAT THE HONOURABLE GENTLEMAN DOES WITH HIS FINGERS IN THE MONTHS AHEAD.

PERHAPS OF GREATER SIGNIFICANCE IS THE RT HONOURABLE GENTLEMAN THE MEMBER FOR GORTON. HE TOLD A LABOUR LOCAL GOVERNMENT CONFERENCE IN 1981 THAT HE WANTED A SINGLE TIER OF LOCAL GOVERNMENT IN LONDON. THE PRESENT SYSTEM, HE SAID, WAS A RECIPE FOR CONFLICT. HE WENT ON

"WE SHOULDN'T REGARD THE EXISTENCE OF THE GLC AS SACROSANCT. IN MY VIEW IT IS AN ENORMOUS BUREAUCRACY WHICH HAS A DUBIOUS ROLE TO PLAY."

FINALLY, THERE IS THE HON MEMBER FOR COPELAND. HE HAS CAREFULLY AVOIDED ANY COMMITMENT TO RESTORING THE MET COUNTIES. BUT HE IS APPARENTLY COMMITTED TO RECREATING SOME KIND OF "ELECTED AUTHORITY FOR LONDON". WE AWAIT WITH SOME INTEREST FURTHER DETAILS OF HIS PROPOSALS.

I TURN NOW TO THE BILL, AND OUR PROPOSALS FOR THE NEW STRUCTURE. THE BILL DISPELLS SOME MYTHS.

THERE WAS THE SUGGESTION, BANDIED ABOUT BEFORE IT WAS PUBLISHED, THAT IT WOULD BE NO MORE THAN A GENERAL ENABLING BILL. NOW THAT IT IS BEFORE US, THE HOUSE CAN SEE THAT VIRTUALLY ALL THE SUBSTANTIVE CHANGES ARE DEALT WITH IN THE BILL ITSELF. OF COURSE THERE ARE ORDER-MAKING POWERS; BUT THEY GENERALLY FOLLOW CLOSELY THE PRECEDENTS IN THE 1963 AND 1972 ACTS.

SECOND, IT IS NOT A BILL TO TRANSFER WHOLESALE LOCAL AUTHORITY FUNCTIONS TO CENTRAL GOVERNMENT. BASED ON THIS YEAR'S BUDGETED SPENDIG FIGURES, ONLY ABOUT 5% OF THE GLC'S SERVICE FUNCTIONS WILL PASS TO GOVERNMENT DEPARTMENTS OR AGENCIES, INCLUDING FLOOD PROTECTION, SOME ROADS, HISTORIC BUILDINGS AND MAJOR ARTS ACTIVITIES. AROUND 95% OF THE GLC'S SERVICE FUNCTIONS WILL BE DEVOLVED DIRECTLY TO THE LONDON BOROUGHS AND THE JOINT FIRE AUTHORITY. IN THE MET COUNTIES VIRTUALLY ALL SERVICE FUNCTIONS WILL GO TO THE DISTRICTS AND JOINT AUTHORITIES.

THIRD, THERE IS NO DEEP-LAID PLOT AIMED AT A CENTRAL GOVERNMENT TAKEOVER. TWO CLAUSES IN PARTICULAR HAVE LED THE OPPOSITION TO FORMULATE ITS CONSPIRACY THEORY - CLAUSES 80 AND 93.

CLAUSE 80 ENABLES THE HOME, TRANSPORT AND EDUCATION SECRETARIES TO CONTROL THE MANPOWER OF THE JOINT AUTHORITIES AND THE NEW ILEA. MR SPEAKER, WHATEVER THE OPPOSITION MAY SAY, I DO NOT BELIEVE THAT THE RATE-PAYERS WOULD FORGIVE US IF WE ALLOWED A REPLAY OF THE ENPIRE BUILDING WHICH HAPPENED AFTER 1965 AND 1974. TRANSITIONAL CONTROLS - AND CLAUSE 80 IS TRANSITIONAL - ARE ENTIRELY JUSTIFIED TO PREVENT THIS.

CLAUSE 93 HAS ALSO BEEN SEIZED UPON BY THE OPPOSITION. THEY HAVE PRONOUNCED IT "BREATHTAKING" AND "UNPRECEDENTED" THEY HAVE OVER-REACTED AND THEY ARE WRONG. THE POWERS IN CLAUSE 93 ARE PRECEDENTED. CLAUSES IN MORE OR LESS IDENTICAL FORM ARE IN THE 1963 AND 1972 ACTS. THE ORDERS WHICH CAN BE MADE UNDER THE CLAUSE ARE LIMITED TO MATTERS THAT ARE "INCIDENTIAL, CONSEQUENTIAL, TRANSITIONAL, OR SUPPLEMENTARY" TO THE GENERAL PURPOSES OF THE BILL. THEY COULD NOT BE USED TO ALTER RADICALLY THE MAIN PROVISIONS OF THE BILL OR SUBSEQUENTLY TO GIVE EFFECT TO DIFFERENT POLICIES. IN PARTICULAR, THEY COULD NOT BE USED TO TAKE THE JOINT AUTHORITIES OUT OF LOCAL AUTHORITY CONTROL.

FINALLY, THE BILL IS NOT THE END OF LOCAL DEMOCRACY IN LONDON AND THE MET AREAS. YES, 693 UPPER-TIER COUNCILLORS WILL DISAPPEAR. BUT, MR SPEAKER, BOROUGH AND DISTRICT COUNCILLORS - A MAJORITY OF WHOM COME UP FOR RE-ELECTION IN 1986 - WILL RUN LOCAL GOVERNMENT IN THESE AREAS - 4,395 OF THEM!

PART I OF THE BILL PROVIDES THAT THE SEVEN AUTHORITIES WILL CEASE TO EXIST AT MIDNIGHT ON 31 MARCH 1986. PART II, TOGETHER WITH SCHEDULES 1 TO 8, CONTAINS THE ARRANGEMENTS FOR TRANSFERRING MOST OF THE PRESENT UPPER-TIER FUNCTIONS TO THE BOROUGHS AND DISTRICTS.

AMONG THE POWERS DEVOLVED TO THE BOROUGHS AND DISTRICTS IS STRUCTURE PLANNING. THE BILL PROVIDES A NEW AND SIMPLER SYSTEM OF UNITARY DEVELOPMENT PLANS. IT ALSO GIVES INCREASED FREEDOM TO LOCAL GOVERNMENT, FOR THERE WILL NO LONGER BE A REQUIREMENT FOR THE PLANS - WHICH WILL INCORPORATE THE ELEMENTS OF CURRENT STRUCTURE PLANS - TO BE APPROVED BY ME.

OF COURSE, THERE WILL REMAIN THE NEED FOR AN OVERVIEW OF LAND USE PLANNING ISSUES IN THE METROPOLITAN AREAS. TO MEET THIS, I SHALL WHERE NECESSARY GIVE PLANNING GUIDANCE - UNDER EXISTING POWERS - TO THE BOROUGHS AND DISTRICTS. THIS GUIDANCE WILL NOT BE DREAMT UP IN MARSHAM STREET. IN THE MET COUNTIES I SHALL WANT TO CALL CONFERENCES WHICH WILL BRING TOGETHER ALL THE PLANNING AUTHORITIES TO DISCUSS STRATEGIC ISSUES AND TO PRODUCE DRAFT GUIDANCE. IN LONDON I SHALL BE ADVISED BY A PLANNING COMMISSION ESTABLISHED UNDER THE BILL. IN ALL AREAS THERE WILL BE AN OPPORTUNITY FOR PUBLIC COMMENT.

PARTS III AND IV ESTABLISH THE NEW AUTHORITIES: A DIRECTLY-ELECTED INNER LONDON EDUCATION AUTHORITY - A CHANGE FROM OUR ORIGINAL PROPOSALS THAT HAS BEEN WIDELY WELCOMED - AND JOINT AUTHORITIES TO RUN THE FIRE BRIGADE AND CIVIL DEFENCE IN LONDON AND FIRE, POLICE AND PASSENGER TRANSPORT IN EACH MET COUNTY.

JOINT AUTHORITIES ARE NO STRANGERS TO LOCAL GOVERNMENT. IT WAS THE PARTY OPPOSITE WHICH ESTABLISHED PASSENGER TRANSPORT AUTHORITIES IN TYNE AND WEAR, GREATER MANCHESTER, MERSEYSIDE AND THE WEST MIDLANDS. THEY WERE WIDELY REGARDED AS EFFECTIVE.

OR TAKE THE POLICE. THERE EXIST TODAY SEVEN COMBINED POLICE AUTHORITIES IN ENGLAND. IT IS A MATTER OF HISTORY THAT FOUR OF THESE WERE ORIGINALLY CREATED BY THE LABOUR GOVERNMENT BETWEEN 1964 AND 1970.

NEITHER THOSE PTAS NOR THESE COMBINED POLICE AUTHORITIES HAVE EVER BEEN REGARDED AS QUANGOS. NOR WILL THE NEW JOINT AUTHORITIES BE QUANGOS. ON THE CONTRARY, BEING MADE UP OF ELECTED COUNCILLORS APPOINTED BY THE BOROUGH AND DISTRICT COUNCILS THEY WILL BE, AND WILL CLEARLY BE SEEN TO BE, PART OF THE LOCAL GOVERNMENT SYSTEM IN THESE AREAS.

THE GOVERNMENT ARE, OF COURSE, WELL AWARE THAT SOME DISTRICT AUTHORITIES WOULD LIKE TO ASSUME FULL RESPONSIBILITY FOR SOME OR ALL OF THESE SERVICES. THE BILL THEREFORE PROVIDES, IN CLAUSE 40, FOR A POWER BY ORDER FOR INDIVIDUAL AUTHORITIES TO TAKE OVER THE RUNNING OF THESE SERVICES WHERE THEY CAN MAKE A GOOD CASE TO THE SECRETARY OF STATE FOR DOING SO.

PART V DEALS WITH THE ARTS AND WITH VOLUNTARY ORGANISATIONS. FOR THE MOST PART, FUNCTIONS WILL PASS TO THE BOROUGHS AND DISTRICTS. BUT THERE ARE A FEW CASES WHERE SPECIAL ARRANGEMENTS ARE NEEDED; IN PARTICULAR THE SOUTH BANK COMPLEX IN LONDON WILL, AFTER ABOLITION BE RUN BY THE ARTS COUNCIL. MANY IN THE ARTS WORLD WILL WELCOME THIS MOVE, SINCE UNDER ITS PRESENT ADMINISTRATION, THE GLC HAVE SHOWN THEMSELVES QUITE UNFITTED TO RUN THIS IMPORTANT NATIONAL INSTITUTION. IN ADDITION, WE INTEND TO ESTABLISH A NEW TRUSTEE BODY, UNDER CLAUSE 44, TO RUN ART GALLERIES AND MUSEUMS IN MERSEYSIDE.

[THE GOVERNMENT ARE DETERMINED THAT ABOLITION WILL NOT DAMAGE SUPPORT FOR THE ARTS. MY RT HON AND NOBLE FRIEND THE MINISTER FOR THE ARTS HAS ANNOUNCED £34 MILLION ADDITIONAL CENTRAL FUNDING TO LOOK AFTER THE NEEDS OF A NUMBER OF ARTS BODIES, MUSEUMS AND INSTITUTIONS IN LONDON AND THE MET COUNIES WHICH ARE OF MORE THAN LOCAL IMPORTANCE.]

CLAUSE 46 OF THE BILL MAKES SPECIAL PROVISION TO HELP VOLUNTARY BODIES WHICH SERVE A WIDER AREA THAN THE INDIVIDUAL BOROUGH OR DISTRICT.

MR SPEAKER, IT CANNOT BE REPEATED TOO OFTEN THAT IT IS NO PART OF THE GOVERNMENT'S PURPOSE THAT WORTHWHILE VOLUNTARY ACTIVITY SHOULD SUFFER THROUGH THE ABOLITION OF THE SEVEN AUTHORITIES.

OUR PROPOSALS AIM TO HELP VOLUNTARY BODIES IN LONDON AND THE MET COUNTIES IN FOUR WAYS. FIRST, THE BOROUGHS AND DISTRICTS WILL HAVE INCREASED RESOURCES TO MATCH THEIR INCREASED RESPONSIBILITIES. THEY WILL NO LONGER HAVE TO HAND OVER TO THE GLC AND THE MET COUNTIES THE MONEY THE UPPER TIER AUTHORITIES CURRENTLY SPEND ON VOLUNTARY ORGANISATIONS. SECOND, CLAUSE 46 PROVIDES FOR BOROUGHS AND DISTRICTS TO FUND VOLUNTARY BODIES COLLECTIVELY; SO LONG AS TWO-THIRDS OF THE COUNCILS IN ANY AREA AGREE, ALL WILL BE BOUND TO CONTRIBUTE PROPORTIONALLY. THIRD, FOR PROJECTS PREVIOUSLY FUNDED BY THE GLC AND THE MET COUNTIES, THE GOVERNMENT WILL GIVE TRANSITIONAL HELP OF £5 MILLION IN THE FORM OF 75% SPECIFIC GRANTS. AND FOURTH, URBAN PROGRAMME PROJECTS FUNDED BY AN UPPER-TIER COUNCIL WILL BE CONSIDERED FOR RENEWAL IN EXACTLY THE SAME WAY AS OTHER UP PROJECTS.

THE GOVERNMENT IS STILL CONSULTING THE VOLUNTARY BODIES ON THE DETAILS OF THESE ARRANGEMENTS. LET NO ONE DOUBT THE GENUINENESS OF OUR COMMITMENT.

PART VI OF THE BILL DEALS WITH STAFFING ISSUES. I HAVE RECENTLY ISSUED - AND PLACED IN THE LIBRARY - A PAPER WHICH EXPLAINS IN SOME DETAIL THE EFFECT OF THESE PROVISIONS AND THE WAY IN WHICH WE INTEND TO DEAL WITH OTHER MATTERS - IN PARTICULAR COMPENSATION FOR REDUNDANCY - BY REGULATIONS.

WE HAVE ALREADY ESTABLISHED AN INDEPENDENT STAFF COMMISSION TO SAFEGUARD STAFF INTERESTS. I URGE THE UNIONS TO START TALKING TO THE COMMISSION NOW. IT IS THERE TO HELP THEIR MEMBERS

PART VII ESTABLISHES A RESIDUARY BODY IN EACH AREA. THESE BODIES ARE PURELY TEMPORARY - THE BILL IMPOSES ON THEM A DUTY TO WIND UP THEIR AFFAIRS AS SOON AS POSSIBLE. BUT THEY WILL HAVE AN ESSENTIAL ROLE TO PLAY IN THE TRANSITION. AS WELL AS INHERITING ANY PROPERTY, RIGHTS, LIABILITIES, ETC, WHICH DO NOT GO TO ONE OF THE SUCCESSOR BODIES, THEY WILL TAKE OVER THE ADMINISTRATION OF EXISTING DEBT AND SUPERANNUATION FUNDS - UNLESS, IN ANY MET COUNTY, THE DISTRICTS AGREE AMONGST THEMSELVES BEFORE ABOLITION THAT THESE SHOULD PASS TO ONE DISTRICT COUNCIL.

PART VIII DEALS WITH FINANCE, INCLUDING DETAILED TRANSITIONAL ARRANGEMENTS CONCERNING GREs, BLOCK GRANT AND TARGETS; AND THERE WILL BE NECESSARY CHANGES TO LONDON EQUALISATION. IT IS OUR AIM TO SECURE THAT ABOLITION DOES NOT FORTUITOUSLY BENEFIT OR PENALISE ANY INDIVIDUAL AUTHORITY.

MR SPEAKER, THE CENTRAL PURPOSE OF THE BILL IS TO PROVIDE A MORE LOCAL AND A MORE ACCOUNTABLE SYSTEM OF LOCAL GOVERNMENT IN LONDON AND THE METROPOLITAN COUNTIES. PEOPLE IN THESE AREAS WILL HAVE ONLY ONE LOCAL COUNCIL TO DEAL WITH. THEY WILL LOOK TO THEIR LOCAL COUNCILLORS TO DEAL WITH COMPLAINTS AND QUERIES. DECISIONS WILL BE TAKEN LOCALLY BY STRONG, ELECTED LOCAL AUTHORITIES.

OF COURSE THERE WILL BE SAVINGS. THEY WILL STEM FROM A SYSTEM OF LOCAL GOVERNMENT WHICH WILL BE CLOSER - AND THEREFORE MORE ACCOUNTABLE - TO THE PEOPLE. THERE WILL ALSO BE SAVINGS BECAUSE REMOVING A WHOLE LAYER OF GOVERNMENT WILL CUT OUT DUPLICATION AND UNNECESSARY BUREAUCRACY.

I UNDERTOOK, EARLIER IN THE YEAR, TO PUBLISH THE GOVERNMENT'S LATEST ESTIMATE OF THE SAVINGS WE EXPECT AND OF ANY EXTRA COSTS LIKELY TO BE INCURRED. I DRAW THE HOUSE'S ATTENTION TO THE WRITTEN ANSWER GIVEN LAST FRIDAY TO MY HON FRIEND THE MEMBER FOR SURBITON.

IF ANYONE DOUBTS THE SCOPE FOR SAVINGS, LET HIM CONSIDER THE GLC'S SPENDING RECORD. ITS EXTRAVAGANCE HAS BECOME A BY-WORD. ITS £10 MILLION PROPAGANDA CAMPAIGN, ITS WOMEN'S COMMITTEE, WHICH SPENDS THREE TIMES THE BUDGET OF THE EQUAL OPPORTUNITIES COMMISSION, ITS ABSURD FORAYS INTO FOREIGN POLICY - THE LIST OF ITS FOLLIES IS ENDLESS. IT WOULD ALL BE A GREAT JOKE IF IT WEREN'T FOR THE FACT THAT IT IS THE RATEPAYERS OF LONDON WHO HAVE HAD TO PAY FOR IT ALL.

THE GLC AND THE MET COUNTIES TOGETHER ARE PLANNING TO EXCEED THE GOVERNMENT'S TARGETS BY MORE THAN £400 MILLION. THEIR BUDGETS EXCEED THEIR GREs BY £600 MILLION. OF COURSE, NOT ALL OF THIS CAN BE, OR PERHAPS EVEN SHOULD BE, WIPED OUT. THERE IS PLENTY OF SCOPE FOR THE SUCCESSOR AUTHORITIES TO MAKE SAVINGS.

MR SPEAKER, IN OPPOSING THIS BILL, THE OPPOSITION OWE IT TO THE HOUSE TO COME CLEAN ON WHAT THEIR POLICY IS.

AND IF THEY HAVEN'T GOT A POLICY, THEN LET THEM BASE THEIR ARGUMENT ON WHAT IS IN THE BILL AND NOT ON THE MYTHS THAT HAVE BEEN PLASTERED OVER ALL THE HOARDINGS IN LONDON AND THE MET COUNTIES.

THEY SAY THAT ABOLITION IS PURE PARTY SPITE. ABOLITION HAS BEEN AND IS SUPPORTED BY LOCAL AUTHORITIES OF ALL POLITICAL PERSUASIONS.

THEY SAY THAT ABOLITION WILL DESTROY LOCAL DEMOCRACY IN THE BIG CITIES. NEARLY 4½ THOUSAND LOCAL COUNCILLORS WILL PROVE THEM WRONG.

THEY SAY THAT, AFTER ABOLITION, WHITEHALL WILL TAKE OVER. WRONG AGAIN! ONLY 5% OF SERVICE SPENDING IN LONDON AND VIRTUALLY NONE OUTSIDE LONDON, WILL GO OUTSIDE LOCAL GOVERNMENT.

THEY SAY THE ABOLITION COUNCILS WILL BE REPLACED BY QUANGOS. WRONG AGAIN! ONLY TWO PERMANENT NEW APPOINTED BODIES WILL BE CREATED - THE LONDON PLANNING COMMISSION AND THE MERSEYSIDE MUSEUMS TRUSTEE BODY.

THEY SAY THERE WILL BE NO SAVINGS, ONLY COSTS. THERE WILL BE SAVINGS AND IT IS THE RATEPAYER WHO WILL BENEFIT.

MR SPEAKER, ABOLITION OF THESE SEVEN AUTHORITIES WAS A CLEAR MANIFESTO PLEDGE ON WHICH THIS PARTY FOUGHT AND WON THE LAST GENERAL ELECTION. THIS BILL FULFILS THAT PLEDGE. I COMMEND IT TO THE HOUSE.

CONFIDENTIAL

Conservative Research Department Brief

THE LOCAL GOVERNMENT BILL

Prepared For:

Second Reading Debate in the House of Commons, 3rd & 4th December 1984

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THE LOCAL GOVERNMENT BILL

The object of this brief is to examine some of the main issues that are likely to be raised at Second Reading. 'Politics Today', 10th September 1984, which is available in the Whips' Office provides further briefing on Abolition. The Department of the Environment's 'Yellow Book', called 'The Government's Proposals for Transferring Functions to the London Boroughs and Metropolitan Districts' is a comprehensive guide to the proposed changes. This is available from the Vote Office as is the very clear 'Guide to the Bill' produced by the Department.

A Necessary Measure

The 1983 Conservative Manifesto said:

> 'The Metropolitan Councils and the Greater London Council have been shown to be a wasteful and unnecessary tier of government. We shall abolish them and return most of their functions to the boroughs and districts. Services which need to be administered over a wider area - such as police and fire, and education in inner London - will be run by joint boards of borough or district representatives.'

Abolition of these councils will lead to better and simpler local government by concentrating the provision of services in the existing London borough and metropolitan district councils and eliminating expensive and time-consuming delays caused by the present overlap of functions. As the Minister for Local Government, Mr Kenneth Baker, said when the Bill was published:

'Our proposals were first set out in detail in the White Paper "Streamlining the Cities" published just over a year ago. We have issued a number of consultation papers on particular aspects of the proposals and we have listened carefully to all the constructive views that have been expressed. Nothing that has been said alters our conviction that the GLC and the MCCs are an unnecessary tier of government. They have too little to do and much of what they do involves interference with or duplication of the activities of the really local authorities - the boroughs and districts' (Press Release, 22nd November 1984).

Power Closer to the People

The London boroughs have 1,914 members as against only 92 for the GLC. In the metropolitan districts there are nearly 2,500 councillors whereas the metropolitan counties have only about 600 members. Borough and metropolitan district councillors represent smaller wards than do the county councillors so they are better able to keep closely in touch with the local community.

Opponents of the Government's plans have alleged that the Bill is a centralising not a decentralising measure, that most responsibilities of the GLC and MCCs are being transferred to quangos and ministries, not to lower-tier authorities. This is not so. Three-quarters of the expenditure of the GLC is accounted for by services which will be transferred directly to the boroughs. A further 20 per cent is accounted for by the fire brigade which is to be the responsibility of a joint board of borough councillors.

The claims by the GLC that only 30 per cent of its expenditure is being transfered directly to the boroughs appears to be based on the assumption that debt charges, which have to be paid whoever has responsibility , will remain with the central residuary body. In fact they will be apportioned among the boroughs before the residuary body is wound up.

Another measure of how which the GLC's powers are devolved to the boroughs is the extent to which the decisions that members of the GLC actually take, as opposed to the formal endorsement of the decisions of officers, will be taken by the boroughs.

Decisions in matters of substance such as planning, highway management and licensing taken at present by GLC committees and panels of members will go straight to the boroughs. Analysis of the matters debated at GLC council meetings gives little guidance as to whether the more important matters are being transferred to the boroughs, since so much time is devoted to discussing matters over which the Council has no control, such as police operations in Yorkshire and conditions in Armagh jail.

In the metropolitan counties, services which are not being transferred to the districts are going to joint boards of elected district councillors which will be responsible for public transport, fire and police.

Joint Boards

The Joint-boards have been criticised on the grounds that they will be weak and dominated by their officers. Joint boards are not new. Several police authorities cover more than one county area and this arrangement works well. Problems arise however when members of an authority responsible for one of these services try to usurp the proper functions of the officers in charge. Recent attempts by the councillors of South Yorkshire to interfere in policing were widely criticised. As the Home Secretary, Mr Leon Brittan told the Association of County Councils Conference on 7th November 1984:

> 'In this country the police are the servants not of the Government but of the law. Our system of policing was so contructed to prevent the police being caught up in party politics. While this Government has any influence, police operations in support of the law have not been, are not and will not be under the direction of any Minister, nor any local authority. Operational matters have been, are and will remain the responsibility of the Chief Constable.'

The Passenger Transport Executives (PTEs) in the metropolitan counties should also have freedom to manage their businesses, though policy decisions remain with elected members. In this field also joint boards have been shown to work. Four of the present PTEs were constituted in 1968 as joint boards under Labour's legislation. This arrangement worked and in Tyne and Wear it was the joint board which initiated and planned the metro system.

The power of the Secretary of State to control manpower and expenditure of the joint boards is intended to prevent wasteful and unnecessary expansion of staffing levels in the transitional period. It will not mean that police and fire services will be required to reduce services below the standards required by the Home Secretary.

A Residuary Body will be appointed for each metropolitan county and for Greater London. They will be appointed by and answerable to the Secretary of State. They will be responsible for handling the disposal of surplus property, the administration of outstanding debt and the redundancy payments to the staff of the authorities abolished not required by the successor bodies. These bodies will have a limited life and the Bill requires them to complete their work within five years of the abolition date.

Cutting the Cost of Local Government

Savings will result from Abolition for three reasons:

- A whole layer of local government will be removed and not replaced.
- Duplication of functions between two layers of local government will be removed.
- The transfer of services will present an opportunity for critical appraisal in terms of efficiency and economy.

The financial memorandum to the Bill states:

> 'The Government's current estimate, is that, subject to decisions yet to be taken by successor authorities, a saving of the order of £100 million annually will be achievable by removing a tier of government and eliminating duplication of functions. There will be some transitional costs falling most heavily in 1986/7 and reducing sharply thereafter. The main component of these costs will be compensation to staff for redundancy. This is estimated at about £40 million in 1986/7.

This estimate of the savings appears to be cautious. The technical functions which will be transferred to the boroughs such as highway management, waste disposal planning and building control (inner London only) from the GLC and the MCCs will complement the existing activities of those boroughs. These additional activities can be slotted in to the existing departments in those councils quite easily. The London borough and metropolitan district councils will only have to take on those staff that they wish from the GLC and MCCs.

Savings through Simplification in the Metropolitan Areas

A study carried out by independent accountants Price Waterhouse last spring on behalf of eight metropolitan district councils found that the rationalisation of staff that would follow from abolition would alone save 2,000 staff and £20 million per year, in the three counties examined, West Midlands, Merseyside and Greater Manchester. There would be, say Price Waterhouse, savings of £35 million from abolition of all the metropolitan counties. As the leaders of the districts concerned pointed out when the report was published, once the districts have inherited the services and control the policies they can improve the efficiency of those services and make further savings. Savings will also come from the savings in accomodation costs associated with the reduced number of staff, something not evaluated by Price Waterhouse.

The metropolitan county councils have frequently claimed that a report which they commissioned from management consultants Coopers and Lybrand Associates (C&L) shows that abolition will increase costs. In fact the C&L report, published in February, estimates that abolition would save between £5.5 million and £12 million per year if there is good co-operation between the councils. It is only if there is what C&L describe as 'limited co-operation' that they claim that costs will rise, by between £11 million and £21 million, per year. Over half these additional costs are claimed to be in one area, waste disposal. The reason for these estimates of a possible rise in costs for this service of 30 per cent is that they say that without co-operation some facilities would be underused while new plant would need to be constructed elsewhere. Clearly this would be in the interests neither of the districts that presently possess the plans nor those that don't, both would lose money by refusal to co-operate. In other words, the metropolitan counties, in putting forward C&L's worst case scenario, have assumed that the districts all act against their own interests.

A further study by C&L, on the cost of servicing joint boards, was published on 28th November. This study claims that additional costs would be between £700,000 and £5 million per year. It appears that the consultants spoke only to the MCCs themselves and Labour-controlled districts. So it is based on data which is, to say the least, suspect.

Ending the Extravagance of the GLC

Considerable savings will result from abolition of the Greater London Council. The London boroughs, like the metropolitan districts, already have departments handling highways, planning, waste collection and other technical services and they will be able to take on the additional responsibilites without taking on the GLC's overheads. A study by the treasurers of four London boroughs estimates the savings from rationalisation and ending duplication at approximately £35 million per year. Substantial savings will be made from the elimination of the GLC's massive central administration and support services which have not diminished despite the handing over of operational services from the GLC to other authorities in recent years. The Director-General's Department, for instance has an establishment of 1,670. Sale of County Hall would raise a very considerable sum for the benefit of London's ratepayers. The rate bill alone on this building is £9 million per year.

Considerable further savings will come simply from elimination of wasteful additional expenditure incurred by the Labour administration. Grants to crazy 'groups', the Women's Unit and the Police Committee will all cease. The GLC has created 1,400 extra posts, few of which are for people to provide extra services to the public; these also will go. A Conservative GLC would reduce expenditure and make significant savings, but there are very substantial savings that can only come from abolition of the GLC.

The Financial Memorandum estimates that transitional costs of abolition of the GLC and MCCs
will be £40 million, mainly from redundancy payments. Some staff will have lett voluntarily before abolition without taking redundancy pay and this will limit the cost of redundancy, as will Clause 50 which limits compensation to those with fixed term contracts signed after 1st March 1984.

Voluntary Organisations

There has been unjustified anxiety about the future of voluntary organisations in London and the metropolitan counties which at present receive assistance from the GLC and the county councils.

Many of the organisations receiving assistance serve only one borough and it is right that they should look to their local council for assistance. It should be for the borough council to decide on the way best to use resources for the good of their area. In a speech to the National Council of Voluntary Orgainsations (NCVO) on 12th November 1984, Mr Patrick Jenkin said that because of the additional responsibilites, including assistance to voluntary organisations, the expenditure targets, GREs and rate support grant for the boroughs would be increased.

The Government recognises that there should be collective funding of certain organisations that serve more than one borough or district. The need for this has long been recognised by the London boroughs which operate a scheme for assistance to voluntary organisations through the London Boroughs Association. This scheme has been weakened by the action of the Labour boroughs in leaving the LBA to form the Association of London Authorities, whose main purpose is political campaigning. Clause 46 of the Bill provides for the statutory joint funding of voluntary organisations in each conurbation. Under the proposals a borough may propose funding particular organisations ; if it can secure the assent of a certain proportion of all the boroughs in the conurbation, two-thirds is proposed in a consultation paper, then the cost is spread amongst all the boroughs. It is proposed to set a maximum for the grant aid under the Statutory Scheme, a total of £10 million per year in London is suggested in the consultation paper. In addition the Government proposes a 75 per cent specific grant for spending of up to £5 million per year in the abolition areas on grants to voluntary organisations for the first four years after abolition.

As Patrick Jenkin told the NCVO:

'We are proposing, therefore, a substantial package of measures. They will go a long way to meet the problems you have identified. They will leave these local decisions where they properly lie - with local elected councillors'.

Of course the London borough councils are unlikely to take on all of the grants that the GLC at present disburses. Organisations such as the Marx Memorial Library and Lesbian Line will receive little assistance from Conservative boroughs, and indeed some of the Labour councils may think that there are better ways of spending money than supporting the organisations the GLC now funds.

Provisions for Secondary Legislation

Details of all transfers of staff, property etc. from the GLC and metropolitan counties to the boroughs and other successor bodies will be settled by Order. The 98 clauses and 17 schedules of the Bill do, however, clearly set out the new structure of local government and the powers and duties of the joint boards and other new bodies.

Clause 93 gives a power to make incedental, consequential, transitional and supplementary provisions. This clause is modelled on the general clauses in many Acts which provide for supplementary measures to be taken consequential on the main purposes of the Act. In particular there are directly comparable precedents in s254 of the Local Government Act 1972 and in s84 of the London Government Act 1963 although some matters dealt with in those sections are in this bill covered separately in clauses 90 and 92.

The orders made under the clause are limited to matters that are incidental, consequential, transitional or supplementary to the general purpose of the Bill. They cannot be used to alter in radical ways the main provisions of the bill or subsequently to give effect to different policies. Nothing in this clause would provide a power for a minister to take over a function which under other provisions in the Bill was to become the statutory responsibility of a borough, district or new authority.

Education in Inner London

The major change that will take place to ILEA under the proposed legislation is that it will become directly elected: Each member (2 for each parliamentary constituency in the ILEA area) will be answerable to the electors, ILEA will have no other responsibilty than Education. This replaces the existing "special committee" status of the ILEA whereby all the members are either members of the GLC or nominees of the Inner London boroughs. The elections for the ILEA will take place on the same day as borough elections in 1986, and until then the existing nominated ILEA will continue to act.

The Government considered devolving education to the boroughs, continuing the system of borough nominees running ILEA, or allowing boroughs to opt to run their own education system. One of the problems of devolution to boroughs was the disruption of a system designed for a large area. Opting out could have allowed the wealthier boroughs to withdraw, leaving scattered and poorer boroughs for whom planning and financial provision would have been difficult. A nominee systme was felt to put education too far in second place to borough functions. The Government has accepted the view of the consultation process in favour of a directly elected ILEA.

ILEA lacks cost consciousness and a proper sense of duty to economy in the ratepayers' interest. The new ILEA will be required to consult the boroughs and the City each year about its draft budget and main policy objectives, and its performance will be reviewed in 1991. ILEA is ratecapped in 1985-86 and the Bill provides for budgetary control to be applied for the first three years of the new ILEA's life.

The Government feels that the opportunity is there for ILEA to demonstrate how well it can perform with greater responsibility to the electors.

Clause 21 of the Bill requires the Secretary of State to review the exercise of functions by the Inner London Education Authority before 1991 and lay the report before Parliament. There is a power to transfer functions of ILEA to the boroughs or reorganise the Authority, by order after the report has been considered.

Is a London-wide Body Still Required?

It has been suggested that a directly elected council for London, but with more limited powers than the GLC has at present, is still necessary.

The case for a 'son of GLC' must rest on the need for firm central control of planning in London. This, of course, is something the socialists consider to be essential. In fact there is now no need for this sort of planning. Control of development is something that is best left to the real local authorities, the London boroughs. The GLC's role in planning has been one of waste and interference leading to delays and expensive battles with the boroughs. For example, the boroughs' traffic management proposals have to be approved by the GLC, something which can take many months.

It is simply not clear what a 'slimmed down body' would do if its job went beyond getting in the way of the boroughs as they carried out their planning and highway functions. It would of course retain the responsibilty for the fire brigade, the one service which needs to be run on a London-wide basis, but this alone is not sufficient to justify the retention of a directly-elected body.

Much of the support for the GLC is based on a misapprehension that the GLC is responsible for social services, education, planning and many functions which other authorities provide. A survey carried out by MORI in June 1984 for the GLC showed that over half of those who opposed abolition did so simply because they thought it was "doing a good job", they could give no more specific reason.

The Voice of London?

There is no need for the GLC or other such body as a voice for London. The boroughs and London MPs will be a very effective voice for London. It is an illusion that the GLC ever could be an effective voice for London and implement strategic decisions. The Labour GLC's propaganda, foreign policy and grants to weird groups sometimes distract attention from a fact of central importance - that the GLC has no effective stategic role.

As Mr Jenkin said on 18th May 1984

> 'The GLC is unnecessary because it is a hollow shell.'

Ken Livingstone, in March 1979, said in a speech at County Hall

> 'If the housing role of the GLC is virtually obliterated, which is basically what we're moving towards in this council, I fail to see what role there is for this body at all ...'

Perhaps Mr Livingstone has not changed his mind.

The battle to save the GLC is for the Labour Left not a campaign to save a cherished organ of local administration but the part of the wider struggle to bring down the government. This Mr Livingstone made clear in a speech on the 'Day of Action' November 7th (reported in Labour Herald, 16th November 1984) when he said.

> 'We have the chance to defeat this government, to break its will and to bring it down. That is the option before us. It involves total support for the miners, total resistance to everything this government seeks to do to local government.'

Conservative Research Department
32 Smith Square

CW/SAM
29th November 1984

NYPM AT 4/12

CC NO

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

3 December 1984

Dear Patrick

NEW BURDENS ON LOCAL GOVERNMENT

Thank you for your letter of 13 November.

I fully endorse your view that the current position is unsatisfactory. Although we do have the opportunity to discuss individual proposals in H Committee, we do so without looking at the wider context of the cumulative burdens we are imposing on local authorities. I support your proposals for a more systematic approach.

That said, I regret that you are unable to support the suggestions I put forward. I see two aspects to the problem. We are both rightly troubled about the inconsistency of adding to burdens on local authorities, while pressing them to reduce spending. But my major concern has to be with the effect on the total of public expenditure by central and local government. As you rightly point out, at a time when local authorities in aggregate are substantially overspending it is difficult to assume that local authorities can accommodate identifiable new burdens without adding to total spending. New burdens with additional spending implications point to an addition to the overspend. If public expenditure is to be no higher, we should look for an offsetting saving on Vote-borne expenditure.

I note that you feel that the arrangement I propose, to transfer PES provision from central government to local authorities, would "not in practice ensure sufficient resource cover for the additional local authority expenditure involved." But surely some transfer into local authority relevant current provision must be preferable to none, if any additions to burdens

with additional spending implications are to be allowed at all.

I would be prepared to drop my earlier proposal for a formal procedure. But I should warn that, unless Departments offer offsetting savings (and PES transfers into local authority relevant current expenditure), I shall continue to oppose measures which are likely to add to local authority expenditure. (You and other colleagues will be aware of some recent or current examples.) I hope you can agree that, in addition to your proposals, this is not unreasonable.

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

Yours ever Peter

PETER REES

Local Gov

PT 23

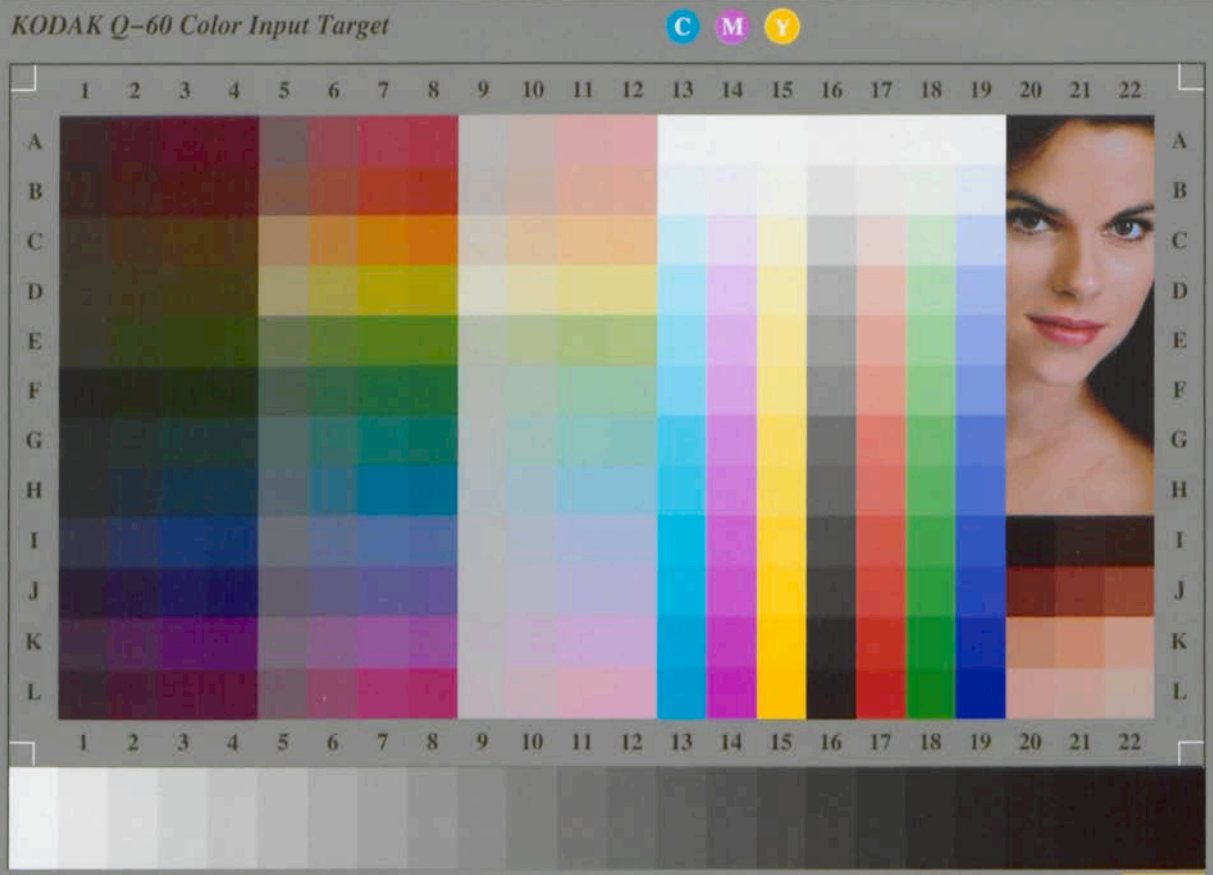
Relating

PART 23 ends:-

CST's office to DOE November 1989

PART 24 begins:-

CST to S/SDOE 3/12/89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