

PREM 19/1559

Confidential Filing

Relations between Central and
Local Government

Local Authority Expenditure
Local Authority Elections

Abolition of GLC and MCC's

LOCAL
GOVERNMENT

PC 1: MAY 1979

PC 25: JANUARY 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7.1.85		21.3.85					
14.1.85		25.3.85					
16.1.85		26.5.85					
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~~PART ENDS~~

PREM 19/1559

PART 25 ends:-

Draft background briefing by
Press Officers

PART 26 begins:-

CR to FETUS

1.4.85

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, 6 February 1985, columns 957-971 [Local Government (Practices and Procedures)] and 976-1026 [Local Government (Rates)]

Signed Wayland Date 20 February 2014

PREM Records Team

NOTE FOR BACKGROUND BRIEFING BY PRESS OFFICERSSEMINAR ON LOCAL GOVERNMENT FINANCE

This was a meeting to take stock of the progress of the review of local government finance and the rating system which was announced by the Secretary of State for the Environment last October. [List Ministers who were present.]

The purpose of the review is to see if a fairer, simpler and more stable system of local government finance can be found which would strengthen accountability of local authorities to their communities, while maintaining a reasonable balance between the interests of central and local government. The review is covering alternatives to domestic rates and is also concerned with business taxpayers, who at present pay rates but do not have a corresponding voice in local government elections.

The Prime Minister and other colleagues present today welcomed the progress made with the work. ~~This was not an occasion for taking decisions.~~ ^{final} There is much further work to be done over the next few months, including consultations with Ministers not represented at Chequers today, and there will be opportunities for wider public discussion before final decisions are made.

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APR 1974

Declined over the telephone to Christine Wall, Press Office

SEMINAR ON LOCAL GOVERNMENT FINANCE

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* The Prime Minister, Lord President, Secretary of State for Environment, Scotland and Wales, the Chief Secretary to the Treasury, the Minister without Portfolio, the Paymaster General, the Minister for Local Government (Mr. Kenneth Baker), the Parliamentary Secretary Department of the Environment (Mr. Waldegrave) and the Parliamentary Secretary Scottish Office (Mr. Ancram).

CONFIDENTIAL

Local Government Finance

by

L.H. Hoffmann

March 1985

LOCAL GOVERNMENT FINANCE

1. THE OBJECTIVES

A system of local authority finance should have the following characteristics, in order of importance:

1.1 Rationality

1.1.1 Financial decisions by local authorities should have broadly the same consequences as financial decisions by a householder or a businessman. There is no need for the electors to be able to follow the details but there should be a clearly perceptible causal connection between financial decisions and local taxation requirements which electors would accept as reasonable and logical.

1.2 Accountability

1.2.1 There are two aspects to this principle. The first is that the consequences of financial decisions by local authorities should be visited upon their electors and no one else. As many electors as possible should contribute to local taxation and persons who have no vote (such as non-domestic ratepayers) should not contribute. Nor should a local authority be entitled as of right to central funds, although the principle of fairness (see paragraph 1.4) may require Central Government to ensure that all local authorities have the resources to provide certain minimum standards of service. Conversely, within the limits of its delegated powers, a local authority should be free to make its own spending decisions at the expense of its electors.

1.2.2 The other side of the accountability principle is that local authorities should *not* be held responsible for decisions which are in fact made by Central Government. Decisions on grants which reflect Central Government policy on counter-inflation, social priorities or regional policy should be seen as such and not concealed in an allegedly impersonal rate support grant formula.

1.3 Simplicity

1.3.1 The system should not pretend to a degree of precision which is not in practice attainable. In particular, the mechanism of distribution of RSG should not involve the use of formulae of great complication which suggest that issues of fairness and social policy can be expressed in mathematics. These formulae do not in practice prevent inequalities and are suspected of being capable of manipulation to reflect political priorities. This probably causes more resentment than the rough justice of cruder methods of distribution.

1.4 Fairness

1.4.1 Central Government should be responsible for ensuring that all citizens receive a minimum provision of certain services by their local authorities. This requires the distribution of a "needs" grant on a *per capita* basis. It does not require a "resources" grant for the purpose of equalising resources, but the "needs" grant should take resources into account when deciding what part of essential expenditure should be borne by local funds.

1.5 Efficiency

1.5.1 This covers a large number of questions. The structure of local government is one. Value for money means not only efficiency in the way the local authority (as a producer of services) controls its costs. It also means optimising what the ratepayer gets for his money. The latter may be best achieved by charging for more services rather than providing them "free", i.e. making ratepayers pay for them whether they really want them or not.

2. THE PROPOSALS

2.1 Simplified Grant System

2.1.1 Local authorities should receive a grant ("basic grant") calculated as follows. From the estimated cost of providing services to a standard level for persons within the local area¹ there should be deducted such sum as Central

Government considers it appropriate that the local authority should itself contribute to the provision of such standard services. There are various ways in which the deduction may be calculated. One is as a simple proportion, without regard to differences in rateable resources or the incomes of residents in different local authority areas. This would eliminate the whole of the redistributive effect of the present rate support grant system. It would be a logical step if rates were to be replaced by a uniform *per capita* charge upon all adults within a given local authority area. On the other hand, if rates are retained as a local tax, some regard may be necessary to inequalities in resources. This could be done by expressing the deduction in the case of each authority as the result of a centrally determined but uniform poundage domestic rate² ("the standard rate"). Thus authorities with a higher ratio of rateable domestic resources to inhabitants will suffer a larger deduction (and receive less grant) than poorer authorities. The basic grant will therefore reflect both needs and resources but will not aim, as at present, to *equalise* resources.

2.1.2 The effect of this system will be that any authority which charged its electors the standard rate would be able to provide them with minimum services. If it decided to provide better services, it would have to increase its domestic rates. The consequences of higher spending would be rational and visible: see Objective 1.1.

2.1.3 The consequences of higher spending would be visited upon the domestic ratepayers. Whether they are a sufficient approximation to the electors is considered later, but part of Objective 1.2.1 would be satisfied by restricting the effect to domestic ratepayers. The system would be simple: see Objective 1.3. It will also achieve the fairness required by Objective 1.4 but not aim for general redistribution of resources, which should be left to specific Government social and regional policies: see Objective 1.2.2.

2.2 Supplementary Grants

2.2.1 In order to remedy the crudeness of the basic grant system, Central Government would have to make specific supplementary grants in accordance with its social and regional

1. This should involve a simplified version of the present determination of GREs.

2. The result of the non-domestic rate is discussed in paragraph 2.3.1.

policies. Such grants may be necessary for the achievement of particular education policies, inner city policies, policing policy and so on. These would reflect the Government's social priorities and the constraints of its macro-economic policies: see Objective 1.2.2.

2.3 Local taxation

2.3.1 Rates should continue to be levied by local authorities on non-domestic properties but the non-domestic rate should be fixed by Central Government and the product set off against the basic grant³. The restriction of local authority taxation powers to its residents satisfies Objectives 1.1 and 1.2⁴.

2.3.2 Although domestic rates are not an ideal form of local taxation, there is no other which is not open to more serious objections. The objections to rates are, first, that the rateable value of an occupier's home may be wholly unrelated to his ability to pay and secondly, that many people do not pay rates, either because they are not occupiers or because they are entitled to some kind of relief. The first objection can be exaggerated. Within a given area, differences in rateable value are related to differences in the size and value of properties. Differences between areas (e.g. London and the provinces) can be largely neutralised by reducing or eliminating the redistributive effect of the rate support grant (see paragraph 2.1.1). The second objection can be met by alterations in the system of rate relief. The fact that non-occupiers do not pay is a private matter between them and the occupiers. Everyone must live somewhere and the fact that an occupier (e.g. a husband) may allow his wife and adult children to live on the premises without making a contribution to the rates is not an objection to the system.

2.3.3 The alternative to rates, in whole or in part, is a uniform *per capita* tax on all adult residents. This will require wholly new administrative machinery and will undoubtedly be more difficult to collect than rates. Its principal advantage is that it will be paid by rich and poor alike, thereby increasing

3. Logically, a non-domestic rate which exceeds basic grant should be paid over to the Exchequer.

4. This would mean the end of domestic rate relief.

accountability. On the other hand, this advantage will be bought at the cost of greater administrative costs and the unpopularity bound to be caused by the introduction of an overtly regressive tax. Furthermore, the degree of accountability produced by a *per capita* tax should be measured not against the existing rating system but against a system modified as suggested in paragraph 2.3.1.

2.3.4 A compromise is to retain rates for providing the local contribution to the standard level of services but to require a *per capita* tax to be used for raising money for any higher level of spending. This mitigates the regressive effect of the tax and brings it home to residents that the *per capita* tax is being exacted solely to finance a higher level of spending than is absolutely necessary. It does however require the local authority to maintain the administrative machinery of two systems of taxation.

2.3.5 It must be emphasised, however, that the implementation of Objective 1.1 must precede or accompany any reform of local taxation. If the amount payable in local taxes is not perceived as a fair and logical consequence of spending decisions by an authority accountable to the residents, an extension of liability to pay such taxes will make matters worse rather than better.

2.4 Abolition of Targets and Penalties

2.4.1 The present system of targets and penalties seeks to restrain local authority expenditure by making the marginal cost to the authority of expenditure over a certain amount greater than the actual cost of such expenditure. The scheme propounded above will allow local authorities freedom of expenditure on current account on matters within their competence, provided that they are funded from the domestic rate. There will still be Central Government control over borrowing, the non-domestic rate and of course over the total grants. It is hoped that with the introduction of what amounts to a general capping of the non-domestic rate, the Treasury will accept that no additional controls of current expenditure are necessary and that targets and penalties can be abolished.

! ?
 us. no control over
 local gov't current spend
 also effects control
 on it approx

At a
 meeting
 20/11/19

What are Vires? No

2.5 The *Ultra Vires* Rule

2.5.1 If counter-inflation policy does not require control of local current spending out of the domestic rate, ratecapping, either general or selective, can be justified only on the ground that ratepayers need to be protected against the extravagance of their elected representatives. This is a sledgehammer to crack a nut. So far as the ballot box is not a sufficient control, cases of unreasonable extravagance and expenditure on matters outside the competence of the authority can be dealt with by the *ultra vires* rule.

2.5.2 The chief weakness of the *ultra vires* rule has been the lack of an authority specifically charged with enforcing it. Ordinary ratepayers cannot afford litigation and the Attorney-General has not acted. The machinery of the District Audit is slow, cumbersome and can only try to shut the stable door long after the horse has gone. One possibility would be for the Audit Commission to have the right to examine local authority budgets in advance and (as a separate power) the right to take injunction proceedings to restrain *ultra vires* expenditure.

2.6 Charges

2.6.1 A limited central control over charges may be exercised by the calculation of basic grant upon the assumption that certain charges will be made, e.g. that certain services will be in whole or part self-financing. Greater emphasis upon such charges would give ratepayers better value for their money. On the other hand, some control over charges to non-domestic premises would be needed to prevent authorities from resorting to such charges in order to compensate themselves for the loss of freedom to increase the non-domestic rate.

3. TRANSITION

3.1 The above scheme, and probably any scheme, presents formidable problems of transition. Authorities will need long notice of the date from which their basic grant entitlement will be fixed according to the new system, so that they can make the transition from the present system without unnecessary damage or waste.

3.2 Similarly, the transition to a centrally determined non-domestic rate will be difficult. It may be necessary to start by freezing existing rates, but one object of the proposal is to remedy the injustice to non-domestic ratepayers in presently high-rated areas and the reduction of their rates may sooner or later require an increase in the rates of others. On the other hand, provided that differentials in rateable values are realistic, there is no reason in equity why all non-domestic ratepayers should not pay the same poundage rate⁵. Most commercial premises do not present difficult problems of valuation (comparable actual lettings are usually available) and a quinquennial revaluation confined to the non-domestic list should be practical.

4. ACTION

The following action is recommended:

- 4.1 RSG reform to provide a basic grant calculated on a simplified *per capita* GRE basis with deduction of the product of the standard domestic rate and the centrally determined non-domestic rate. The basic grant may be zero but will not be negative⁶.
- 4.2 Transfer of the power to fix non-domestic rates from local authorities to Central Government.
- 4.3 Introduction of specific grants (paid directly or through central/local government partnership authorities) to give effect to Central Government policy on provision of local services or regional aid and development.
- 4.4 Introduction of more charges by local authorities and corresponding reduction in basic grant.
- 4.5 Abolition of targets and penalties.
- 4.6 Measures in conjunction with DHSS to make rate-paying more visible to poor people and council tenants⁷.
- 4.7 Pre-audit of local authority budgets and enforcement of the *ultra vires* rule by the Audit Commission.

5. Subsidies may be offered as a matter of explicit regional policy, but this is another matter.

6. Work should be done on devising a model simplified formula and running it to see what figures it produces.

7. This pre-supposes that the above proposals have been put into effect.

The 1940's -
N. Hammond -
Wash. @ low level.
more included.

RECOMMENDATIONS.

1. A National Non - Domestic Rate.
2. A Lump - sum Needs Grant.
3. Residents' Charge to replace Domestic Rates.
4. { Limit rebates. }
5. Tighter borrowing controls. "
6. Increased Fees and Charges. ~
7. Annual Elections. ~
8. { Overhaul L. A. budgetting framework. }
9. Targetted aid to urban areas.
- X 10. As a longer term move single tier local government.

B. R.
ROBIN

Mr. John Starling, who is President of the Hampshire Federation of Ratepayers Association, rang this morning and asked me to give the Prime Minister this message. His association feels that the main services of education, police and fire service should be financed by Central Government and the remainder(of local services) should be paid for by local ratepayers.

STEPHANIE

31.3.85



CCNO 1

- 1) Mr Baker
- 2) Pina M...
B3/2

Prime Minister

Agree to appointment
 Yes of Mrs Christie or Mrs
 Eccles?
 with TF
 in that order
 no
 29/3

In my minute of 25 February about membership of the Committee of Inquiry into the Conduct of Local Government Business I said that Kenneth Baker and I were taking soundings of a possible fifth member. Although the present members, who held their first meeting on 13 March, make an impressive team, I believe that the appointment of a further robust spirit is called for. I have been looking for someone who combines a good understanding of public affairs with a background outside London. I have been pressed, too, to add a woman to the team.

I should therefore like to put forward for your approval two nominations, ¹ Mrs Elizabeth Christie whom I have known for some years and whose name has been highly recommended to me by Lynda Chalker; and Mrs Diana Eccles recommended to me by Michael Jopling and warmly commended by Peter Walker. Mrs Christie would be my first choice, but Mrs Eccles would make an excellent candidate if Mrs Christie were unavailable. Either candidate would, I believe, be very acceptable to the Party.

Mrs Elizabeth Christie is a solicitor in general practice in Liverpool. A former member of the Race Relations Board



in 1970-77, she was in the running for the Deputy Chairmanship of the Equal Opportunities Commission. She is known to be extremely energetic and business-like. I know her to be a person with a strong sense of what is right and proper in public life. Her father was a Judge in the Palatine Court.

Mrs Diana Eccles is the present Vice-Chairman of the National Council for Voluntary Organisations and has strong links in Yorkshire and the North. Her present appointment as a part-time member of the North Eastern Electricity Board, where I understand she has done outstanding well, expires at the end of April. Her appointment, would be very acceptable to the voluntary sector. She is a daughter-in-law of Lord Eccles.

I have discussed this matter with Mr Widdicombe, the Chairman of the Committee of Inquiry. While he is understandably concerned that any further appointment should take place at the earliest opportunity, and not be seen to undermine the impartiality of the Committee, he would certainly not resist the membership of either Mrs Christie, or Mrs Eccles. Subject to your agreement, I would wish to sound out, as quickly as possible, these two candidates on their availability and willingness to serve. The Committee will be holding their first press conference on 2 April. Mr Widdicombe will need



to have some idea by that time of how matters stand.

If you agree to my doing this, and subject to the outcome of those soundings, I would propose to seek your formal approval to the membership of Mrs Christie (or, should she be unavailable, Mrs Eccles) and to proceed to appointment.

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

P J

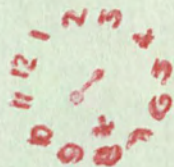
24 March 1985

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

Local Govt Fr 25

Relative

29 MAR 1985



COMPLETION

SECRET

10.30

PRIME MINISTER

29 March 1985

LOCAL GOVERNMENT SEMINAR

1. Handling

The timetable is:

- 11.00 onwards *Participants arrive for coffee*
- 11.30 Patrick Jenkin: Introduction to morning session
- c 11.40 Kenneth Baker: Defects in the present system and defects to centralist approach
- Lunch General discussion
- 2.00 Patrick Jenkin: Introduction to afternoon session
- c 2.10 William Waldegrave: plans for reform
- c 3.30 Your summing up
- or later

Since the meeting is large and Ken and William have a lot to get through, we recommend that you should give them each a clear run for, say, 20-25 minutes, only then asking for comments.

You may wish to guard against the danger that Scotland and Wales will side-track the meeting, with both territorials looking for more money and Scotland enthusiastic about their own system.

2. Kenneth Baker on the Defects of the Present System and of Centralist Approaches

The points most likely to emerge are:

- a. Rapid rise in expenditure - at around £34 billion, and with the present system cracking apart, a new long-lasting, method of control is vital.

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- b. Lack of accountability - too few individuals paying domestic rates, (20% of ratepayers in many councils getting complete rate relief); too many businesses without the vote paying high non-domestic rates; too few services for which the customer pays directly.
- c. Dangerous complexity of the system - 67 different formulae in the grant settlement; substantial redistribution of money around the country which brings us no friends; perverse effects of housing benefit on rents and rates.
- d. Ever more unpopular attempts to impose better controls from the centre - targets, rate-capping, capital spending controls; disliked by Conservative Councils, used by the far-left to make trouble.
- e. The Conservative Party in disarray - many of our Councillors unhappy especially about capital controls; widespread loss of morale; feeling that 'nobody is listening'; poor prospects for local elections; disillusion of 10,000 Councillors likely to cause problems in a general election campaign.

Kenneth will mention two ways of dealing with these problems:

- i. more centralism - in which the Government treats local authorities as mere agents;
- ii. accountable local democracy - in which the Government reforms the system so that it contains checks and balances of its own, avoiding constant central interference.

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He will argue that option i. is both undesirable and politically unattractive.

3. William Waldegrave on Reforming the System (option ii.)

William will outline a bold and radical scheme of reform. It has 4 stages:

I Restoration of accountability to the electorate

- Abolition of domestic rates: (13% of LA income)* by installing a new, simple, across-the-board poll tax for all local inhabitants - a rough average of £150 for each person entitled to vote.
- An end to 100% local tax rebate: by setting an upper limit on the proportion of local tax met from benefits, building on the agreement in MISC 111.
- Increasing the amount of direct charging for services: (16% of LA income, mainly rents) by, for example, compelling councils to balance a wider range of revenue accounts; (as is already true of the housing revenue account).
- Minimising the chances of playing the electoral cycle: by forcing councils to hold annual elections for one third of their members, thus putting a stop to the practice of saving up money for election year.
- Proper audit checks: by strengthening the powers of Auditors.

* All figures on income percentages are for 1982-3 from DoE; they have not changed much since.

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- In the longer term, creating clearer lines of responsibility: by moving to a single tier of local government everywhere.

II Protection of the non-voting business rate-payer
(18% of LA income)

- by fixing a national level for business rates, collected by central government.

III Improvement of the grant system

- Massive simplification of grant system: (26% of LA income) by removing resource-equalisation, so that councils receive grant proportional to the number of people in their area and the kinds of service required.
- More central government control over the spending of central funds: by increasing the proportion of specific grants (15% of LA income), tied to particular uses.

IV More local autonomy

- Simplifying capital expenditure controls: by replacing the unpopular and ineffective 'prescribed proportions' with clear controls on net local authority borrowing; so Councils can spend their own capital receipts (6% of LA income) and rate revenue on capital projects without pushing up the PSBR.
- Abolition of targets and removal of rate-capping: once the system contains its own checks and balances, (with poll taxes biting on all the inhabitants, with the business rate-payer

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protected, with more targetted specific grants, and with proper PSBR limits), we could remove Government controls on current expenditure without causing a spending-spree.

4. Lennie Hoffmann's Paper

You will see that Lennie Hoffmann's paper is a slightly tamer version of these proposals.

Lennie favours retaining rates, instead of a poll tax - because he believes that the poll tax would be regressive and administratively complicated; he has nothing to say about capital spending or single tier authorities; and he does not recommend any change in electoral arrangements, or the scrapping of resource-equalisation.

Apart from these discrepancies, his scheme is the same as DoE's.

5. Victor Rothschild

Victor will probably suggest scrapping the business rate and replacing it by an increase in Corporation Tax, (up from 35% to 43% or 44%). This switches the tax from property to profits and saves on revenue administration, but has to be administered and redistributed nationally, and is less easy to collect.

6. Cyril Taylor

Cyril Taylor has written a paper dealing with many of the same issues. This is attached as Annex B.

Cyril's main recommendations are:

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- annual council elections (1/4 of the council elected each time);
- a second vote for business rate-payers;
- £6 billion reduction of government grants so that councils have to raise more of their own money; with matching reduction in income tax;
- total abolition of rate rebates;
- a poll tax (additional to rates);
- abolition of targets and rate-capping.

As you can see, this follows roughly the same lines as DoE's package. But it is much less thoroughly thought out, and somewhat less radical. Adding poll taxes to rates, as Cyril suggests, would be very unpopular: DoE's proposal to replace rates with poll tax is much more attractive.

7. Other Options

- a. **Transfer of the main education expenditure to Central Government**, matched by abolition of Government grants. Many people like this idea in theory but in practice it would lead to revision of the Education Acts, scrapping Education Committees, and even to scrapping the Shire Counties whose predominant service is education.
- b. **Sales Tax** - it would only amount to some 3% on all goods, which would not very visible. There would be massive variations in the revenue raised by differing authorities. And there would be problems in making every shopkeeper distinguish the local sales tax from the rest of the VAT and the price;

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and rise in revenue from the tax due to inflation and increased sales might lead to soaring local government spending.

- c. A local income tax - unlike poll tax, local income tax revenues would automatically rise in line with earnings, fuelling extra spending. There would be difficulties in distinguishing between the local and central government income tax impositions. The work would have to be done through the central government computer and Inland Revenue system, causing an increase in central bureaucracy; and many people might escape altogether through the black economy, which is probably growing.

8. Policy Unit Comments

I The Substance

William has done a first-rate job.

As DoE say, the objectives should be to restore accountability, to protect the business rate-payer, to reduce the complexity of the grant system, to have less redistribution, and then to restore a greater degree of local autonomy. Our conversations with leading Conservative councillors over the past year make us think that these objectives are widely shared, and that their fulfilment would greatly improve morale in the Party.

In particular, we agree that:

- rates should be replaced by poll tax
- nobody should receive 100% relief from local tax

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- direct charges for services should be increased
- there should be more effective audit checks
- the grants system should be reduced and tactically simplified
- the proportion of specific grants should be increased so that government gets the credit and retains control over its own spending
- the ghastly capital expenditure controls should be replaced by proper limits on net indebtedness
- if all the above measures are implemented, targets and rate-capping should be ended.

We suggest that you query these elements:

- λ - Compulsory annual elections: a central attempt to change the pattern of local elections will be regarded with suspicion, may well evoke irrational hostility of the sort seen over the Paving Bill, and takes no account of the current local variety of practice which councillors like.
- λ - Creating a single tier of local government: although ideal in theory, the experience of successive local government reorganisations, including the abolition of the GLC and the Mets, suggests that institutional change is not the answer; the problems always turn out to be greater, and the benefits usually smaller, than anyone imagines at the start.

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- National setting and collection of the business rate: this would be regarded as highly centralist; Conservatives in the Shire Districts, particularly, will object strongly. A far better solution is to 'cap' the business rate - ie to set a simple, national maximum rate in the £. This would leave our supporters in the Districts content, but would protect the businessman from the rapaciousness of urban left-wing councils; it would also avoid the creation of another, central rate-collecting bureaucracy.

II The Consultative Process

It is vital that any future reform of local government should carry with it our own supporters and councillors. Why not put these ideas forward in Ministerial seminars before issuing a formal paper, with our own local government people joining in the debate? Having a workable set of proposals is a good idea, but it would be quite wrong to present these in an autocratic way: our own supporters would get cross yet again with our local government policy.

8. Decision Points

You will need to decide:

- i. Whether the major proposals are on roughly the right lines?
 - a. Poll tax to replace domestic rates (with no 100% rebates)
 - b. Increased charging
 - c. National collection (DoE), or national maximum (policy Unit) for business rate

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- d. Major simplification of block grants and increased proportion of specific grants
 - e. Abolition of targets and rate-capping
- ii. Are there any minor elements of the package that need to be revised before consultation?
 - iii. How should the proposals be vented with the press, public, and - above all - the Party?

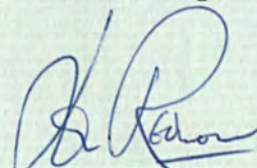
What are the next steps?

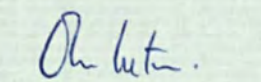
We recommend:

- a report to E(LF) in April on the effects of the proposals for particular councils;
- a couple of months of open, but informal and oral consultation, especially with our own Party;
- the issuing of a revised set of proposals as a Green Paper in July;
- a White Paper at the end of the year, ready for legislation in this Parliament.

9. Conclusion

We believe that this review offers the only real hope of winning back the confidence of the Party. We also believe that it offers the prospect of a lasting change for the better in local Government. After years of half-remedies, you should now attempt a fundamental reform on the lines proposed.


JOHN REDWOOD


OLIVER LETWIN

SECRET

HOW THE RATE SUPPORT GRANT SYSTEM WORKS

The system has been designed to perform two different tasks simultaneously - (1) redistribution between local authorities and (2) public expenditure control. The interaction of these two demands causes endless difficulties.

Step I Setting of planning total. The Government decides how much local authorities ought to spend next year. It adds to this a small "unallocated margin", to allow for overspending. The final sum is called 'the total public expenditure provision for local authorities'.

Step II Assessment of relative need. The Government then decides how much each authority needs to spend to maintain a standard level of services consistent with the total provision. The amount fixed for a given authority is called its "grant-related expenditure" (GRE). The main considerations in deciding this sum are the size of the authority's population and the nature of the services it has to provide.

Step III Setting Exchequer Grant. The Government also decides what proportion of total local authority spending it will meet from the Exchequer. This "Aggregate Exchequer Grant" is divided into "Block Grant (commonly known as "Rate Support Grant") and specific grants such as those for the police.

Step IV Distribution of Grant. Each authority reports on its total rateable value, and the total amount of block grant is then divided between authorities, each receiving a proportion that depends:

- (1) upon its "grant-related-expenditure" (how much it needs to spend to provide an average level of services);
- (2) upon its rateable value (how much it can raise from its own inhabitants);
- (3) upon its actual spending; (the Government bears a smaller proportion of expenditure if an authority spends more than 10% above GRE).

Step V Restraining expenditure. A 'target' is set for each authority. Each individual target is related to the authority's performance in the

previous year. The aim is to allow only modest increases in spending for those authorities who are below GRE, and to produce realistic savings from overspenders. The total of all targets is equal to the total public expenditure provision for local authorities, including the "unallocated margin". An authority that spends above its target suffers 'hold-back': part of the grant to which it would otherwise have been entitled, is withheld. The rate of 'hold-back' increases as the authority's spending goes further over target.

Step VI

Selective limitation. Some authorities that spend either vastly over their 'grant-related-expenditure' or vastly over their targets, or both, will be rate-capped. The Government will set a binding limit on their spending and on the rate they can levy.

BRINGING ACCOUNTABILITY BACK TO LOCAL GOVERNMENTby Cyril Taylor

Central Government through block grants, specific and supplementary grants and domestic rate relief currently funds just under 49% of the costs of local government in England. Of the 51% paid for by the rates, only 40% is paid by domestic rate payers, ie the voters, with the remaining 60% being paid by the commercial rate payers who have no vote. Thus, English domestic rate payers pay only 20% of the total cost of local government services. This lack of electoral accountability is aggravated by the system of rate rebates under which fewer than one voter in three pays full rates.

Also, since rates are levied on houses and flats and not on people, many voters do not pay rates at all since they are neither tenants nor owners of property. In the Greater London area, there are 5,210,954 entitled to vote, yet there are only 2,705,020 domestic rate payers. Only half of Britain's 42 million electorate are rate payers and only 13 million of the 21 million rate payers pay rates in full. While it is true that many of the 21 million voters who do not pay rates are wives (or husbands) of the rate payers, it is also true that many of these non rate paying voters are also wage earners.

It is therefore not really surprising that, when residents are asked to choose between cutting local government services in order to keep the rates down or maintaining services even if it means rates going up, they invariably choose to maintain services. Recent opinion polls in Hillingdon show over 70% would rather maintain services and suffer higher rates. The majority of local government electors may well be justified in believing they are better off voting for a high spending authority since they will not be paying the bill.

Turnout in local elections is very low. In the 1982 London borough elections, only 44% of the electors bothered to vote. Also, ^{despite} recent spectacular rates rises in Camden and Lambeth, high spending local authorities were returned to power in both boroughs in 1982.

Besides this lack of accountability of local authorities to those who actually pay the rate bills, there is also the vexed problem of the relationship between central government and local government.

Central Government has two primary concerns regarding local government. First, as it pays nearly half of the cost of local government in England, it is natural that Ministers wish to exercise control on how this money is spent. Second, as local government spending forms part of the total public expenditure, Conservative Governments since 1979 have tried, without success, to lower local authority spending in order to cut back on the

very high porportion of the GNP spent by the public sector (42.5% in the last year). As local government, both current and capital expenditure, (nearly £34 billion in 1985/6) accounts for over a quarter of total British public expenditure of £132 billion, the Chancellor of the Exchequer is keen to reduce the amount spent by local authorities as part of his economic policy of reducing public expenditure and thus transferring more resources to the private sector.

This concern to reduce local government spending has produced a whole series of complex, arbitrary, confusing and often irritating central government controls on local government spending. The rate support grant has been replaced by block grant which in theory is set by an objective appraisal of a council's need to spend and its resources. Unfortunately, few authorities think the Grant Related Expenditure Assessment (GREA) is fair. Local government leaders spend their time lobbying Ministers to give them more money.

The GREA system has not succeeded in lowering local government spending so the system of block grant penalties, whereby Councils are "fined" if they spend too much and thus lose their block grant, was introduced. This is even more confusing and arbitrary than the GREA system. Some authorities' penalty levels are actually lower than their GREA level.

Again, this new sanction has not worked so rate capping was introduced and now the Ministry find themselves embroiled in the detailed financial management of 18 local authorities.

The current system is unsatisfactory. Local government expenditure is not being reduced. Relations between central and local government have deteriorated as central government takes more and more powers. The increasing frustration felt by councillors is making it increasingly difficult to recruit good candidates to stand as councillors. In some areas of the country, Conservative Associations are even advertising for council candidates.

It is therefore time that the Conservative Party sought a radical solution to the problem of reducing local government expenditure (and achieving value for money) while at the same time reducing the control of central government on the day to day decisions of councils by bringing the decision making process closer to the local elector and out of the hands of Whitehall and quangoes.

The way to do this is to make local authorities more accountable to the local electorate.

Reforming the way councillors are elected and the way rates are collected.

Currently, councillors are elected en bloc in London borough and county council elections with all councillors being elected at

the same time to serve a four-year term. In district elections, councils have the option of electing a third of their number every year or having a single election for all councillors every three years.

This system has led to abuses with councils making savage rate increases in their first years of office while making more modest increases in their last year of control, hoping the electors will have forgotten what happened earlier.

All the councils should elect a quarter of their members every year with councillors serving a four year term. This would subject the actions of councils to annual review by the electorate and encourage more responsible fiscal management.

With annual elections it would no longer be necessary to hold special by elections to fill casual vacancies and this would do much to offset the extra cost of annual elections.

Conversations with Conservative Association Chairmen indicate that far from opposing such a reform, they would welcome the challenge of annual council elections. Elections are the life blood of politics and they keep local party organisations up to scratch.

Separate rate bills from Council house rents

The existing system of collecting rates for council housing is not conducive to electoral accountability. Council house tenants have their rates consolidated into their weekly rent bill. Many council house tenants are therefore unaware of the level of rates. Similarly, the rate bills of preceptors such as the Greater London Council and the Inner London Education Authority are consolidated into the local borough rate, thus obscuring the relationship between the local elector and the preceptor.

The way to solve this problem is to have council tenants billed separately for their rates and to have boroughs and district councils bill their rate payers separately for rates levied on them by preceptors. The boroughs would still be responsible for collecting all the rates since it would be very expensive to have preceptors do this themselves (£20 million in London for each precept). However, as rate payers would be making out separate cheques for each preceptor, they would become much more closely aware of the rate levied by each level of local government.

A second vote for commercial rate payers

It is clearly unfair that the commercial rate payer pays 60% of the cost of rate borne council expenditure and yet has no vote. In London there are close to 680,000 non-domestic rate payers (hereditaments). If these rate payers were given an extra vote,

they could well influence the outcome of individual borough council elections. Commercial rate payers used to have a second vote; it is time this right was restored to them.

Cutting income tax through the abolition of block grant, GREA, targets and penalties

If more of local government costs were paid for locally out of the rate, local electors would be much more concerned with the outcome of local elections. Turnout would increase and more local electors would make the connection between high council spending and high rate bills.

Currently, the total Central Government grants to English local authorities cost £11.8 billion (£2.6 billion specific and supplementary grants and £9.2 billion rate support grants). Over a transition period of five years, this £11.8 billion of central government grant should be phased out and replaced with a much smaller (perhaps £5 billion) equalisation grant paid only to those poorer authorities with very low resources.

Concurrent with this phasing out block grant income tax should be cut. A £6 billion cut in the rate support and supplementary grants would finance a cut in the standard rate of income tax of 6p or a 20% reduction. For most domestic rate payers this would virtually offset the cost of the extra rate bill.

Since local electors would be spending more of their own money to pay rate bills, they would surely be more concerned to reduce local spending.

It is accepted that by substituting a cut in income tax for a reduction in the block grant paid to local authorities, the net effect will not necessarily be to reduce local authority spending since rates will go up to offset the loss of block grant. However, as individual rate payers will pay more to councils (rather than to the government), they may well decide to vote in local council elections for the party pledging itself to keep rates down.

Commercial rate payers who pay 60% of rates, will obviously be concerned by a large increase of their rates. However, rates are allowed as a business expense and therefore, on a post-tax basis, their cost is reduced by a third, providing a company has profits. Moreover, it is time there was another revaluation of capital values for rating purposes. Such a revaluation would lower rates for many businesses in areas of high unemployment.

Large companies, while concerned, would not be put at risk. They would also be entitled to campaign vigorously against profligate spending and exercise their votes against high spending authorities. If necessary, concurrent with the phasing out of block grant, corporation tax could also be reduced so as to offset the higher costs of rates.

For the small commercial rate payer, a rate rebate system could be brought in. For example, companies such as small shops with an annual turnover of less than £100,000 could have a sliding scale of rate rebates.

If block grant were reduced just to an equalisation payment, it would no longer be necessary to employ Dept of Environment staff to administer the complex apparatus of GREAs targets and penalties, which could be abandoned. Currently, the Department employs 33,836. Reductions in this staff would produce substantial savings (a cut of 5,000 staff would save nearly £100 million).

Rate capping legislation should be retained to protect rate payers in high spending areas.

Reform of the Welfare System

Another essential ingredient in this reform of the rates would be the abolition of rate rebates and all the other myriad benefits and their replacement by a single "tax credit" payment based on a family's income and needs. If even poor families paid their rate bills from their tax credit payment, they too would start to concern themselves with the spending of individual councils and they too would have a greater incentive to vote in local elections. Why the delay continues in consolidating the tax system with the welfare is a mystery.

Alternative local taxes

The Conservative Party has rightly decided that it is impractical to abolish rates. Wisely, it has been decided it would be too dangerous to give councils the power to levy a local income tax and a local sales would be unworkable since boroughs and districts are so small in size. It is, however, unfair that rates are levied on property and not on individuals.

One possible supplementary method of local government finance could be a resident's tax on all adults (school children and pensioners would be excluded). It would be administratively difficult, but not impossible, to prepare a list of residents. A resident's tax would ensure that large families with several wage earners would pay a fairer share of the costs of local service. For example, a resident's tax on all Greater London resident adults of £100 per head would provide £500 million equivalent to a 25p rate or a quarter of a typical London borough rate.

Freedom Charter for Local Authorities

Conversations with local authority leaders and chief executives indicate many would willingly face the prospect of higher rate bills if this gave them more freedom to take decisions locally. Similarly, rate payers would surely trade a 20% reduction in

income tax for higher rate bills. Such a step would effectively let the people control their own expenditure at the local level rather than having Whitehall decide.

----- 000 -----

Cyril Taylor is the Deputy Leader of the Opposition on the GLC and is a Director of the Centre for Policy Studies.

PRIME MINISTER

Seminar and Lunch at Chequers
Sunday, 31 March

I attach the list of guests attending the Seminar and Lunch at Chequers together with a draft seating plan. The seating plan has been seen by Robin Butler.

Sue Goodchild

—

29 March 1985

LIST OF GUESTS ATTENDING THE SEMINAR AND LUNCHEON AT CHEQUERS
ON SUNDAY, 31 MARCH 1985 FROM 11.00 A.M.

The Prime Minister

Rt. Hon. Lord Whitelaw

Rt. Hon. George Younger, MP

Rt. Hon. Nicholas Edwards, MP

Rt. Hon. Patrick Jenkin, MP

Rt. Hon. Peter Rees, MP

Rt. Hon. Lord Young of Graffham

Mr. John Selwyn Gummer, MP

Rt. Hon. Kenneth Baker, MP

The Hon. William Waldegrave, MP

Mr. Michael Ancram, MP

The Lord Rothschild

Mr. C.J.S. Brearley

Cabinet Office

Mr. T.M. Heiser

Department of the Environment

Mr. R.A.J. Meyer

" " "

Mr. Robin Butler

Mr. John Redwood

DRAFT SEATING PLAN FOR LUNCH ON SUNDAY, 31 MARCH

Mr. Robin Butler

Mr. T.M. Heiser

Mr. John Selwyn Gummer

The Hon. William Waldegrave

Rt. Hon. Peter Rees

Rt. Hon. Patrick Jenkin

The Lord Rothschild

Rt. Hon. Lord Whitelaw

PRIME MINISTER

Rt. Hon. Nicholas Edwards

Rt. Hon. George Younger

Rt. Hon. Kenneth Baker

Rt. Hon. Lord Young of Graffham

Mr. Michael Ancram

Mr. C.J.S. Brearley

Mr. John Redwood

Mr. R.A.J. Meyer

ENTRANCE

8/10



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Advance please Mrs Deebury
cc ps / Mr Baker
Pr / Lord Oton
PS / Sir G Young

John

QUEEN ANNE'S GATE LONDON SW1H 9AT
Mr Rowcliffe
Mr Lorenson
27 March 1985
Mrs Phillips
SAs to see

R Patrick,

ABOLITION: VOLUNTARY BODIES: A TRUST FOR LONDON

alt

Generally I welcome the proposals in Kenneth Baker's letter of 19 March about a Trust for London. The idea is an imaginative one. It will need to be further refined before it can be formulated into practical action; but I agree that it should be pursued.

If I now enter a few caveats, I do so from the standpoint of wanting us to get the maximum benefit from the creation of a Trust and the transfer of assets to it.

First, I am sure that Kenneth is right to conclude that a Trust would not be able to make any substantial contribution to the funding of voluntary bodies in London in the years immediately after abolition. Even with a generous launching endowment it would be a long time before it could grow to take a significant share of such funding of the voluntary sector in London. We must continue to rely on the boroughs, individually or collectively, to give effect to our intention that worthwhile voluntary sector activity should not be harmed by abolition.

Second, our opponents will claim that a proposal for a London Trust is intended to divert attention from the inadequacy of our response to the problems which are foreseen for London voluntary bodies after abolition. If we are to successfully counter such criticisms we must be confident that our other proposals - for collective grant-giving, for transitional aid, etc - are going to be genuinely effective. I have already indicated in separate correspondence why I believe that we must improve what is currently on offer here. If we can make these improvements we should then be able to present this proposal to endow a Trust not as our response to abolition, but rather as the seizing of an opportunity presented by abolition to take an initiative to draw in new resources to meet community needs that should not be seen solely as the concern of local government.

Thirdly, like Kenneth, I am not attracted to the idea of creating a new statutory Trust or non-Departmental public body. But an existing Trust might not be quite right for our purposes. I envisage a Trust which is both genuinely independent and broadly based and which we would not entrust with GLC assets until we were sure it enjoyed widespread respect within the voluntary sector (including ethnic minority groups) as well as the support of businesses, the churches and responsible people in local government. London voluntary bodies are already suffering from the effects of political infighting among the boroughs, which might be their natural partners.

Fourthly, we should be realistic about the scope for asking for matching funds from the private sector. We want to be sure that the London Trust will stimulate new giving and not merely divert giving from one voluntary organisation,

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through a new intermediary channel, to another. It may be worth considering using a proportion of the assets to be transferred as a special incentive to reward new corporate giving - rather as Grey Gowrie has done in rewarding new art sponsorship. (As I understand it, an increase in a company's sponsorship of the arts now attracts, in addition to normal fiscal relief, an additional Government contribution).

Finally, I believe that it may be difficult to restrict the use of the proposed new power to transfer assets simply to the London situation. The case for setting up Trusts to draw in new resources to the local voluntary sector may be no less strong in some other abolition areas. Although the scale of funding by the MCCs does not approach that of the GLC, there are problems that the voluntary sector can appropriately tackle in those areas also. And as I understand, the prospects for inter-borough collective grant-giving schemes outside London are poor. I am aware that some interest in the idea of community trusts has been shown in the West Midlands, South Yorkshire, Manchester and Newcastle; and pressure may well emerge to identify transferable assets in these areas, too. We may therefore need to consider this further possibility as the Bill proceeds.

I am copying this letter to other members of MISC 95.

Law,
Law

LORD ROTHSCHILD

Telephone: 01-280 5000

Telex: 888031



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

27th March 1985

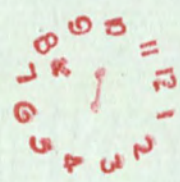
Dear Robin,

with FEEL?
Please excuse my writing to you so often. It must be a great nuisance. I hope I made clear to the Prime Minister that Hoffmann's memorandum (in red covers) was intended to "set the scene" for the meeting at Chequers.

In it, Hoffmann has assumed, paragraph 2.3.3. on p.4, that a Community Charge (Poll Tax) cannot be a complete substitute for domestic rates. I think it possible that Waldegrave does think this possible and he will doubtless explain this point on Sunday.

Yours
Victor

Relation's : LOCAL GOV. P+25.



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CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

27 March 1985

Dear Robin

LOCAL GOVERNMENT FINANCE STUDIES: CHEQUERS PRESENTATION

I attach a proposed agenda for the Chequers presentation on 31 March.

My Secretary of State will make a short introduction. Mr Baker will cover items 1,2, and 3 and will try to do so before lunch. Mr Waldegrave will cover item 4. Their presentation will be accompanied by slides and flip charts. There will be no other papers.

I am copying this letter to Lord Rothschild and to the Private Secretaries to Lord Whitelaw, Lord Young, Mr Edwards, Mr Younger, Mr Gummer, Mr Ancram, Sir Robert Armstrong and Mr Heiser.

Yours sincerely

John Ballard

JOHN BALLARD
Private Secretary

Robin Butler Esq

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LOCAL GOVERNMENT FINANCE STUDIES

CHEQUERS PRESENTATION: 31 MARCH

AGENDA

1. Why present policies have a limited future as constrainers of local authority spending
 - a. Grant pressure
 - b. Targets
 - c. Selective Rate Limitation

2. Why reliance on the accountability of local authorities to local people has been misplaced
 - a. Not enough people pay rates
 - b. The non domestic milch cow
 - c. The absence of any logical or discernible relationship between spending and rates
 - d. The complexity of the two tier system

3. The objections to centralist approaches as long term constrainers of local authority spending
 - a. 100% specific grants for the major services
 - b. Education Block Grant
 - c. General Rate Limitation

4. A Way Forward
 - a. Limit ability of local authorities to tap their non domestic ratepayers
 - b. A new grant system
 - c. More people to pay rates
 - d. A new local tax
 - e. Tighter control of local authority borrowing
 - f. Extra fees and charges
 - g. New arrangements for financing inner cities
 - h. A tighter framework for local authority budgets
 - i. Revised electoral arrangements

Minister for Local Government



Department of the Environment
2 Marsham Street London SW1P 3EB

Telephone 01-212 3434

26 March 1985

NBPM

Dear Tim,

Thank you for your letter of 18 March asking for an early report on progress with the proposals Lady Porter has put forward about the role of Westminster City Council after the abolition of the GLC.

Discussions have been in progress with Westminster for some time about the details of Lady Porter's proposals. Mr Baker intends to have a further meeting shortly with Lady Porter, and other borough leaders, to see what role for Westminster would be generally acceptable. He will ensure that the Prime Minister is kept in touch with the development of these ideas.

Yours ever,

M J Bailey

M J BAILEY
Private Secretary

Tim Flesher Esq

Local Govt : Relations Pt 25.



Department of the Interior
2 Macpherson Street, London SW1P 3EE
Telephone: 753451

March 1995

and the fact that the...
the fact is that...
to be that...
development...

JD 2 AC 2.

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cc MASTER

10 DOWNING STREET

From the Private Secretary

26 March, 1985.

Dear Alan,

The Prime Minister held a meeting today to discuss the handling of the Local Government Bill. Your Secretary of State, the Lord President, the Lord Privy Seal, the Chief Secretary, the Chief Whip (Commons), the Chief Whip (Lords), the Minister for Local Government, Mr. Brearley and Mr. Letwin were present.

The Prime Minister said that proposals had arisen from those on the Government side in the House of Commons and House of Lords which would re-institute some form of body to represent London as a whole or to discuss London wide issues. The first of these which had been put forward notably by Councillor Alan Greengross for an elected authority in London - the so-called "Voice for London" - was in her view totally unacceptable. The rationale for the abolition of the GLC was that London was not an entity in the same way as other cities. On the one hand, it was the capital of the country whose affairs ought to be discussed in Parliament. On the other hand, it was a series of communities, often with little in common with each other, whose government was best left in the hands of the boroughs. All proposals for an elected authority for London for the post-abolition period should be resisted. The Secretary of State for the Environment confirmed that it remained the Government's position that there should be no elected body; no executive body; and no precepting body.

On the question of the handling of the Bill in the Lords, the Lord President of the Council said that it was important to secure a good majority on the report stage in the Commons against the "Voice for London": Ministers presenting the Government's case should refer to the explicit commitments in the Conservative Manifesto at the last election not only for the abolition of the GLC but also for devolution of powers to boroughs. When the Bill reached the Lords, it was important not only to convince the advocates of the "Voice for London" that there would be no concession by the Government, but also to convince sufficient cross-benchers. Together with Environment Ministers he would consider how best an approach to

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cross-benchers might be made. The task would be an extremely difficult one, partly because the Government's critics of this issue mostly had experience of local government and were able to draw on that experience in the case they made. Nevertheless, the Government could and should win the issue on the merits of its own case. The Prime Minister stressed the importance of defeating all proposals of the kind put forward by Councillor Greengross, both in terms of the passage of the Local Government Bill, and in terms of the standing of the Government.

The Prime Minister said that the second proposal for a London wide body was for a Select Committee, as suggested by Sir Philip Goodhart. She was not attracted by this proposal any more than by the "Voice for London". Moreover, as the Lord Privy Seal pointed out, a Select Committee on London would run counter to the whole basis of Departmental Select Committees which had become established. The question of a Select Committee was not, however, one for the Government, but instead for the House to decide. If the issue came up on the report stage of the Bill, Ministers should point out that the decision was not one for them, but that a Select Committee of the kind proposed would be entirely contrary to the principles on which the Select Committee system had run for many years. It was further pointed out that a Select Committee of the House of Commons would not help to sell the abolition Bill in the House of Lords. That would require a Joint Select Committee, which would raise problems of a different but equally serious kind.

Summing up the discussion, the Prime Minister said that the Government faced a major task in steering the Abolition Bill through its remaining stages in the Commons and in the Lords. A great deal of lobbying was going on, especially amongst Lords cross-benchers, against the Bill. Environment Ministers, together with the Business Managers in both Houses, should take whatever action they considered necessary to counter such briefing and to secure the passage of the Bill. She herself stood ready to play whatever part was necessary.

CONFIDENTIAL

- 3 -

I am sending copies of this letter to Janet Lewis-Jones (Office of the Lord President), David Morris (Office of the Lord Privy Seal), Richard Broadbent (Office of the Chief Secretary, HM Treasury), Murdo Maclean (Chief Whip's Office, House of Commons), David Beamish (Chief Whip's Office, House of Lords), Mike Bailey (Office of the Minister for Local Government), and Richard Hatfield (Cabinet Office).

Yours

T. F.

(Timothy Flesher)

Alan Davis, Esq.,
Department of the Environment.

CONFIDENTIAL

E. R.
PRIME MINISTER

25 March 1985

ABOLITION OF THE GLC: A VOICE FOR LONDON

Alan Greengross's proposal is an abomination. It should be resisted at all costs - including, if necessary, delayed enactment of the Abolition Bill.

Philip Goodhart's proposal is far more sensible. The question is one of timing. You could:

- either do nothing at this stage, and offer a compromise on Goodhart lines if there is sufficient pressure in the Lords;
- or offer to discuss a Goodhart compromise now, in the hope that this will steal the Opposition's thunder.

We believe that the scales are evenly balanced. If you take the initiative now, you may win round enough backbenchers in the Lords to defeat the Greengross proposals; but the business managers in the Lords think that this tactic is unlikely to work. If you do nothing now, the back-benchers may be so alienated by the time of the vote, that even a compromise will prove insufficient to satisfy them; but you may get by without any concessions at all.

We recommend that, whatever is decided about the Goodhart proposals, the Government should announce that proposals on Greengross lines are (and always will be) unacceptable to the Government since they, in effect, undermine the Manifesto commitment.

Oliver Letwin

OLIVER LETWIN



CONFIDENTIAL - CMO

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PRIME MINISTER


Local Government Bill: London

Meeting with Environment Ministers and Business Managers:
26 March 1985

(Minute from the Secretary of State for the Environment to
the Prime Minister dated 19 March 1985)

BACKGROUND

1. Ever since the announcement of the Government's plan to abolish the Greater London Council (GLC), pressure has been sustained for some form of replacement body. This pressure is unique to London; the abolition of the Metropolitan Counties does not appear to engender the same feelings. There are two strands to the argument. The first is that London would be the only major city in the United Kingdom without its own representative voice; the City of London as such is not regarded as fulfilling this function. The other strand is the doubts that are felt that the London boroughs would co-operate to provide certain London-wide services as is envisaged in the Government's proposals. A case is therefore advanced by some for a functional body, either elected or appointed, which, once in being, could also undertake the representational functions. The view of Ministers is that such a body would effectively give the GLC "life after death" and render much of the abolition exercise pointless, that it is in any case unnecessary, and would be virtually impossible to set up satisfactory arrangements.
2. An amendment to provide for a directly elected authority representing the area presently administered by the GLC, with powers to be determined after an enquiry by a Select Committee, was proposed at the Committee Stage of the Local Government Bill and relatively narrowly defeated by 23 votes. A similar amendment has now been



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tabled at Report Stage by Geoffrey Rippon, MP, Patrick Ground MP and others. It too provides for a directly elected body formed out of the residuary body already provided for in the Bill, with further powers "not being functions which are transferred by the Act solely to individual London boroughs" to be determined by Parliament on the recommendation of a Select Committee.

3. In parallel with these moves, Sir Philip Goodhart MP has been pursuing and refining his idea for a London Grand Committee. He sees this as providing a Parliamentary forum for the discussion of London affairs. The Committee would consist of all London Members of Parliament and, in response to criticism that this would be large and unwieldy, he now proposes to add to it a Select Committee for London. The Select Committee would monitor and report upon the activities of the Ministerial responsibilities, direct and indirect, for London. It would not cover issues which were the responsibility of the Greater London Boroughs. The Grand Committee would then discuss the reports of the Select Committee and the Ministerial responses to them. Inevitably, the field of activity of the Select Committee would clash with those of other Select Committees. Sir Philip Goodhart sees at least half the time in the first year or so being spent on London Transport and matters such as education and policing would also become the subject of the Select Committee's activities.

MAIN ISSUES

4. The main issues for discussion are:

a. Will the Local Government Bill secure sufficient Parliamentary approval at Report and Third Reading to enable relevant amendments in the House of Lords to be firmly resisted? In particular will the majority rejecting the Rippon amendment be much more substantial than that rejecting the similar amendment at Committee Stage?



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b. If a substantial rejection of ideas for a new London body does not seem likely, could it be achieved with some concession on the Government's part?

c. If a concession is judged to be necessary, would sufficient views be swayed by a promise to consider the Parliamentary proposal made by Sir Philip Goodhart? (The setting up of a Select and Grand Committee would normally be done by an amendment to the Standing Orders of the House, rather than by statute).

d. If the 'Parliamentary solution' is not judged satisfactory or sufficient, what would be the minimum concession which the Government could make which would be likely to have a significant effect? (Councillor Greengross has suggested that an appointed body could "co-ordinate the finances of the boroughs and ensure that the services devolved to the boroughs were delivered".)

HANDLING

5. You may wish to suggest that the Secretary of State for the Environment should begin by outlining the present situation which the Government faces at Report Stage. You will then wish to ask the Chief Whip for his assessment of the likely outcome of voting on the Rippon amendment and the Lord President for his views about the situation in the House of Lords. The Minister for Local Government will have his own views about how far a concession is necessary and which will be the best form of concession.

CONCLUSION

6. The Report Stage of the Bill begins on Wednesday. You will therefore wish the meeting to reach firm conclusions on the nature, if any, of a concession to be made at Report in order to secure the Government's main objectives.

PRIME MINISTER

Dealt with
FEB

LOCAL GOVERNMENT SEMINAR: 31 MARCH

I know that you do not want the numbers attending the local government seminar on 31 March to rise. At present there are fifteen coming.

The Treasury have pointed out that we do not at present have a Treasury Minister on the list and would like either the Chancellor or the Chief Secretary to attend. I think that we must agree to this - one space has become available because Andrew Turnbull has dropped out - but I suggest that we press hard to have the Chancellor himself.

Agree?

Yes not

We must start earlier
than 12 noon
It would be more appropriate
F.R.B.
mt.

25 March, 1985



bc: Mr. Butler } SM
Mr. Redwood } also
Mr. Letwin } attending
Miss Thomas
Mrs. Goodchild

10 DOWNING STREET

From the Private Secretary

25 March 1985

Dear Janet,

Local Government Finance Seminar at Chequers
Sunday 31 March

The above Seminar is now going to start at 11.30 am.
Coffee will be served between 11 and 11.30.

I enclose the necessary admit card.

I am copying this letter and enclosure to the Private Secretaries to the Secretaries of State for the Environment, Scotland, Wales, the Paymaster General, the Minister without Portfolio, the Minister for Local Government, the Parliamentary Under Secretary of State for Environment (Mr Waldegrave), the Parliamentary Under Secretary of State for Scotland (Mr Ancram), Lord Rothschild, Mr Brearley (Cabinet Office) and Mr Heiser and Mr Mayer (Department of the Environment).

Yours sincerely
Caroline Ryder

CAROLINE RYDER

Miss Janet Lewis-Jones,
Lord President's Office

SM

MR. BUTLER

Caroline CR

Pine

PKP

Local Government Finance Seminar

Sunday 31 March - Chequers

I thought it was easier to drop everybody a line rather than telephone. I got the list from the file and I hope that these names are correct. I attach the letter that I have written to the Lord President's office for you to check please.

Duty Clerk
CR

Caroline Ryder

25 March 1985

SUBJECT
- Master Set

F102

SH2AFM



10 DOWNING STREET

From the Private Secretary

21 March, 1985

The Prime Minister, together with your Secretary of State and Mr. Baker, met Councillor Alan Greengross today to discuss his proposals for a successor authority to the GLC.

Councillor Greengross said that he completely accepted the Government's position that the GLC should be abolished and that there should be no successor authority of the same kind. He remained of the view, however, that the Government could win the argument more effectively if it conceded the case for an authority which could represent London as a whole. Such an authority would be responsible to the Secretary of State and would act on his behalf to co-ordinate the finances of the boroughs and ensure that the services devolved to the boroughs were delivered. The membership of an authority of this kind - whether elected or appointed - was less important than their function. He would prefer an elected authority but could see that Ministers would prefer either nomination or appointment by the Secretary of State. Failure to adopt some structure of this kind would risk the ILEA taking over a representative role as the voice of London and would lose the important job of co-ordination, without which some of the savings envisaged by Ministers could not be made.

The Prime Minister said that she remained completely unconvinced by the argument that there should be a voice for London of the kind envisaged by Councillor Greengross. There was no real demand for such an authority and there was no way of establishing one in such a way that it did not become the GLC all over again. The point of GLC abolition was to devolve powers to the boroughs: that was what they wanted. In so far as there was a need for a voice for London, it would be provided by Westminster or the City. There was, however, no sense of identity between boroughs as dissipated as Finchley and Lambeth. Mr. Jenkin and Mr. Baker continued on this theme after the Prime Minister's departure from the meeting. They pointed out, in particular, that an elected authority could not be responsible to Ministers in the way envisaged by Councillor Greengross and an appointed authority would not be accepted either by Labour boroughs or Conservative boroughs as representative. It would be entirely contrary to the principle of abolition merely to re-create a

SH

London-wide elected authority which would inevitably lead to the same problems which required abolition in the first place. Councillor Greengross' objectives of support for the Government's position and an elected authority were mutually incompatible. At this point the meeting broke up when your Secretary of State had to leave.

I am sending a copy of this to Janet Lewis-Jones (Lord President's Office), David Morris (Lord Privy Seal's Office), Richard Broadbent (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

TIMOTHY FLESHER

Alan Davis, Esq.,
Department of the Environment

Subject



10 DOWNING STREET

10 87A
Cc Master

From the Private Secretary

21 March, 1985

Dear Mr,

The Prime Minister, together with your Secretary of State and Mr. Baker, met Sir Philip Goodhart today to discuss his proposals for a Parliamentary forum for London.

Sir Philip explained that, since earlier discussions on his proposal for a London grand committee, he had further refined his ideas. What he now proposed was a London select committee which would examine those matters transferred to Ministers by the abolition legislation. Of these, the most important were traffic and public transport. That select committee would report to a London-wide grand committee. He saw such an arrangement as enabling Parliament to discuss London issues without taking up time on the floor of the House, which was all the more important given continuing pressure on the Parliamentary timetable. A select committee would be less inclined to become a talking shop than the proposal he had made originally and would be much more easily defended as a special arrangement for London. The Prime Minister said that she remained unconvinced that there was any need for a London committee of any kind. The proper forum for the discussion of issues affecting London was Parliament itself, both because it was the capital city and because London issues inevitably affected other parts of the country. There were ample Parliamentary opportunities for the discussion of London issues and, indeed, this already happened. Moreover, a London select committee could, like other select committees, turn into a vehicle for attacking the Government. The decision on whether to establish a committee or committees of the kind envisaged by Sir Philip was, of course, for the House itself.

The Prime Minister suggested, nevertheless, that Sir Philip might like to consider the question of whether any proposed committee should be limited to London members covering areas around London whose constituencies were also affected by issues such as transport and traffic. Such an arrangement would, of course, also affect the political balance of the committee. In this context Sir Philip might also like to consider whether his proposal might be expanded to take in members of the House of Lords in a joint select committee. The Government would, from its point of view, consider any fresh ideas Sir Philip might like to put

JK

forward on this matter, although there could be no guarantee of the outcome of consideration.

I am copying this to Janet Lewis-Jones (Lord President's Office), David Morris (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and David Beamish (Lords Whips' Office).

Yours sincerely
T. F.

TIMOTHY FLESHER

Alan Davis, Esq.,
Department of the Environment

CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

R Hatfield Esq
Private Secretary to
Sir Robert Armstrong
Cabinet Office
70 Whitehall
LONDON SW1

20 March 1985

Dear Richard

I understand that the Secretary of State for the Environment intends to report to E(LF) after Easter on the initial conclusions and recommendations of the review which his officials are undertaking of local government finance. Officials in the Enterprise Unit are in touch with the Department of the Environment officials responsible for the review.

There are a number of linkages between the areas being examined in the review and Lord Young's field of activity, including his co-ordinating responsibility on inner cities policy and his wider interest in education and training. Lord Young would therefore find it helpful if he could receive E(LF) papers, and attend meetings of the Committee when requested or when he would like to do so, so as to be in a position to contribute to discussion about the issues raised by the review should this be appropriate.

I am copying this letter to Andrew Turnbull (10 Downing Street) and John Ballard (Department of the Environment).

Yours ever

Leigh

Leigh Lewis
Principal Private Secretary

CONFIDENTIAL

21

1912
MAY 21
1912



c.c. ps/s of S
ps/s by
ps/s dit row
Mr Lowcliffe / Mr Loring
Mr. Lonsdale / Mr. Llesbury
Ms Kahn
→ A/S K-S

My Ref: B/PSO/32717/85

19 March 1985

Dear Patrick,

**ABOLITION: VOLUNTARY BODIES
A TRUST FOR LONDON**

I am writing to you as Chairman of MISC 95 and copying my letter to other members.

In my letter of 11 February I mentioned that consideration was being given to setting up a Trust to be endowed from some of the proceeds of the GLC's assets and promised to circulate a paper, which I enclose, reflecting comments already made on a version circulated between officials. The main recommendation is that we should announce, at the Lords Committee Stage, our intention to use part of the proceeds from the GLC's assets to endow a Trust which would, in turn, provide support for voluntary activity in London.

Rather than take powers to set up a new statutory Trust - which might encounter difficulties concerning the scope of the Bill - I propose that the Local Government Bill be amended to enable the residuary body to make payments to a trust subject to any conditions which the Secretary of State may specify. This will provide the opportunity for an announcement of the intention to endow a trust to be made in Lords Committee, where we expect some considerable pressures for future concessions for safeguarding future funding of worthwhile voluntary activity.

The Trust proposal is aimed essentially at providing reassurances about the future for voluntary bodies in the medium to long term. However by being allowed to use a specified proportion of its capital for grant-giving it could also make a contribution sooner.

Because of the timing and practical considerations involved in finding and appointing suitable trustees and the other administrative matters which will need to be sorted out, I do not envisage the Trust as being able to make any appreciable contribution to easing the immediate funding problems facing voluntary bodies in the first years after abolition. The proposed transitional grant-aid will have to be relied on to help deal with those immediate matters. While there may be some

resentment amongst the London Boroughs against this diversion of receipts, which would otherwise have been distributed to them, the amount involved is comparatively very small when set against the total receipts which they will still be getting.

I would be grateful for colleagues' agreement to the proposals set out in the enclosed paper - summarised at paragraph 13.

Thurman
Kenneth Baker

KENNETH BAKER

A TRUST FOR FUNDING VOLUNTARY BODIES IN LONDON

1. This paper described the issues for decision on the proposal for endowing a trust to fund voluntary bodies in London from endowments provided by receipts from the Residuary Body arising from the disposal of GLC assets.

OUTLINE

2. The main elements of the proposal are

(i) a capital endowment should be provided to a charitable trust from the proceeds of the disposal of GLC assets; this money would be paid to the trust by the residuary body. Some or all of it might be made contingent on equivalent private sector contributions (such a trust should be well placed to raise income from private sources irrespective)

(ii) the trust would make grants or loans to voluntary bodies in London using a specified proportion of its capital in its early life, but income on investments in the longer-term;

(iii) the endowment could be provided either to a new or an existing trust.

Point (i) would need some change to the Bill.

3. It is clear that definitive answers on all the points outlined in this paper should not be arrived at without some discussions with interested outside parties. However the options below provide the basis for a general statement of intent by Ministers during the House of Lords Committee stage of the Local Government Bill.

THE TRUST

4. The main issues in relation to a charitable body in receipt of substantial public funds would be:

(a) whether to set up a new trust or use an existing organisation;

(b) if setting up a new body, what form it is to take (statutory/non-statutory, corporate); who is to set it up and how;

- (c) who is to control it;
- (d) to whom are those controlling it to be accountable;
- (e) what are its objects to be.

OPTIONS: NEW OR EXISTING TRUST

5. Using an existing charitable organisation would demonstrate that a Trust was not just a creature of Government, but had some support from independent charitable quarters. As such it would be more likely to attract greater private backing - from the private/commercial sector and from the public at large. Using an existing Trust, or an off-shoot of it, would also offer the advantage of grafting on to existing resources and expertise in grant-giving. (Also any capital endowment deriving from GLC assets could be linked to the Trust matching it with its own, or other, private income.)
6. The choice of which existing charitable organisation would need careful consideration. It might be an existing London-based grant-giving Trust (such as the City Parochial Foundation) or a national all-purpose charitable fund-raising body (such as the Charities Aid Foundation) or, possibly, a consortium of existing generalist voluntary organisations (such as NCVO, LVSC, LACRC). These possibilities would need to be assessed in the light of the willingness of such bodies to take on an enlarged role, particularly if any changes were to be required to their operation or control. Their responses could well narrow the choice considerably. (However there have already been signs of interest from both the Charities Aid Foundation and the City Parochial Foundation).
7. The option of setting up a new statutory incorporated Trust would promise greater certainty that a suitable vehicle would be set up, with suitable objectives at the right time. However it would present considerable practical difficulties in, for example, the appointment of suitable Trustees; the need to find premises and recruit permanent staff; and whether it would be seen as sufficiently independent of Government as to gain the confidence of the voluntary sector. Such a statutory Trust would, unlike an existing charitable body, need to acquire charitable status itself if it was to have any chance of attracting from the public and the private sector.

8. It is also doubtful whether taking powers to set up a statutory Trust would be within the scope of the Local Government Bill.

THE RESIDUARY BODY

9. At present the Bill is drafted to provide that receipts the residuary body has from the disposal of assets can be passed back to the boroughs or other successor bodies. Ministers have agreed that exceptions to this general pattern should be made to allow the residuary body to make payments to endow a trust. Although it is not yet clear how much in total the London Residuary Body will be receiving from the transfer of GLC's assets, it is likely that any sums diverted to a Trust will be resented by the boroughs. The amount of endowment need not be specified at the outset; but the size of possible endowment is envisaged as £10-£50 million. A figure of £10m. would be of the right order for starting discussions with outside interests. No figure needs to be finally set until there is a clearer picture on the total size of the proceeds available to the residuary body

AMENDMENTS TO BILL

10. A specific power for the residuary body to make such payments would be needed. It would probably have to take the form that the residuary body would pay such part of any capital receipts/monies as would be specified by the Secretary of State up to a maximum defined in the Bill (or by Order) to any body specified by the Secretary of State provided that such body conformed to certain criteria, eg that it was a charity or non-profit-making with specified objects of giving to voluntary bodies.

11. Decisions would be needed on which receipts were being passed to the trust because the present capital control system deals differently with receipts from different classes of assets. A percentage of receipts, up to a maximum limit, might be set on a specified amount as a first charge on the Residuary Body. It would be provided for payments to be made over time, as proceeds became available, rather than on one single payment. The residuary body should be able to make advances to the Trust to provide initial endowment - which would be off-set against later income.

12. Secondary issues arise on whether, and what form of, Parliamentary procedure would be needed for any specification of limits by the Secretary of State. Whatever arrangements were adopted it is desirable that the process of paying over the full endowment should be completed before the residuary body has to be wound up if very complex arrangements are to be avoided.

CONCLUSIONS AND RECOMMENDATIONS

13. i) The setting up of a Trust in London would be a desirable, important measure to ensure the provision of adequate levels of support for voluntary bodies in London in the longer-term as the Government's transitional support tapers away;
- ii) an existing charitable Trust should be preferred, rather than setting up a new statutory Trust; final decisions on the points outlined in paragraphs 5-12 should be made in the light of discussions with interested parties - including existing Trusts and Foundations which are potential candidates
- (iii) the Local Government Bill should be amended to provide that the Residuary Body is enabled to make payments to a Trust to provide it with capital endowment and to provide the Secretary of State with powers to specify the amount and nature of such payments
- (iv) the precise amount of endowment to be provided by the residuary body need not be determined now; as a basis for beginning discussions with outside interests an endowment of £10 million should be used
- v) the Government's intention to provide an endowment for a Trust in London should be announced during the House of Lords Committee Stage of Local Government Bill.



*Private Secretary to the
Minister for Local Government*

Copies of the attached should be
circulated by hand to:-

Lord President of the Council ✓
Lord Chancellor ✓
Secretary of State for the Home ✓
Department
Secretary of State for Education ✓
and Science
~~Secretary of State for the Environment~~
Lord Privy Seal ✓
Secretary of State for Social Services ✓
Secretary of State for Trade and ✓
Industry
Secretary of State for Employment ✓
Minister of Agriculture, Fisheries ✓
and Food
Chief Secretary, Treasury ✓
Secretary of State for Transport ✓
Lord Gowrie ✓
Attorney General ✓
Sir Robert Armstrong ✓



PRIME MINISTER

LOCAL GOVERNMENT BILL: LONDON

We are meeting Philip Goodhart and Alan Greengross at separate meetings on Thursday 21 March, and will then be discussing the handling of the London issue with the business managers on Tuesday 26 March.

Background

We considered the "Voice for London" issue before the publication of 'Streamlining the Cities'. We decided then that we should not provide for any permanent London-wide bodies except for the new Fire Authority and an appointed London Planning Commission. One of the main lines of attack on the White Paper was the absence of a body that could 'speak for London'.

We reviewed the issues again when we considered the responses to the White Paper, and decided to hold to our previous line. The Bill therefore makes no provision for a permanent London-wide body. The issue was debated when the House considered clause 1. An amendment to provide for a new directly-elected London authority was defeated by only 23 votes. Some 18 of our supporters voted for the amendment, but the number of deliberate abstentions is unknown, as there was only a 2-line whip in force and normal bisques were operating.

Two of those who voted in favour of the amendment - Patrick Ground and Edward Leigh - have continued the argument in Standing Committee. They have moved a series of amendments to turn the temporary, appointed, Residuary Body into a permanent, elected local authority, and to give it a number of functions. In this they appear to have worked closely with Alan Greengross.

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ccol
mtg folder



Pressures for Changes

A large number of suggestions have been put forward in both public and parliamentary debate. Many of these claim to start from the principle that abolition is right, but that a London-wide body with more clearly defined, and limited, functions is still needed. On examination, most of these proposals turn out to be proposals for a GLC Mark II.

This certainly applies to the proposals put forward by Alan Greengross. He envisages an elected authority which would have virtually all existing GLC functions. He claims that the activities of the new body could be closely circumscribed; but in practice they could not. A note on the Greengross proposals, together with a recent letter challenging him to say how his body would differ from the GLC, is at Annex A.

Similar views have come from other Tory members of the GLC including Cyril Taylor (in his Bow Group Pamphlet 'London Preserv'd'). However, Geoffrey Finsberg has now laid it down that an elected body is no longer on the agenda for discussion in the Party's "London Policy Committee" which he chairs.

More modest proposals have been related specifically to the need for a London-wide view on planning issues. The South East Regional Planning Conference (SERPLAN) have said that they favour an elected body which would be the "strategic planning authority" for London. Recognising that this will not be acceptable to us they have put forward the alternative of a borough-based body, which would have only an advisory role. They would see this as replacing the proposed London Planning Commission.

The other main line of argument is represented by Philip Goodhart. This concentrates on the need for a Parliamentary forum for discussion of London issues. A note on his latest proposals is at Annex B. You will see that he now proposes both a London Grand Committee and a London Select Committee.



Options

We cannot accept the re-creation of an elected body for London. Our Manifesto pledge (see Annex C) was to abolish the GLC and devolve powers to the Boroughs - nothing more. It will be important to ensure a good majority against the amendment that will again be moved at Report Stage by our own backbenchers, seeking to set up such a body. But we must also be ready to respond to other proposals which may be pressed at Report/Third Reading or in the Lords. Any body that might be set up (for example following the SERPLAN proposal) could not have authority over the boroughs. Nor could it have responsibility for any major services, or be a major spending authority. This leaves only a narrow range of options. In essence there are two:-

(a) a statutory body with membership drawn wholly or mainly from the boroughs, with advisory and not executive functions, and with no power to precept - in effect a statutory London Boroughs Association; or

(b) a Parliamentary solution, building on Philip Goodhart's proposal.

A note on a possible borough-based solution, with the emphasis on discussion of land-use planning issues, is at Annex D. The advantages of this approach would be that it could provide a solution within local government - which would meet the views of some critics - and that it could be presented as a response to the SERPLAN initiative. As a "London Boroughs Forum", it would replace the London Planning Commission, and so would involve no increase in the number of new bodies created by the Bill. The disadvantages are that it could be seen as accepting the case for some successor to the GLC, and that it could be difficult to limit the scope for the boroughs to build up the role of the body, and impossible to stop a Labour Government converting it into a GLC Mark II.



Paragraph 9 of the note touches on the possibility of widening the membership of such a body to include Government-appointed members, as well as borough representatives (there are precedents for this in some other countries). This would, however, weaken the argument that the body represented a local government solution - it could no longer be presented as simply a "statutory LBA".

The advantage of the "Parliamentary solution" is that it would not create any new local government body which might, in time, expand beyond our present intentions. There are, however, three significant difficulties:

- a. It would create new fora for extensive Parliamentary discussion on ministerial decisions affecting London - including matters quite unaffected by abolition (eg the police). Clearly other colleagues - in particular Leon Brittan and Nick Ridley - could have views on this, and need to be consulted before we can form a final view;
- b. I understand that John Biffen takes the view that we could not resist arguments for setting up similar arrangements for the mets; and
- c. In any event, such a proposal might not carry sufficient weight with our opponents and would not do much to ease our path in the Lords.

Conclusion

Against this background, I suggest that we take the following line at the two meetings this week:

CONFIDENTIAL CMO



a. We should listen sympathetically to Philip Goodhart, but bear in mind that his solution could create long-term difficulties for colleagues, - and perhaps not do much to help our position in the Lords.

b. We must make it quite clear to Alan Greengross that there is no possibility of our accepting an elected authority, or any general-purpose body with responsibility for major functions.

You will no doubt want to review the position with us at your meeting on 26 March.

I am copying this to the business managers in both Houses, to the Chief Secretary and to Sir Robert Armstrong.

Atkin

for
P J

19 March 1985

Approved by the SAS and
signed in his absence

ABOLITION OF THE GLC: VIEWS OF CLLR GREENGROSS

1. Cllr Greengross has consistently claimed to support the manifesto commitment to abolish the GLC, while arguing that the GLC should be replaced by a single London-wide body, to take responsibility for functions which cannot be devolved to the boroughs or adequately provided by other means. Such a body could also provide a "Voice for London".
2. Cllr Greengross's ideas were embodied in the GLC Conservative Group's response to Streamlining the Cities in January 1984, which included a call for an inquiry into London's local government.
3. In June 1984 Cllr Greengross produced "Getting It Together for London", a refined version of the White Paper response, but with few substantive changes. One such was that the new body would not be a local authority, and would therefore have no general powers. Day-to-day operation of London-wide functions would be conducted by individual "service units", whose budgets would be controlled by the new body.
4. Cllr Greengross's latest ideas were set out in his February 1985 paper "London After Abolition", which again had much in common with earlier proposals. The body would have 28 directly elected members. It could, Cllr Greengross argues, be brought into the Bill by building on the provisions for the London Residuary Body.
5. The Government have consistently argued that Cllr Greengross's proposals would merely create a "GLC Mark II", by making the new body responsible for most existing GLC functions and devolving very little to the boroughs. In his reply of 14 February to "London After Abolition" (copy attached), the Secretary of State challenged Cllr Greengross on this point; Cllr Greengross has not so far replied.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 February 1985

Dear Alan,

Thank you for your letter of 4 February enclosing a copy of your latest pamphlet.

I have to say once again that your proposals do not begin to be compatible with our commitment to abolish the GLC. I do ask you to look at the list of functions in Annex B to your pamphlet and consider - what is left to be passed to the boroughs?

copy attached

I cannot believe that abolishing the GLC only to pass all its functions to a successor body elected on a basis seen to be advantageous to Conservative interests would be the best way of honouring our manifesto commitment. Nor do I believe that it would give us an easy passage in the Lords. Your comments on the powers conferred on the Secretary of State in the Bill have been answered again and again. I am disappointed that you repeat what is now discredited GLC propaganda.

Of course, I am always prepared to meet you to discuss any constructive proposals; but I doubt whether any useful purpose would be served by a further meeting at this stage.

*Your ever
Patrick*

PATRICK JENKIN

Councillor Alan Greengross

ANNEX 'B'

LONDON-WIDE FUNCTIONS

London-wide functions for which a London-wide body would be accountable and for which executive bodies would need to be created, would be

(a) Planning Functions

- (i) Transportation
- (ii) Framework and structure planning
- (iii) Housing mobility
- (iv) Tourism

(b) Financial Functions

- (i) Debt Management
- (ii) Managing residual assets and liabilities
- (iii) Rate equalisation
- (iv) Staff, pensions
- (v) Funding of London-wide voluntary bodies

(c) Service Functions

To ensure, in addition, that effective arrangements operate for the provision of the following services, to fund them London-Wide and to monitor their delivery and performance.

- (i) Fire Service
- (ii) Civil defence
- (iii) Flood prevention and land drainage
- (iv) Refuse disposal
- (v) Resource recovery
- (vi) Setting London-wide pollution standards
- (vii) Statistical services
- (viii) Research and analysis
- (ix) Scientific services
- (x) An archive service
- (xi) Historic Buildings
- (xii) Regional Arts
- (xiii) Regional Parks
- (xiv) Green Belt
- (xv) Specialist Housing Teams
- (xvi) A Concessionary Fares Scheme
- (xvii) The South Bank Arts Complex
- (xviii) Magistrates' Courts in Outer London

London Grand Committee and Select Committee

1. Since March 1984, Sir Philip Goodhart has been developing his idea for a London Grand Committee. Up to and including Second Reading of the Local Government Bill, the proposal was for a London Grand Committee consisting of all 84 London MPs, meeting twenty or twenty-five times a session. The Committee would discuss "the wider interests of London as a whole" and monitor, scrutinise and debate the activities of Ministers with respect to London. Ministers have expressed some interest in the proposal to Sir Philip Goodhart, but have taken the line that it is essentially a matter for the House rather than the Government.

2. Following criticisms that the Grand Committee would be an ineffective talking-shop, Sir Philip has recently modified his proposals. He now proposes (see attached letters) that there should be:

(a) a London Select Committee of nine or eleven members; and

(b) a London Grand Committee of all London MPs which would discuss the reports of the Select Committee, and Ministerial responses thereto.

3. The Select Committee would deal with London-wide subjects in which Ministers have, or will have after abolition, some direct responsibility. Sir Philip suggests that it might initially spend half its time on transport issues. He also suggests that it should deal with issues allocated to lead boroughs or joint boards for which Ministers have a residual interest. He cites waste disposal, grants to voluntary organisations, the fire service. But Ministers interests in some of these will be very marginal. For example, on waste disposal, the Secretary of State will have a power to set up joint authorities of borough councillors if the boroughs do not reach appropriate voluntary agreement.

4. There are, of course, a number of London non-local government functions in which Ministers have at least an equal interest - health, water, industrial development, employment - which would presumably also come within the scope of the Committee. It is difficult to see, also, how it could be deterred from discussing matters relating to the new ILEA, and (as Sir Philip virtually concedes in his letters) to the Metropolitan Police. This could raise questions about the relationship of the Committee to the existing Select Committees.

5. Finally, Sir Philip argues that it would be possible to confine the proposal to London on the grounds that London is the capital, and that the Local Government Bill gives Ministers wider powers in relation to London than in relation to the metropolitan counties. The latter point is doubtful; of the eight powers cited by Sir Philip, seven apply equally to the metropolitan counties.



HOUSE OF COMMONS
LONDON SW1A 0AA

March 12th 1985

The Rt. Hon. John Biffen, MP,
House of Commons.

Since we last talked about the London Grand Committee and the whole problem of discussing London-wide issues after the abolition of the GLC, there have been some changes in the proposals. These changes have largely stemmed from correspondence and conversation between myself and John Wheeler, Chairman of the London Members' Committee.

We now propose that the main Parliamentary body for the monitoring of London's problems should be a London Select Committee, which would consist of eleven or nine Members. (My preference would be for eleven Members, as it will be necessary to accommodate at least one Conservative backbench Member of Parliament who is opposed to abolition.) The London Grand Committee, which would consist of all London MPs, would then meet solely to discuss the Reports of the London Select Committee and the Ministerial responses thereto.

The Select Committee would not discuss those issues which came solely within the competence of individual Greater London Boroughs. It would primarily deal with those London-wide subjects which are now the responsibility of Ministers - (mainly Traffic and London Transport, and those issues which have been allocated to Lead Boroughs or Joint Boards, but for which Ministers retain residual responsibility - Historic Buildings, payments to voluntary organisations, the Fire Service, Waste Disposal, etc., etc.) In the first few years, the Select Committee would probably spend as much time on Traffic and Public Transport as on all other subjects put together.

I enclose a letter on the proposed machinery that I have written to Patrick Jenkin. This letter was written after a meeting on February 28th in his office, attended by him, Kenneth Baker, Geoffrey Finsberg and myself. It was agreed that this plan offered the best hope of meeting justifiable criticism, and providing a framework which would deal satisfactorily with a real practical problem.

The new proposals effectively counter the criticism that a London Grand Committee would just be a talking-shop. Many Members on both sides of the House now have a vested interest in not criticising the Select Committee system. It isn't easy for anyone to argue that Select Committee Reports are meaningless.

The new proposals also meet the fear that a London Grand Committee would add a burden of unspecified weight to the shoulders of a lot of very busy MPs. The proposals will mean a lot of extra work for eleven Members. It will give all other backbench London MPs an opportunity (which they do not have to take) of making four or five speeches a year in a well-publicised forum, on subjects close to their constituents' hearts.

Cont..



Meanwhile, the Select Committee/London Grand Committee idea has an impressive volume of support on our side. I have not told all the London Conservative backbenchers about the Select Committee proposal, but I find it very difficult to believe that anyone who was originally in favour of the Grand Committee concept will not be even more enthusiastic about the Select Committee version.

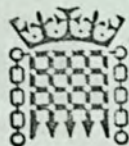
Those who actively support the scheme include all the senior London Conservative backbenchers who have been Ministers or who are Chairman of Select Committees, or are currently Chairmen of the major Party Committees. Apart from myself and John Wheeler, this includes Geoffrey Finsberg, Hugh Rossi, William Clark and William Shelton. Supporters of the plan also include a substantial majority of other Committee Chairmen and Parliamentary Private Secretaries - Tim Eggar, Toby Jessel, Colin Moynihan, Nigel Forman, Angela Rumbold, Michael Shersby, Roger Sims and Ivor Stanbrooke. The younger supporters include Terry Dicks, Jeremy Hanley, Humfrey Malins, Neil Thorne and Richard Tracey.

With only one exception that I know of, those who are opposed to the Parliamentary forum idea are opposed to the whole idea of scrapping the GLC without replacing it with "Son of GLC". Those who do not like the idea include Ted Heath, Hugh Dukes, Cyril Townsend and John Wilkinson. Hugh Dykes has written: "I do not agree with your arguments which I fear are positively dangerous, for they allow the Government to get off the hook too easily." But at least some of those who hanker after "Son of GLC", such as John Wilkinson, John Gorst, and even Hugh Dykes himself, are willing to concede that the Select Committee/Grand Committee idea would be better than nothing if they cannot get their way on a directly elected London-Wide Body.

This leaves a Regional problem, but I think the answer to this is self-evident. Apart from the fact that London is the world's greatest city, and the Capital of this country - factors which do distinguish it from Birmingham and Merseyside, etc., the Local Government Bill confers upon Ministers a wide range of powers which will not apply in the Regions. Clauses 9, 21, 40, 59, 61 and 80, and particularly Clauses 92 and 93, are only a few of the Clauses which give Ministers substantial extra powers over the life of London. When Ministers are given such powers, it is only right that Parliament should have adequate machinery to monitor the use of those powers.

The passage of the Local Government Bill is bound to add to the work of Parliament. If no changes are made, Parliament's arteries are going to get clogged. I think that the Select Committee/Grand Committee proposal offers the best solution to a difficult problem.

Sir Philip Goodhart



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt. Hon.
Patrick Jenkin, M.P.,
Secretary of State,
Department of Environment.

March 4th 1985

The problem of how the residual London-wide problems should be dealt with after the abolition of the G.L.C. has added a great deal to the complexity of the Local Government Bill, and has proved to be a divisive issue for our colleagues.

A sizeable number of our colleagues, supported by the majority of the Conservative Members of the G.L.C., will continue to press for a directly elected London-Wide Body with substantial powers. It is plain that if the Government were forced to accept such a directly elected Body, as a result of rebellions in the House of Lords, many commentators would claim that the Government had suffered its most severe party political setback since the General Election of 1979.

Apart from the irreconcilable rebels, there are also a considerable number of London Conservative Members of Parliament who would like to see some additional arrangements for discussing these London-wide or cross-boundary problems. A majority of this group accept that the only place in which these discussions can be held is in the House of Commons itself.

But how can this be done? As Kenneth Baker pointed out, when winding up the Second Reading of the Local Government Bill, our methods of debating London issues are unsatisfactory, and have been unsatisfactory for as long as anyone can remember. The two traditional debates on 'General Powers' and 'Money' have been occasions for petty point-scoring rather than a serious discussion on serious issues.

It isn't easy to see how this situation can be improved without a substantial alteration of our procedures. Some statistics recently released by the Leader of the House show that we may well be sitting longer and later than at any time since the Labour Government of 1945/51. If we just try to add more London debates on the Floor of the House, we shall be making a bad situation even worse.

Cont..



All this has led some of us to suggest that a special London Grand Committee should be set up so that London Members of Parliament could debate those London-wide issues where Ministerial responsibilities have been increased by the proposed re-organisation. This suggestion has been criticized by John Wheeler, who argues "that in practice, a hard-pressed and very busy M.P. will find it very difficult to attend the committee meetings and it would end up with the hardy faithfuls fulfilling yet another role."

I think that John Wheeler's criticism is fair, and I have discussed the matter with him at some length. He accepts that new machinery and a new forum are needed. I accept his view that we should set up a London Select Committee of nine or eleven Members. The terms of reference of this Select Committee would confine its activities to monitoring and reporting upon the activities of the Ministerial responsibilities, direct and indirect, for London. It would not cover issues which were the responsibility of the Greater London Boroughs.

Clearly, a major field of activity for this Select Committee would be Public Transport in London, and Traffic in London. I would expect that there would be at least one report on Public Transport in London and one report on Traffic in London every year. The Select Committee could also report on those matters where Ministers will have a general oversight of Management Agencies or Joint Procedures. At an early date, the Select Committee could look at the new arrangements for Historic Buildings, and Waste Disposal.

The reports of the Select Committee on London, which might number three or four a year, could then be discussed by a London Grand Committee, so that every London Member of Parliament would have an opportunity of commenting upon the reports of the Select Committee - and the Ministerial replies to those reports. Indeed, the sole function of the London Grand Committee would be the discussion on a 'take note' basis of the reports of the London Select Committee.

Of course there will be problems. When discussing Traffic, we will have to call in the Assistant Commissioner of the Metropolitan Police responsible for Traffic. This will underline the question of whether the Select Committee for London should be entitled to look at Metropolitan Police matters. John Wheeler and I have discussed this tricky and subsidiary point, and we are inclined to the view that the Select Committee ought to look at such matters as Police Manpower in two or three years' time, but that Police issues should not be on the Agenda immediately.

I believe that the Select Committee concept meets most of the sensible criticisms that have been levelled against the London Grand Committee proposal. It will ensure that specific problems are looked at in a rational fashion by the elected representatives of the people of London.

EXTRACT FROM 1983 MANIFESTO

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.



Annex D

LONDON BOROUGHS FORUM

1. This note considers the nature and modus operandi of a statutory London Boroughs Forum.

THE NATURE OF A FORUM

2. A Boroughs Forum should clearly be basically a local authority body, though there could be provision for the appointment of additional members (see para. 9 below). In addition, the following assumptions have been made:

- a. it should not be a directly-elected authority;
- b. it should not run a major service (defined as requiring large numbers of staff and/or major expenditure);
- c. it should not be a precepting body.

3. Given these constraints, it is clear that the main role of the body would be a consultative/advisory one. If a body of this kind existed, it could, however, be considered as a suitable home for other minor activities.

Essential Functions

4. The pressure for the body arises principally because of the perceived need to have a body "speaking for London" on major land use planning issues. This would inevitably encompass strategic transportation matters. In practice, also, the body could not be prevented from expressing views on social and economic issues.

5. The purpose of the London Planning Commission (LPC) is to provide advice for the Secretary of State on major planning issues. It has been criticised because it is appointed by the Secretary of State, and not based on local government; and because it has no powers over the boroughs.

6. There is no room in the proposed unitary development plan system for a London-wide body with planning powers. It would, however, be possible to meet the first criticism by reconstituting the LPC as a borough-based body. This would produce a body which could speak for, and coordinate the views of, the boroughs on land use planning and transport issues going wider than the individual borough. Such a body might be needed anyway within the present proposed framework; but it could not credibly play a part in the new planning structure unless it was given a statutory basis.

7. A Planning Forum, replacing the LPC provisions in Schedule 1 to the Bill, could provide a home for some existing GLC activities which the boroughs wish to preserve such as the research and information function (at present proposed to be dealt with on a "Lead borough" basis under clause 86.) However, a body set up by amendment to



Schedule 1 could not properly take on more general activities (eg supplies, scientific services) - which the boroughs might wish to continue in some form after abolition. Nor could it be a general "voice for London" representing London in, for example, relations with other cities. But a more broadly-based body which could look after these tasks might also be able to move into other more controversial fields.

Constitution

8. A Forum could be constituted as a statutory joint committee to which each borough would be required to appoint one member. On present political composition, this would give 19 Con 12 Labour and 1 Alliance, plus the City.

9. There is a case for widening the membership to include people outside local government with an interest in London affairs from, say, industry, the voluntary sector, unions, and planning. These would have to be appointed by the Secretary of State. There could be a statutory limit on the number of appointees - eg not exceeding a quarter of total membership which would give up to 11 appointees.

Financing

10. A Forum would need to be given access to sufficient finance to enable it to fulfil its role properly, but to prevent it spending recklessly eg in pursuit of doctrinaire economic and social policies. This might be achieved by setting a limit to the amount of the charge which it could levy on the boroughs. There might also be provision that the budget must be agreed by at least two-thirds of the boroughs (though if the necessary two thirds majority was not secured, the Forum would not be able to function).

LONDON BOROUGH VIEWS

11. Conservative Borough Leaders have made clear their strong opposition to any new directly-elected London-wide body. They are equally anxious to avoid the creation of any new body which could, in time acquire an independent role.

12. However, a number of Conservative boroughs have expressed concern about the absence of a body to look after some London-wide issues after abolition - examples are the supplies organisation, parts of the scientific services branch, and the research and information function. Some of the boroughs who want a body to carry on work of this kind see it as a "statutory LBA". Such a body would need to be created as a general-purpose one, and not by amendment of Schedule 1.

13. In so far as they are concerned about the future of London-wide activities, the creation of a new body would probably be welcome to most Labour Boroughs. But a borough-based body would not meet the main Opposition argument, which focusses on the need for a directly-elected London Authority; and, even if they accepted the principle of a borough-based body, the Labour boroughs would probably want it to take on far more functions than would be acceptable.



IMPACT ON THE MET COUNTIES

14. There would be pressure to extend to Met Counties any compromise proposal that was conceded for London. Indeed a "planning Forum" could be presented as giving statutory form to the "planning conferences" of district representatives which are to be convened when necessary to advise the Secretary of State on the issues to be dealt with in his strategic guidance. However, a case can be made for drawing a distinction between London and the Mets so far as planning issues are concerned - the proposed London Planning Commission is already an acceptance of this; and there is virtually no Local support (except perhaps in Merseyside) for a new country-wide body.

To: Mr. Andrew Turnbull

From: Lord Rothschild

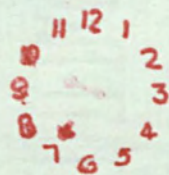
18th March 1985

Mr. Hoffmann cannot come to Chequers on March 31st because he has an unavoidable case early on the next Monday morning in Bermuda.

Rothschild

c Mrs. Caroline Ryder

19 MAR 1985



cf.
all noted.
for filing
7/9/3

Feb.

Mr. ~~Baker~~

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From: Lord Rothschild

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Rothschild

c Mrs. Caroline Ryder ✓

RECEIVED
18 MAR 1985
SECRETARY OF STATE

18 MAR 1985



119 MAR 1985



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10 DOWNING STREET

From the Private Secretary

18 March 1985

Following the Prime Minister's meeting with your Minister and Lady Porter, she read with interest Lady Porter's letter and her proposals on the role of Westminster Council after the abolition of the GLC. She understands that your Minister is pursuing the issues raised by Lady Porter's proposals and she would be grateful for an early report on the progress he is making.

Timothy Flesher

Mike Bailey, Esq.,
Office of the Minister for Local Government,
Department of the Environment.

WFO



229

10 DOWNING STREET

From the Private Secretary

18 March 1985

The Prime Minister has asked me to thank you for your letter of 11 March following your meeting on 6 March. She was interested to receive your proposals and has asked Kenneth Baker to examine them closely.

Timothy Flesher

Councillor Lady Porter.



CONFIDENTIAL

nubhm

*cc: PO
DE*

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn

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

15th March 1985

Dear Patrick,

ABOLITION: COUNTER OBSTRUCTION

will request if required.

I have seen Kenneth Baker's letter to you of 26th February in which he proposes amendments to the Local Government Bill.

I agree that if the authorities are determined to attempt to bind their successors in the manner suggested we cannot safely rely upon existing powers to prevent them; and although particular transactions could be invalidated by means of emergency retrospective legislation we could be criticised for failing to recognise a risk which was clearly foreseeable.

I therefore support Kenneth's proposals.

I should, however, draw attention to certain legal difficulties associated with surcharge and the removal of protection from innocent parties. So far as I am aware, surcharge in local government law has hitherto always been related, directly or indirectly, to financial loss; but under the proposed scheme, provided property is sold or contracts are let for the best price obtainable, there is no financial loss, nor, if property disposed of is later recovered from a third party without payment of compensation, is there any loss of assets which should have passed to the successor authorities. It may therefore be said that the surcharge is in reality a criminal sanction, and that offenders should be given the benefit of a criminal trial. Furthermore, in some cases (for example, the unauthorised sale of County Hall) the amount for which persons responsible are potentially liable could greatly exceed their ability to pay, and may be considered disproportionate to the nature of the offence.

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If disqualification is thought to be an inadequate sanction then I appreciate the need to introduce a surcharge on the lines proposed. However, you may care to consider whether it would be appropriate to include statutory defences, for example, for officers or councillors who could show that they authorised an agreement in the genuine belief that your consent had been obtained. This might make the measure more palatable without seriously weakening its effect.

So far as third parties are concerned, I appreciate that you will do all you can to publicise the measures as widely as possible. Nevertheless, as Kenneth recognises in his letter, there will inevitably be a few cases of hardship where property changes hands rapidly and a successor authority later makes a claim against a party who is genuinely ignorant of the illegality of the original transaction. In such cases there is a danger that legislation which did not afford the innocent "owner" a chance to argue his innocence and, if appropriate, obtain the property or receive compensation, could be held to be contrary to the second paragraph of Article 1 of the First Protocol to the European Convention on Human Rights. This is a difficult and uncertain area of law but I have no doubt that the point will be made in the course of the debate on the amendments. Again, you may wish to consider whether innocent parties, particularly individuals, could not be given some limited form of protection without destroying the deterrent effect of the proposed measures.

I am copying this to all members of MISC 95, those colleagues on the attached circulation list, Sir Robert Armstrong and First Parliamentary Counsel.

Yours Grg. Michael

Prime Minister ②

Olive's note explains the implications of Lady Porter's proposals. The action is with Kenneth Baker who will report on the outcome of his discussions with Westminster.

AT 15/3

PRIME MINISTER

ms

GLC AND WESTMINSTER: LADY PORTER'S LETTER

Lady Porter's proposal is attractive, but it needs careful handling.

London Rate Equalisation Scheme

The London Rate Equalisation Scheme is a system for equalising rates throughout inner London by redistributing money from boroughs with high rateable values to those with low rateable values. The effect is that Westminster and the City subsidise the other inner London boroughs to the tune of about £75million pa.

This system is peculiar to London. It runs in parallel with the national redistributive system. It is retained in order to prevent London from skewing the national results.

Effect of GLC Abolition on the Rate Equalisation Scheme

When the GLC is abolished, the boroughs will no longer need to pay the precept; but they will have to spend extra money on the services that they take over from the GLC.

Westminster and the City will benefit disproportionately because they at present pay the lion's share of the precept. To prevent uneven rate rises following this change, the DoE intend to extend the London Rate Equalisation Scheme so that Westminster and the City are forced to hand over to the other boroughs a large proportion of the money that they save.

The DoE has not yet settled how much extra they will ask Westminster and the City to pay. This depends on the assumption made about the amount that the other boroughs will need to spend on the services taken over from the GLC. If we assume that spending will be at the level of the GLC's "target", Westminster will have to pay about £70 million more. But if we assume that spending will be as low as the GLC's "GRE" (the amount needed to maintain average services), then the Scheme would increase by only £100 million, of which Westminster would pay only an extra £40 - £50 million.

Lady Porter's Plan

Naturally enough, Lady Porter would like to ensure that the Government assumes a low spending level on these services. That way, she will keep more of her ratepayers' money, and her rates will go down.

She wants Ministers to give an assurance that they will assume spending of only 5% over "GRE". She would then have to pay much less in additional 'rate equalisation' to the other boroughs than she will save through the abolition of the precept.

In return, she is willing to spend £5 million pa on the English National Opera, the London Tourist Board and other highly visible items, to prove that there is "life after the GLC".

The Snags

It would be tremendously advantageous for the Government if Lady Porter were to take on these visible items. This might begin to make people doubt the GLC's propaganda; and it would certainly ease the passage of the Abolition Bill through the Lords.

But there are real dangers:

1. If Patrick Jenkin meets Lady Porter's demand in full, and assumes that the boroughs will spend only 5% above the GLC's GRE on the services that they take over, he will be challenged in the courts because the move will demand cuts that are very difficult to make in a single year.

2. Other Conservative London boroughs will be furious.

Councils like Croydon, Hillingdon and Barnet - which will be brought into the Rate Equalisation Scheme when the GLC is abolished - will find that they have to pay far more for the services that they take over than they now pay in the form of a precept.

3. To buy off legal challenges and the fury of Conservative boroughs, the DoE would either have to redistribute money from the politically sensitive shires, or increase the total of Rate Support Grant.

What should be done?

There two sensible options:

- either: persuade Lady Porter to take on the highly visible items of spending by going some way towards what she wants, without turning the screws too tightly on the other London boroughs;
- or: persuade Westminster and the City to take over so many London-wide services that the Rate Equalisation Scheme can be abolished entirely without damaging the other boroughs.

We understand from DoE that Kenneth Baker is now pursuing

both of these options. We recommend that you should ask him
to report at the end of next week on the outcome of his
negotiations.

Oliver Letwin.

OLIVER LETWIN

E. R.

PRIME MINISTER

Lord Rothschild has asked to come in and see you on Monday to ask you a question about his local government review. He has been characteristically mysterious about the question.

I suspect that he wants to ask you whether you would like to abolish domestic rates completely. He hankers after this, partly (I suspect) because it would be a dramatic solution to the problem. But abolition would involve a larger poll tax and, unless this was graded in some way according to income (which would cause complications), it would fall more heavily than the rates on people with low incomes.

You are due to have a seminar at Chequers on Sunday 31 March when both the Department of the Environment and Lord Rothschild will be presenting their ideas. I suggest that, in giving Lord Rothschild a steer you tell him that you will want to wait for that presentation before reaching a firm view.

Note from John Redwood attached.

F. E. R. B.

15 March 1985

15 March 1985

PRIME MINISTER

Victor Rothschild is coming in to discuss his ideas on local
government.

Oliver Letwin and I have spent considerable time with him
suggesting ideas and answering queries. He is thinking
about:

Scrapping the business rate.

This could be replaced by adding 8-9 percentage points to
the Corporation Tax rate. Instead of taxing land and
property use, we would be taxing profits; the money would be
collected nationally and redistributed through some grant
formula.

Domestic rates: to scrap or reduce?

I think Victor has agreed that the poll tax is the most
attractive of the options available - income tax, sales tax,
poll tax. He wonders whether he should recommend going the
whole hog, imposing a quite substantial poll tax, and
abolishing rates completely; or whether he should follow the
DoE line of having both a smaller poll tax and a much
reduced domestic rate.

I expect that
this is the
question he
wants to ask
you on Monday

Making greater use of charges

We believe both Victor and the DoE have agreed that charges should be imposed or increased for many services where the user can have more direct say in the quality and style of service provided. We have one of the lowest levels of charging for local authority services of any of the Western countries.

Rate Support Grant

All seem to agree we need a simpler formula for distribution of grant, but that's where the arguments begin rather than end. We have raised the question of whether we are pouring too much money into Labour strongholds in the cities through the hidden Regional Aid of the present RSG system.

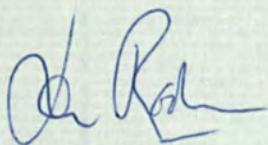
Structural Reform

Victor may still be an enthusiast for scrapping a tier of local government altogether. DoE are less enthusiastic!

Victor has formed a low impression of Government departments with which he has had to deal. There are some disagreements between the approach he (drawing on Lenny Hoffman) may wish to pursue, and the likely course that Patrick Jenkin, Ken Baker and William Waldegrave will recommend. He may seek to involve you in some of these disagreements.

He is also keen to pursue the question of union
contributions and deductions by employers. I have said to
him that we talk from time to time to Tom King about these
and other issues, but have not encouraged him, in view of
the political sensitivity of the subject.

We have minuted you separately about a possible new Trade
Union Bill.



JOHN REDWOOD

CONFIDENTIAL



Prime Minister ②
 Table attached shows where
 George Younger found the
 money

14/3

Treasury Chambers, Parliament Street, SW1P 3AG

J S Graham Esq
 Private Secretary to
 Secretary of State for Scotland
 Scottish Office
 Dover House
 Whitehall
 LONDON
 SW1A 2AU

14 March 1985

Dear John

RATES AND REVALUATION

Following your Secretary of State's announcement in the House of the revised amount of domestic rate relief on Thursday 7 March I thought it useful to set out in the attached summary the package of offsetting savings that have also been agreed.

Two of the 1985-86 cash limits concerned (SO/LA2 and Class XV Vote 2) will be announced, in the usual PQ on non-voted cash limits and main estimates respectively, at the time of the Budget. The rest will be announced in a few weeks when you have worked out the final details but in time for any consequent supply estimate changes to be included in revised estimates.

Since the savings are offsets to an increase in domestic rate relief grant, which is set for only one year ahead, they apply only to 1985-86. However, should you wish to retain the additional domestic rate relief grant in future years we shall need to revise your other programmes in those years also.

Finally, some of the offsetting savings involved are from programmes outside your block. The Chief Secretary agreed to them because of the exceptional circumstances in this case. But he has asked me to emphasise that his agreement must be without prejudice to the rule that transfers across the boundary of the Scottish Block are not normally permitted.

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I am copying this letter to Andrew Turnbull (No. 10), Janet Lewis-Jones (Lord President's office) David Morris (Lord Privy Seal's Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary

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SAVINGS OFFSETTING AN INCREASE IN DOMESTIC RATE RELIEF

	<u>Cost of 3p increase in domestic rate relief:</u>	£38.5m
(a)	<u>Reductions in cash limits</u>	
Voted	Class XV.2 Agricultural Services and Fisheries, Scotland	£0.5m
Voted	Class XV.3 Regional and Industrial Support, Scotland	£5.2m
Voted	Class XV.6 Roads and Transport and Environmental Services, Scotland	£4.8m
Voted	Class XV.14 Prisons Hospitals and Community Health Services, Scotland	£5.0m
Non Voted	SO/LA2 Housing and New Towns Commercial and Industrial Capital	£10.5m
	Sub Total	£26.0m
(b)	<u>Changes to Grant Penalty Tariffs</u>	£12.5m
	(Now on a sliding scale with fixed points at 1 per cent and each succeeding ½ per cent being, 90%, 100%, 110%, 120%, 140%, 170%)	
	TOTAL	£38.5m

SIR PHILIP GOODHART, M.P.

21/3/85



HOUSE OF COMMONS
LONDON SW1A 0AA

March 13th 1985

The Rt. Hon. Michael Alison MP
House of Commons

Dear Michael

In preparation for the meeting with the Prime Minister after Questions on Thursday March 21st, I enclose a copy of a letter that I have written to John Biffen, to which is attached a copy of a further letter to Patrick Jenkin.

The new proposal, with which Patrick Jenkin seemed pleased when we met in his room the other day, is different in a number of important respects from my original proposal, and while I can no longer claim to be the sole author of the plan, I think that it is now much improved.

You will recall that the Prime Minister was worried about the Regional implications of a London Grand Committee. I think that the new plan meets her anxieties on this issue.

Yours Ever

Philip

SIR PHILIP GOODHART, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt. Hon.
Patrick Jenkin, M.P.,
Secretary of State,
Department of Environment.

March 4th 1985

The problem of how the residual London-wide problems should be dealt with after the abolition of the G.L.C. has added a great deal to the complexity of the Local Government Bill, and has proved to be a divisive issue for our colleagues.

A sizeable number of our colleagues, supported by the majority of the Conservative Members of the G.L.C., will continue to press for a directly elected London-Wide Body with substantial powers. It is plain that if the Government were forced to accept such a directly elected Body, as a result of rebellions in the House of Lords, many commentators would claim that the Government had suffered its most severe party political setback since the General Election of 1979.

Apart from the irreconcilable rebels, there are also a considerable number of London Conservative Members of Parliament who would like to see some additional arrangements for discussing these London-wide or cross-boundary problems. A majority of this group accept that the only place in which these discussions can be held is in the House of Commons itself.

But how can this be done? As Kenneth Baker pointed out, when winding up the Second Reading of the Local Government Bill, our methods of debating London issues are unsatisfactory, and have been unsatisfactory for as long as anyone can remember. The two traditional debates on 'General Powers' and 'Money' have been occasions for petty point-scoring rather than a serious discussion on serious issues.

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Cont..



All this has led some of us to suggest that a special London Grand Committee should be set up so that London Members of Parliament could debate those London-wide issues where Ministerial responsibilities have been increased by the proposed re-organisation. This suggestion has been criticized by John Wheeler, who argues "that in practice, a hard-pressed and very busy M.P. will find it very difficult to attend the committee meetings and it would end up with the hardy faithfuls fulfilling yet another role."

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Clearly, a major field of activity for this Select Committee would be Public Transport in London, and Traffic in London. I would expect that there would be at least one report on Public Transport in London and one report on Traffic in London every year. The Select Committee could also report on those matters where Ministers will have a general oversight of Management Agencies or Joint Procedures. At an early date, the Select Committee could look at the new arrangements for Historic Buildings, and Waste Disposal.

The reports of the Select Committee on London, which might number three or four a year, could then be discussed by a London Grand Committee, so that every London Member of Parliament would have an opportunity of commenting upon the reports of the Select Committee - and the Ministerial replies to those reports. Indeed, the sole function of the London Grand Committee would be the discussion on a 'take note' basis of the reports of the London Select Committee.

Of course there will be problems. When discussing Traffic, we will have to call in the Assistant Commissioner of the Metropolitan Police responsible for Traffic. This will underline the question of whether the Select Committee for London should be entitled to look at Metropolitan Police matters. John Wheeler and I have discussed this tricky and subsidiary point, and we are inclined to the view that the Select Committee ought to look at such matters as Police Manpower in two or three years' time, but that Police issues should not be on the Agenda immediately.

I believe that the Select Committee concept meets most of the sensible criticisms that have been levelled against the London Grand Committee proposal. It will ensure that specific problems are looked at in a rational fashion by the elected representatives of the people of London.

SIR PHILIP GOODHART, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt. Hon. John Biffen, MP,
House of Commons.

March 12th 1985

Since we last talked about the London Grand Committee and the whole problem of discussing London-wide issues after the abolition of the GLC, there have been some changes in the proposals. These changes have largely stemmed from correspondence and conversation between myself and John Wheeler, Chairman of the London Members' Committee.

We now propose that the main Parliamentary body for the monitoring of London's problems should be a London Select Committee, which would consist of eleven or nine Members. (My preference would be for eleven Members, as it will be necessary to accommodate at least one Conservative backbench Member of Parliament who is opposed to abolition.) The London Grand Committee, which would consist of all London MPs, would then meet solely to discuss the Reports of the London Select Committee and the Ministerial responses thereto.

The Select Committee would not discuss those issues which came solely within the competence of individual Greater London Boroughs. It would primarily deal with those London-wide subjects which are now the responsibility of Ministers - (mainly Traffic and London Transport, and those issues which have been allocated to Lead Boroughs or Joint Boards, but for which Ministers retain residual responsibility - Historic Buildings, payments to voluntary organisations, the Fire Service, Waste Disposal, etc., etc.) In the first few years, the Select Committee would probably spend as much time on Traffic and Public Transport as on all other subjects put together.

I enclose a letter on the proposed machinery that I have written to Patrick Jenkin. This letter was written after a meeting on February 28th in his office, attended by him, Kenneth Baker, Geoffrey Finsberg and myself. It was agreed that this plan offered the best hope of meeting justifiable criticism, and providing a framework which would deal satisfactorily with a real practical problem.

The new proposals effectively counter the criticism that a London Grand Committee would just be a talking-shop. Many Members on both sides of the House now have a vested interest in not criticising the Select Committee system. It isn't easy for anyone to argue that Select Committee Reports are meaningless.

The new proposals also meet the fear that a London Grand Committee would add a burden of unspecified weight to the shoulders of a lot of very busy MPs. The proposals will mean a lot of extra work for eleven Members. It will give all other backbench London MPs an opportunity (which they do not have to take) of making four or five speeches a year in a well-publicised forum, on subjects close to their constituents' hearts.

Cont..



Meanwhile, the Select Committee/London Grand Committee idea has an impressive volume of support on our side. I have not told all the London Conservative backbenchers about the Select Committee proposal, but I find it very difficult to believe that anyone who was originally in favour of the Grand Committee concept will not be even more enthusiastic about the Select Committee version.

Those who actively support the scheme include all the senior London Conservative backbenchers who have been Ministers or who are Chairman of Select Committees, or are currently Chairmen of the major Party Committees. Apart from myself and John Wheeler, this includes Geoffrey Finsberg, Hugh Rossi, William Clark and William Shelton. Supporters of the plan also include a substantial majority of other Committee Chairmen and Parliamentary Private Secretaries - Tim Eggar, Toby Jessel, Colin Moynihan, Nigel Forman, Angela Rumbold, Michael Shersby, Roger Sims and Ivor Stanbrooke. The younger supporters include Terry Dicks, Jeremy Hanley, Humfrey Malins, Neil Thorne and Richard Tracey.

With only one exception that I know of, those who are opposed to the Parliamentary forum idea are opposed to the whole idea of scrapping the GLC without replacing it with "Son of GLC". Those who do not like the idea include Ted Heath, Hugh Dykes, Cyril Townsend and John Wilkinson. Hugh Dykes has written: "I do not agree with your arguments which I fear are positively dangerous, for they allow the Government to get off the hook too easily." But at least some of those who hanker after "Son of GLC", such as John Wilkinson, John Gorst, and even Hugh Dykes himself, are willing to concede that the Select Committee/Grand Committee idea would be better than nothing if they cannot get their way on a directly elected London-Wide Body.

This leaves a Regional problem, but I think the answer to this is self-evident. Apart from the fact that London is the world's greatest city, and the Capital of this country - factors which do distinguish it from Birmingham and Merseyside, etc., the Local Government Bill confers upon Ministers a wide range of powers which will not apply in the Regions. Clauses 9, 21, 40, 59, 61 and 80, and particularly Clauses 92 and 93, are only a few of the Clauses which give Ministers substantial extra powers over the life of London. When Ministers are given such powers, it is only right that Parliament should have adequate machinery to monitor the use of those powers.

The passage of the Local Government Bill is bound to add to the work of Parliament. If no changes are made, Parliament's arteries are going to get clogged. I think that the Select Committee/Grand Committee proposal offers the best solution to a difficult problem.

Sir Philip Goodhart

②
PRIME MINISTER

12 March 1985

BT
12/3

HACKNEY COUNCIL

The proceedings last week when the Council refused to set a rate were not filmed by the BBC but were recorded by Radio London. The cameras seen in the hall were ^{internal} only relay cameras but we are attempting to obtain the radio tapes. There is a possibility that News Night will be doing a programme revealing the horrors of such Councils.

ms
H. Booth

HARTLEY BOOTH



hwe

67

10 DOWNING STREET

From the Private Secretary

12 March, 1985

LOCAL GOVERNMENT FINANCE SEMINAR

SUNDAY 31 MARCH, CHEQUERS

BF

This is to let you know that the meeting at Chequers on 31 March will now commence at 12 noon.

I am sending a copy of this letter to Elizabeth Martingell (Lord President's Office), Mike Bailey (Mr Baker's Office) and Ms B Jones (Mr Waldegrave's Office) at the Department of the Environment and also to Edward Gowans (Scottish Office), Paul Skellon (Welsh Office) and to Alex Galloway (Paymaster General's Office). Could everyone concerned please make sure that the officials are informed of the change of time.

(Caroline Ryder)

J Ballard Esq.,
Department of the Environment

LB

MR TURNBULL

File

Local Government Finance Seminar
Sunday 31 March - Chequers

I confirm that:-

Secretary of State for the Environment
Minister of Local Government
Mr Waldegrave.

Secretary of State for Scotland
in Ancram.
Secretary of State for Wales.

Paymaster General

Ld R. Ryder
~~Mr Hoffmann~~

can all attend the lunch and the afternoon on Sunday 31
March.

*N. W.P.
N. Brady
N. Letwin
N. House*

The Lord President is in difficulties but can cancel
his engagements in the north if you so wished.

N. Meyer

Please:

1. Ring the Lord President's Office back. *y*
2. Circulate relevant papers to respective offices.

cf.

Caroline Ryder
19 February 1985

THE LEADER OF THE COUNCIL

COUNCILLOR LADY PORTER

CF... NOT RE... try again!
900 - 02 04



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

P.O. Box 240
Westminster City Hall
Victoria Street London SW1E 6QP
Telephone: 01-828 8070
Telex: 8950917 WEST CC G
Dx 2310 VICTORIA

WPreF:WS95

11 March 1985

Dear Prime Minister

GLC ABOLITION AND WESTMINSTER'S ROLE

6385

Thank you for giving me so much of your valuable time last Wednesday, it was an added pleasure to see you again the same evening. I have written to Kenneth Baker as you requested setting out our plan and I am enclosing a copy of my letter together with a paper for Oliver Letwin.

I was very happy to hear your support for our initiative. Westminster would be pleased to take on London-wide functions. Not only would we be prepared to be the lead borough but also we can fit into any timetable which might be helpful to the Government. All we need is a guarantee that abolition will not cost our ratepayers more because of quirks in the grant system operated by the Department of the Environment. My group are totally behind me on this and we are looking forward to May 1986.

I was pleased to hear you will be asking Lord Avon to invite us to lobby the Lords. With any early decision from Kenneth we might be able to announce a major lead borough initiative before the debate.

to my...
[Signature]

Councillor Lady Porter

THE LEADER OF THE COUNCIL

COUNCILLOR LADY PORTER

The Rt Hon Kenneth Baker MP
Minister for Local Government
Department of the Environment
2 Marsham Street
London SW1

WPreF:WS96
11 March 1985

Dear Kenneth

GLC ABOLITION AND WESTMINSTER'S POLITICAL ROLE

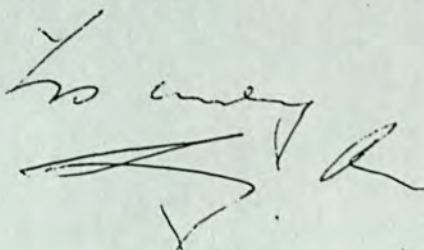
I said I would write to explain our plans for following up the Prime Minister's strong support for the lead borough idea. Both Westminster and the City are certainly prepared to take a high profile if we can agree proper arrangements with you.

We start from a position where GLC mis-information and prejudice in the House of Lords seem likely to give the Government trouble, and recent election results bear this out. Westminster has the resources and the determination to take strong initiatives to help the Government but as I have told you before I cannot commit the Council to action without categorical assurances on your proposals for extended equalisation. With equalisation payments possibly amounting to as much as 20% of Westminster's rate after abolition, the position in the Party here depends on getting the rate down in May 1986.

If we can have a written assurance from you that equalisation will be extended only on the basis of GRE plus 5% then Westminster will take urgent action to take over some of the services at risk because of the GLC's spoiling tactics. Not only could we take instant action to support such bodies as the English National Opera, the London Festival Ballet and the Tourist Board (currently at risk because of GLC decisions) but after abolition we could also take on some of the more tricky London-wide GLC activities such as scientific services, London Intelligence, traffic data, various grants and such like. We would be prepared to allow equalisation payments to be used by you as a way of equalising out inevitable fluctuations in Borough grant entitlement which will be caused by abolition; I believe officials have proposed a scheme on these lines.

I have discussed this approach in outline with Peter Rigby at the City and I believe he would also be prepared to help in a similar way. With suitable guarantees from you we could certainly go ahead with the kind of lead borough activity which the Prime Minister supported and I have sent a note to her to confirm this. Westminster will be prepared to fit into any timetable which would be helpful to you and I am ready to meet you at any time if this would help.

Councillor Lady Porter

Looney


GLC ABOLITION AND WESTMINSTER'S ROLE - NOTE FOR PRIME MINISTER

The Problem

- (1) After GLC abolition the arrangements for managing various politically important Londonwide services will depend on difficult and uncertain co-operation between Boroughs, eg, Arts grants, scientific services, computing, traffic data collection.
- (2) There is a danger that by a too generous extension of grant equalisation arrangements to account for the lack of a GLC precept the Government will simply perpetuate GLC spending levels indefinitely in outer boroughs after abolition.
- (3) Westminster ratepayers, both commercial and domestic, will be furious if Government acts to add up to 20% to their rate bill for equalisation and the money is then used for irresponsible spending by left-wing authorities.
- (4) DoE Ministers are being bogged down by their officials and the complicated theology of the grant system.
- (5) Unless radical steps are taken the grant system alone will produce random gains and losses because the DoE formula approach cannot cope in any other way with the transfer of spending after abolition.
- (6) The Government is losing the political initiative because individual boroughs are not coming forward to take on politically important GLC responsibilities such as grants and the arts.
- (7) Westminster itself cannot take a higher profile because of the threat of increased rate demands caused by uncertainty over the new equalisation arrangements.
- (8) There is a general concern amongst Conservative London borough Leaders that rates in May 1986 will be higher than ever after abolition. They fear there will be insufficient Government grant to cover transitional costs which had to be borne by the boroughs and which will be especially high because of spoiling action now being taken by the GLC (eg, redundancy costs, setting up costs for new staff and accommodation, etc).

Background

Extended equalisation will be needed after abolition to make up for the fact that spending on present London-wide services is heavily subsidised by high rateable value central boroughs because of the precept arrangements operated by the GLC. Ministers have said they will base equalisation on "reasonable" levels of spending by successor authorities, the problem is how to define "reasonable". Initial calculations suggest that the increased burden of equalisation for Westminster ratepayers could be as high as £70 million if DoE Ministers take a generous view on devolved expenditure. If Ministers took a tough line and insisted that boroughs spent at their grant related expenditure formula levels on devolved services then the amount of extended equalisation would fall to a more reasonable level of about £40 million.

On grants expenditure the GLC is currently considering a campaign in 1985/6 to embarrass the Government by reducing grant to certain key national institutions such as ENO and London Festival Ballet. The GLC has taken similar action with regard to the London Tourist Board. Government critics in the House of Lords will not be slow to seize upon these dislocations as an example of the danger of the Government's proposals.

There are also certain London-wide services for which DoE Ministers have not found convincing answers after abolition. These include the London Intelligence Function, the computer, traffic data, scientific services, housing mobility, and there may be others.

Proposals

Westminster City Council would be keen to take immediate action to rescue such major national cultural institutions as ENO, LFB, and the London Tourist Board provided guarantees could be given about the size of equalisation payments to be imposed after abolition. For example, if Ministers could give categorical assurance that equalisation would be based on spending by boroughs at GRE plus 5% then the Council could immediately spend up to £5 million (committed before the Lords debate) on bailing out major institutions threatened by the GLC. Furthermore, after abolition Westminster would also be able to take over some of the key London-wide services currently performed by the GLC and mentioned above. These arrangements would not require the agreement of other boroughs; Westminster has the resources and the energy to act on its own provided there are guarantees on equalisation from the Government.

By setting equalisation calculations at a low level the Government would also be encouraging boroughs in receipt of grant to moderate their spending and not to take on spending from the GLC at current levels.

It will also be necessary to develop a scheme for clawing back equalisation payments from those boroughs who irresponsibly overspend. This can be done in exactly the same way as Government grant is withdrawn because equalisation is counted as Government grant for practical purposes.

The Government could also avoid the random imposition of losses and gains through the vagaries of the grant system by using part of the equalisation payments to smooth out the grant variations and maintain the present relative position of rate levels between boroughs. Westminster would have no objection to this and, we believe, the City would also be agreeable. Officials already have details. Westminster believes this would be of great political value to the Government with outer boroughs who are worried about the random effects of the new arrangements.

The Government could easily counter the arguments of those who might contend that Westminster was benefitting unfairly from limited equalisation. If Westminster has volunteered to take on expenditure on valuable London-wide services then it is entirely fair that a notional offset should be made in the equalisation equation.



Note
PM agreed to add Mr Ancram to list
1 weeks with Welsh Office (Cedric Jones) who
conferred with SS/Wales to lead a local government.
They would not want to
bring a junior
minister.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

AT 12/13

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

11 March 1985

Dear Andrew,

LOCAL GOVERNMENT FINANCE STUDIES

I refer to our recent telephone conversations about the attendance of Mr Ancram at the Chequers Seminar on 31 March.

I now attach an extract from the Scotsman of 11 October last year which, as you will see, specifically mentions Mr Ancram's involvement in the Local Government Finance Studies. Although the text of Mr Jenkins speech to the Party Conference did not contain a reference to Mr Ancram I understand that it was decided at the last minute that his name should be mentioned in the speech as one of the participants in the review. Hence the reference to his name in the following day's press. I should also mention that during the recent meeting at No 10 to discuss Scottish RSG Mr Ancram was specifically asked by the PM about the state of play with the studies. In the light of this information I would appreciate it if further consideration could be given to Mr Ancram's attendance at the Seminar.

Yours sincerely

EDDIE GOWANS
Private Secretary

1977 as a result of
 annent cuts and claimed
 at least 100 more officers
 needed. UK Customs
 is are to regain any
 ability.

(all) in the street price
 heroin in Britain to half its
 value is held to have
 insisted that the UK Cust-
 oms controls are inadequate.
 Customs men who pre-
 viously declined invitations to
 visit on how much heroin
 flooding on to Britain's
 is now admit they proba-
 bly only seize about 10 per
 cent of what is being smuggled

blaming the Government of
 bringing with the problem, Mr
 Lewis, secretary of the
 Customs and Excise group of
 MPs, said bad harvests in
 Pakistan or a flare-up in the
 Afghan guerrilla war had
 greater impact on British
 heroin street prices than cur-
 rent Customs controls.

Such of the blame for this
 as the increasing drug prob-
 lem had to be placed at the
 door of the Government and its
 staff in Customs staff, he
 said. "Against the back-
 ground of already losing 1,000
 jobs, our claim for a further
 100 was modest. While 100 is

was not really new, and they
 had in fact been working in the
 two cities for almost a year.

Life jail

CONTINUED FROM
 PAGE 1

The legislation to increase
 the maximum sentence for
 drug trafficking from 14 years
 to life imprisonment is likely
 to be included in next year's
 Criminal Justice Bill, and
 although confiscation of profits
 from the illicit trade will also
 be enacted for England and
 Wales within the next three
 years, this may prove more
 difficult in Scotland because of
 the difficulty of identifying
 proceeds of crime.

Mr Michael Ancram, the
 Scottish Office home affairs
 Minister, said that while the
 subject was very important it
 was in a highly complex area
 of the law.

"It must be looked at closely
 by the Scottish Law Commis-
 sion." He said the measures
 announced were "positive
 proof of the seriousness and
 determination with which the
 Government intends to deal
 with this vile and lethal
 crime."

In its history," he said.

But he went on to demand
 further manpower cuts above

Inquiry on alternative local revenues

An inquiry into the future of
 local government finance was
 set up yesterday by Mr Patrick
 Jenkin, the Environment Sec-
 retary.

He rejected as impractical
 further calls from the Conser-
 vative Party conference at
 Brighton for the abolition of
 rates, and admitted that the
 two-year search to find an
 alternative tax to domestic
 rates had failed.

He said: "I may say in all
 candour it really serves no
 purpose for the Conservative
 Party to go on year after year
 demanding an end to the
 domestic rates while quite un-
 able to agree on any sound and
 acceptable alternative."

The investigation into the
 entire system of local govern-
 ment finance will be carried
 out by Mr Kenneth Baker, the
 new deputy to Mr Jenkin at
 the Department of the
 Environment. Mr Michael
 Ancram, the Scottish Office
 Minister for local government,
 will conduct the Scottish end of
 the inquiry.

Mr Jenkin said: "I have
 asked them to look at the way
 we distribute the rate support
 grants and I have asked them
 to look at the balance between
 local financing and Exchequer
 financing of council spending."

The inquiry will look again at
 how in any new system local
 revenues may best be raised
 from businesses as well as
 from householders, and how
 accountability of local authori-
 ties to their electorates can be
 strengthened.

The last Conservative
 Government was unable to ful-
 fill its 1979 Manifesto commit-
 ment to the abolition of the
 rating system mainly because
 it was unable to settle upon
 alternative forms of financing.

But the pressure by the
 Conservative conference on
 Ministers to deal with the
 inequity built into the rating
 system because of its failure to
 take into account the income
 levels of ratepayers is clearly
 still causing deep concern.

HOTEL FRACAS

Police were called to the
 Bedford Hotel on Brighton's
 seafront yesterday after scuf-
 fles broke out involving
 "Troops Out" demonstrators

Some concern about this was
 expressed during the NHS
 debate. A state registered
 nurse, Mrs Chris Marshall of
 Birmingham, bluntly told Mr
 Fowler: "There are not enough
 doctors and nurses to cope
 with the demand. Wards have
 had to close and there are not
 enough staff."

A London councillor, Mrs
 Gwyneth Williams, pleaded

aspirin was 40 p
 expensive than
 aspirin and yet
 manufactured by
 company.

"While recogni-
 tance of im-
 portance of im-
 conforming to U
 the time has sui-
 remove the barrier
 free trade in Eu-
 manufacture," he s

Beryl se

Beryl B, Mobil's newest Nor-
 flamboyance. Instead of light
 stack, Beryl B plans on hold-
 ing however, be more to Beryl's

The natural gas that bu-
 commodity to waste on pyro-
 it will fuel the platform's new
 to run a compressor to force
 more than 5,000 pounds per
 more oil to the surface than
 come still more gas to contin-

From a fiscal point of vi-
 in the North Sea brings about
 importantly, though, gas inj-
 significant energy source for

Of course, Beryl B won't
 Sister platform Beryl A's flar-
 should be. Seven years ago B
 injection and ever since she's

Even now, few of her ne-

is homes

eagles ge. within reach.

age can be easily found
 drive
 Interarder

£33,000
 ime, this
 pment is
 each

ve a better



projects in the community and voluntary sector. This represents about 5 per cent. of the corporation's total funding.

Over the next three years, a total of £4.6 million is earmarked to be spent on the community and voluntary sector projects, including £125,000 on health facilities.

Local Government Finance (Inquiry)

Mr. Cartwright asked the Secretary of State for the Environment what are the terms of reference of the departmental inquiry into local government finance announced on 10 October; what organisations and individuals will be invited to give evidence; and when a final report is expected to be published.

Mr. Waldegrave: The Minister for Local Government and I will be undertaking a number of studies of the local government finance system. There are no specific terms of reference, but we shall be looking at the main features of the present arrangements, including rate support grant distribution, the balance between Exchequer and local financing, measures for improving local authority accountability and how total revenues might best be raised. It is too early to specify the exact time scale of the exercise or the nature of consultations.

Wapping (Mental Services)

Mr. Mikardo asked the Secretary of State for the Environment why the London Docklands Development Corporation initially informed the Tower Hamlets district health authority that it would assist in funding a care and cluster scheme for the mentally handicapped in Wapping and has subsequently given no information to the district health authority as to the scale of its financial contribution.

Sir George Young: I understand that the LDDC is awaiting a costed proposal from the Tower Hamlets district health authority which would enable the corporation to assess the appropriate level of any possible contribution.

Isle of Dogs

Mr. Mikardo asked the Secretary of State for the Environment how many new jobs, excluding those in the London Docklands Development Corporation's own offices, in construction, or in Cannon Workshops, are actually now on site in the Isle of Dogs enterprise zone.

Sir George Young: I shall write to the hon. Member as soon as up-to-date figures are available.

Mr. Mikardo asked the Secretary of State for the Environment (1) for the occupational categories of the new jobs in the Isle of Dogs enterprise zone, excluding construction jobs, jobs in the London Docklands Development Corporation's own offices and in Cannon Workshops, which are held by residents of Newham, Tower Hamlets and Southwark;

(2) how many of the new jobs, excluding those on construction, in the London Docklands Development Corporation's own offices and in Cannon Workshops in the Isle of Dogs enterprise zone are held by residents of Newham, Tower Hamlets and Southwark.

Sir George Young: No comprehensive information is available on the place of residence of the employees of the new firms in the Isle of Dogs enterprise zone.

Mr. Mikardo asked the Secretary of State for the Environment how many new jobs, excluding those in London Docklands Development Corporation's own offices and in construction and in Cannon Workshops, have been transfers from other parts of London to the Isle of Dogs enterprise zone.

Sir George Young: No comprehensive information is available. However, a survey covering the period June 1982 to May 1983 found that, of 67 incoming firms, 37 were new, 10 had come from elsewhere in Greater London and one from outside Greater London. The origins of the remaining 19 were unknown. A breakdown of the total of 247 jobs involved is not available.

Trees and Woodlands

Mr. Freeman asked the Secretary of State for the Environment what representations he has received concerning possible amendments to the Town and Country Planning Act 1971 to strengthen protection for trees and woodlands.

Mr. Waldegrave: We have received representations recently from the Tree Council that the tree preservation order legislation should be strengthened. This will be considered as and when a suitable legislative opportunity occurs.

Mr. Freeman asked the Secretary of State for the Environment what statistics he collects on the maximum amount, and total number, of fines made under the tree preservation provisions of the Town and Country Planning Act 1971.

Mr. Waldegrave: The maximum levels of fines are laid down in the legislation, and these are amended from time to time. No statistics are kept of the number or level of fines imposed.

Dogs

Miss Fookes asked the Secretary of State for the Environment when he expects to publish the consultative document about dog licence fees and dog services.

Mr. Waldegrave: Shortly.

Audit Commission

Mr. Proctor asked the Secretary of State for the Environment what is the total cost to public funds of the Audit Commission; what is the cost of premises, other office costs and staff costs; and how many people it employs.

Mr. Waldegrave: The information requested by my hon. Friend is contained in the annual accounts of the Audit Commission for local authorities in England and Wales which were laid before Parliament on 30 July as required by the Local Government Finance Act 1982. Key expenditure and income figures for 1983-84 are as follows:

Gross fee income	£14,987,000
Total operating expenditure	£13,063,000
of which: Costs of accommodation	£394,000
Other Office costs (supplies and services)	£282,000
Staff costs	£8,888,000
Average weekly number of staff	524

level of spending by authorities for which he has determined a rate ceiling for 1985-86, he will withdraw the leaflet.

Mr. Waldegrave: No.

GLC and ILEA

Mr. Spearing asked the Secretary of State for the Environment what is the approximate number of persons employed by the Greater London council and the Inner London education authority in the year 1984; and if he will tabulate the future distribution of such persons into the various bodies envisaged in his legislative proposals under the respective headings and named services (a) continued on an all-London elected or joint basis, (b) becoming the responsibility of London boroughs, (c) becoming the employees of another statutory body and (d) surplus to future requirements, together with the respective totals.

Mr. Waldegrave: According to figures supplied by the Greater London council for the June 1984 joint manpower watch, the council employs about 110,000 staff, of whom about 88,000 are allocated to the ILEA. My right hon. Friend hopes to publish shortly a paper about the staffing aspects of our proposals, which will expand on what paragraph 4.3 of the White Paper (Cmnd. 9063) said about staff transfers. But decisions on future staffing will, in general, be a matter for the successor bodies.

Mr. Spearing asked the Secretary of State for the Environment what will be the expected expenditure of the Greater London council, including the Inner London education authority, for its principal purposes for the financial year 1984-85 under the headings related to his legislative proposals for London local government services, namely (a) continuing on an all-London elected or joint basis, (b) becoming the responsibility of London boroughs, (c) becoming the responsibility of another statutory body and (d) to be discontinued, together with the respective totals for each category.

Mr. Waldegrave: Following is the available information about the GLC and ILEA 1984-85 budgeted net current expenditure:

	£ million
(a) (i) on services continuing on an all-London elected or joint basis	*127
(ii) ILEA	900
(b) on a services becoming the responsibility of London boroughs and on services to be discontinued	†380-400
(c) on services becoming the responsibility of another statutory body	‡203-223

* Fire and civil defence joint board.

† It will be for the boroughs to decide on the extent of continued spending on discretionary services.

‡ Passenger transport revenue support, land drainage and flood protection, expenditure on some roads becoming the responsibility of the Secretary of State for Transport and some expenditure on Historic Buildings and the Arts. Estimates of these (apart from the first two) are not available from budget returns and an approximate range has therefore been quoted.

Sites of Special Scientific Interest (Scotland)

Mr. Donald Stewart asked the Secretary of State for the Environment if he will list all sites of special scientific interest in Scotland along with their respective acreages.

Mr. Waldegrave: There are approximately 1,000 sites of special scientific interest in Scotland. A detailed list is

being prepared and I will write to the hon. Member with this information as soon as it is available, and will arrange for a copy to be placed in the Library of the House.

Empty Dwellings

Mr. Shersby asked the Secretary of State for the Environment when he will publish the results of his Department's exercise to examine the problem of long-term empty dwellings in the local authority sector.

Mr. Gow: The meetings with the 30 participating authorities have been completed, and a report has today been placed in the Library. Copies have been made available to the participating authorities and the local authority associations.

My right hon. Friend has decided to take the following initial steps as a result of the report—

- to issue a Circular to local authorities setting out ways in which better management practices can reduce the number of empty dwellings. The Local Authority Associations will shortly be consulted about a draft of the Circular;
- to examine the scope for restoring eligibility for Housing Association grant (Mini-HAG) to short-life properties in local authority ownership.

Local Government Finance Studies

Mr. Burt asked the Secretary of State for the Environment how he is proposing to conduct the proposed local government finance studies.

Mr. Patrick Jenkin: The studies will be undertaken under the direction of my right hon. Friend the Minister for Local Government and my hon. Friend the Parliamentary Under-Secretary of State with responsibility for local government finance, in association with Ministers from the Scottish and Welsh offices. Professor Christopher Foster, Leonard Hoffmann QC, Lord Rothschild and Professor Tom Wilson have agreed to act as independent advisors.

Local Authority Expenditure

Dr. Twinn asked the Secretary of State for the Environment whether, once the Greater London council and the metropolitan county councils have ceased to exist, he plans to alter, for the London boroughs, the City of London and the metropolitan district councils in England, the existing limitation of the product of a two penny rate on expenditure, which may be incurred under section 137 of the Local Government Act 1972.

Mr. Kenneth Baker: The latest information available to the Department does not indicate that, in general, the proposed successor authorities are unduly restricted, either by the current arrangements for section 137 or by the use of other relevant powers, in meeting the genuine needs of their areas, including the giving of grants to voluntary bodies and assistance to industry. While we see no reason to alter the limit so as to enable those successor authorities to accommodate the full amount of expenditure which the Greater London council and the metropolitan county councils will be incurring under section 137 prior to their proposed abolition, I will, keep the position carefully under review, and will be prepared to take account of any fresh factors which authorities and the voluntary sector may put to me.

ACTION LONDON

file

Number 44

THE CASE OF THE VANISHING POLL

7 March 1985

Following the theme "74% say No" the GLC commissioned another Harris Poll to be conducted in December with the results to be available in January. 'Action London' understands that these were to be published when the guillotine came into force during the Committee stages of the Abolition Bill.

On Tuesday of this week a red-faced Tony Banks had to admit to Kenneth Baker that the Poll had indeed been taken but refused to say what its findings were. What's all the mystery? The ratepayers of London have paid for this exercise and are surely entitled to know the result. Or could it be that the so far suppressed Poll has shown a massive movement towards abolition? Any bets on 56%?

PARTY POLITICAL RADIO ?

County Hall Conservatives are pressing the Environment Secretary, Patrick Jenkin, to stop the Labour administration offering one million pounds to five community radio stations.

It looks very much as though the GLC is trying to set up a network of anti-Government radio stations across London. For example, one beneficiary is the Afro-Caribbean Community Radio Project (£265,000 over the next two years) which has a Committee made up of representatives of twelve bodies, nine of which are already funded by Labour controlled local authorities and most of them by the GLC.

The five grants being recommended are:-

£265,702	Afro-Caribbean Community Radio Project
£284,236	Asian Radio Studio Project
£161,317	TW Sound
£232,590	Community Radio Project
£138,560	Women's Airwaves

At the same time the same Committee has, against the advice of its officers, refused a grant of £17,500 to the Lyric Theatre, Hammersmith. Not political enough?

POST - ABOLITION SUPPORT

The clearest indication of the post GLC support to be given to voluntary bodies was given by Sir George Young, Environment Minister, last Tuesday.

"Total central government spending on voluntary bodies has doubled since we came to office. It is over £215 million this year" he said.

"It is totally irresponsible of the GLC to alarm voluntary organisations by suggesting there will be nothing to replace the GLC grants. Boroughs will have the same level of resources as would have been available to Boroughs and GLC combined. Adjustments to RSG and targets will ensure that London does not lose out".

"In addition central government will give 75% grant to £5 million worth of projects for four years. This is to help with transitional problems. The GLC are mischievously comparing this extra money with the total of current support".

Voice for London dilemma

"The dilemma for those who argue for some directly-elected 'voice' is that if it has real powers it will become in time a GLC Mk II.

If it has no powers then who is ever going to bother to serve on it?"

- Patrick Jenkin 28.2.85

Or indeed vote for it!

D.C

STATEMENT
THURSDAY 7 MARCH 1985
HOUSE OF COMMONS

REVALUATION AND RATE SUPPORT GRANT (SCOTLAND)

WITH PERMISSION, MR SPEAKER, I WISH TO MAKE AN ANNOUNCEMENT ABOUT REVALUATION AND RATE SUPPORT GRANT IN SCOTLAND. AS HON MEMBERS KNOW THERE HAS BEEN A REVALUATION OF PROPERTY IN SCOTLAND WHICH WILL COME INTO EFFECT ON 1 APRIL THIS YEAR. I BELIEVE THAT SUCH REGULAR REVALUATIONS ARE ESSENTIAL TO MAINTAIN A FAIR DISTRIBUTION OF BURDENS WITHIN THE RATING SYSTEM. IN CONSIDERING THE RATE SUPPORT GRANT SETTLEMENT FOR 1985/86 I HAVE HAD VERY MUCH IN MIND THE SPECIAL ISSUES WHICH REVALUATION RAISES.

IT IS HOWEVER NOW BECOMING VERY CLEAR THAT AUTHORITIES ARE NOT HEEDING MY REPEATED WARNINGS TO CONTAIN THEIR EXPENDITURE. SPENDING IN BOTH 1984-85 AND 1985-86 WILL CONTINUE TO BE ABOVE THE GOVERNMENT'S PLANS. I WILL, OF COURSE, BE CLOSELY EXAMINING THE BUDGETS OF ALL AUTHORITIES TO SEE IF ANY ARE PLANNING EXPENDITURE OF A LEVEL WHICH WOULD MAKE IT NECESSARY FOR ME TO TAKE SELECTIVE ACTION TO REDUCE THEIR RATES. I WOULD ALSO REMIND ALL AUTHORITIES THAT THE PENALTIES FOR OVERSPENDING IN 1985-86 WILL BE MUCH MORE SEVERE THAN IN 1984-85.

I CONSIDER THAT THE INCREASES IN RATE BILLS NOW EMERGING ARE IN GENERAL SO STEEP THAT I MUST TAKE FURTHER ACTION TO PROTECT DOMESTIC RATEPAYERS. I HAVE THEREFORE DECIDED TO INCREASE THE TOTAL OF AGGREGATE EXCHEQUER GRANT AND WITHIN IT THE DOMESTIC ELEMENT OF RATE SUPPORT GRANT BY £38.5 MILLION MAKING IT POSSIBLE TO INCREASE DOMESTIC RATE RELIEF TO 8P PER POUND OF RATEABLE VALUE. THIS IS AN EIGHTFOLD INCREASE OVER 1984-85 - FROM £12M TO £102M. DOMESTIC RATE RELIEF IS A DIRECT RELIEF ON EACH £1 OF RATEABLE VALUE AND ACCORDINGLY THE BENEFIT FROM IT INCREASES WITH RATEABLE VALUE. THE NECESSARY ORDER WILL BE LAID SHORTLY.

THE INCREASE IN DOMESTIC RATES WILL IN TOTAL NOW BE REDUCED FROM 24% TO ABOUT 17%. THE INCREASES FOR INDIVIDUAL DOMESTIC RATEPAYERS WILL IN MANY CASES BE HIGHER, AND IN MANY CASES LOWER, THAN THIS FIGURE, DEPENDING ON THE LEVEL OF SPENDING IN THEIR LOCAL AUTHORITIES AND CHANGES IN THE PATTERN OF VALUATION. IT IS OF COURSE OPEN TO RATEPAYERS TO APPEAL AGAINST THEIR VALUATION AND WE HAVE MADE IMPROVEMENTS IN APPEAL PROCEDURES IN THE RATING AND VALUATION (AMENDMENT)(SCOTLAND) ACT 1984.

THE COST OF INCREASING DOMESTIC RATE RELIEF IN THIS WAY WILL BE FINANCED BY ADJUSTMENTS WITHIN MY EXISTING POLICIES AND EXPENDITURE PROGRAMMES.

AS I HAVE SAID, THE OBJECT OF REVALUATION IS TO APPORTION THE RATE BURDEN FAIRLY. THIS MEANS THAT SOME PAY A LARGER SHARE AND SOME A SMALLER SHARE. THAT IS JUSTIFIABLE, BUT IT IS NECESSARY TO HAVE REGARD TO THE EFFECTS ON DOMESTIC RATEPAYERS IN CURRENT CIRCUMSTANCES. THIS I HAVE DONE WITH A SUBSTANTIAL INCREASE IN DOMESTIC RATE RELIEF.

CONFIDENTIAL



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

7 March 1985

Dear Tim,

REVALUATION AND RATE SUPPORT GRANT (SCOTLAND)

I attach a draft of the statement which my Secretary of State proposes to make this afternoon. I am copying this letter to Janet Lewis Jones (Lord President's Office), John Ballard (DOE), Richard Broadbent (Treasury), Charles Marshall (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and David Beamish (Office of the Captain of the Gentlemen at Arms).

*Yours sincerely,
John Graham*

J S GRAHAM
Private Secretary

REVALUATION AND RATE SUPPORT GRANT (SCOTLAND)

With permission, Mr Speaker, I wish to make an announcement about revaluation and Rate Support Grant in Scotland. As hon Members know there has been a revaluation of property in Scotland which will come into effect on 1 April this year. I believe that such regular revaluations are essential to maintain a fair distribution of burdens within the rating system. In considering the rate support grant settlement for 1985/86 I have had very much in mind the special issues which revaluation raises.

In August last year I told the Convention of Scottish Local Authorities the sum I proposed to make available in aggregate Exchequer grant for 1985-86. I emphasised to them that the level of rates would depend on local authorities decisions on expenditure. In October I wrote to the Conveners and Provosts of all Scottish local authorities to urge them to hold their spending down in the interests of their ratepayers. In December, when the effects of the revaluation were clearer, I made a significant addition of £19 million to the grant figure I had previously announced. This addition was to help to finance a 5 fold increase in the domestic element of the grant which I thought necessary to mitigate the effects of revaluation on domestic ratepayers. I repeated my warnings to local authorities to bring down their expenditure in the interests of their ratepayers.

It is now becoming very clear that authorities are not heeding my warning. Spending in both 1984-85 and 1985-86 will continue to be above the Government's plans. I will, of course, be closely examining the budgets of all authorities to see if any are planning expenditure of a level which would make it necessary for me to take selective action to reduce their rates. I would also remind all authorities that the penalties for overspending in 1985-86 will be much more severe than in 1984-85.

The likely level of spending overall, combined with the effects of revaluation, will have a particularly severe effect on many domestic ratepayers. I consider that the increases in rate bills now emerging are in general so steep that I must take further action to protect domestic ratepayers. I have therefore decided to increase the total of aggregate Exchequer grant and within it the domestic element of rate support grant by £38.5 million making it possible to increase domestic rate relief to 8p per pound of rateable value. This is an eightfold increase over 1984-85 - from £12m to £102m. The necessary order will be laid shortly.

The increase in domestic rates will in total now be reduced from 24% to about 17%. The increases for individual domestic ratepayers will in many cases be higher, and in many cases lower, than this figure, depending on the level of spending in their local authorities and changes in the pattern of valuation. It is of course open to ratepayers to appeal against their valuation and we have made improvements in appeal procedures in the Rating and Valuation (Amendment) (Scotland) Act 1984.

The cost of increasing domestic rate relief in this way will be financed by adjustments within my existing policies and expenditure programmes.

As I have said, the object of revaluation is to apportion the rate burden fairly. This means that some pay a larger share and some a smaller share. That is justifiable. What is not justifiable is that many authorities have paid so little regard to the effect on ratepayers of their expenditure plans.



NBPM

CC O/L APPTS

AT 6/3

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/675

6 March 1985

Dear Sir,

Inquiry into Local Government Practices and Procedures

Andrew Turnbull sent me a copy of his letter of 28 February about the membership of the Widdicombe Inquiry.

Sir Robert Armstrong has asked me to say that he has no comments to make on the proposals set out in your Secretary of State's minute of 25 February.

I am sending a copy of this letter to Andrew Turnbull.

(R P Hatfield)
Private Secretary

J F Ballard Esq

Local Govt Relations Pt 25

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10 DOWNING STREET

From the Private Secretary

6 March 1985

RATES AND REVALUATION IN SCOTLAND

The Prime Minister has seen your Secretary of State's minute of 5 March. She recognises that this is the best that can be done in the circumstances and in the short time available. She has commented that it was a pity that there was insufficient time to alter the RSG formula.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Richard Broadbent (Chief Secretary's Office, HM Treasury), David Morris (Lord Privy Seal's Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

John Graham Esq
Scottish Office

cc MA *AS*



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

①
Prime Minister
Agree this is the best that can be done in the circumstances?

CONFIDENTIAL

It is pretty pathetic - but ^{AT} ^{LB}

PRIME MINISTER

Scotland must carry the 5 March 1985

can for now remedy the situation

RATES AND REVALUATION IN SCOTLAND

in time. We could have altered the R.S.A formula earlier ^{not}

At the end of our meeting on 28 February you asked me to consider with the Chief Secretary what could be done to ease the impact on domestic ratepayers of the revaluation in Scotland.

I have considered carefully the 3 possibilities that you mentioned. Any change now in the formula for distributing RSG in 1985-86 would be vulnerable to acute criticism from the local authority world on the grounds that today is the day by which they are required to have fixed their rates for 1985-86. We should accordingly have to extend the period in which they take their rating decision and since 5 March is a long-standing date which was intended to take account of their management problems I am clear that the resulting postponement and reconsideration (which could be very complex) would cause very great difficulties indeed.

As regards changing the basis of industrial derating, the industrial sector as a whole forms such a small part of the total rateable value that any resort to this sector now can only produce quite marginal benefit. There are also enormous difficulties of practicality and timing which would involve reconsideration of the whole rating timetable. The benefit of any change would in any event accrue to those local authorities which had high percentages of industrial rateable value in their areas and not to those local authorities which have high proportions of domestic ratepayers.

My conclusion is that the only way forward is through some increase in the domestic rate relief element of the RSG. This has the overriding advantage that the money undoubtedly goes directly to the domestic ratepayers whom we are setting out to help.

Following last Thursday's discussion my officials and I have had further discussions with Peter Rees and his officials. In the light of that I now see my way to propose an increase of the domestic rate relief element of the RSG in Scotland of £38.5 million. That sum will enable us to increase the domestic rate relief element which is at present the equivalent of 5 pence in the pound of rateable value to 8 pence in the pound of rateable value. The Convention of Scottish Local Authorities is pressing for me to do something in this field but seemed to have a rather smaller amount in mind.

In the light of the Treasury insistence that new money is not available I now propose, to make adjustments as follows in support of my package:-

a. Public expenditure savings totalling £26 million. These savings would be spread widely across Scottish programmes and would be designed to cause the minimum hardship. After a very tight PES round there is really no slack at all: but taking account, in particular, of the prospect that some carry forward into next year will be allowable under agreed arrangements in respect of underspend in the current year, I am satisfied, after consultation with my fellow Ministers in the Scottish Office, that I can find £26 million:

b. An addition of £12½ million to the product of the severe penalty tariff already agreed within my RSG system. I had already agreed figures with Peter Rees, but my only public statement has been that the penalties were to be more severe than in the current year. The effect of my decision will be to claw back rate support grant from the biggest overspending authorities in an amount and on a timescale that will precisely offset the outflow of the additional £12½ million in domestic rate relief. This component of my proposal will therefore have no effect on the Chancellor's budget arithmetic.

The Chief Secretary is content that these steps should be taken.

10. 18.
We shall have to have an amending RSG order and there will be a good deal of administrative work both on the part of Central Government and Local Government.

I think the package at the level of £38.5 million is just about worth having. Any smaller amount would not, I think, be worth having. The 2 items above represent the absolute maximum in the savings that I can achieve. The effect will be to reduce the average increase in domestic rates from 24% to 17%, but there are bound to be large fluctuations about the average and continuing worries about the bigger houses in certain areas. Sir James Goold and others may wish we would do more, but the answer to those who are still aggrieved will have to be that the amount of money involved in countering all the effects of revaluation is certainly beyond reach.

If you agree, I should like, subject to final clearance with Patrick Jenkin and John Biffen to make an announcement in the House on Thursday.

I shall want to look again at the distribution of RSG for 1986-87 and at the basis of industrial derating in that year.

I am copying this minute to Willie Whitelaw, Peter Rees, John Biffen, Nick Edwards and to Patrick Jenkin.

G.Y.

5 March 1983

G.Y

to those with
shall be
instances
of rises of
over 50 per cent
for some
larger houses.

CONFIDENTIAL

PRIME MINISTER

Lady Porter is coming to discuss her ideas on Westminster's role in the post-abolition world. Mr. Baker will also attend. The briefing is arranged as follows:

Flag A (i) Westminster post-abolition. There are a number of ideas for Westminster to act as a co-ordinator, though rest are either unwelcome to Government or unlikely to be acceptable to the other boroughs.

Flag B (ii) Westminster's efforts in the courts to stop rate financed propaganda.

Flag C (iii) Planning matters affecting Westminster.

Flag D (iv) Miscellaneous local government questions.

AT

ANDREW TURNBULL

PS. You might also want to be aware of Kenneth Baker's note about planning - in South East - papers enclosed

AT 5/13

5 March 1985

(A)

BRIEFING FOR THE PRIME MINISTER'S VISIT TO WESTMINSTER

ABOLITION OF THE GLC

1. Financial Consequences

The Leader of Westminster (Lady Porter) has been discussing this subject with DOE Ministers.

Westminster gets no Government block grant because of its extremely high rateable resources. Instead it contributes to a pool for redistribution to other, "poorer" London Boroughs. Its contribution will be about £26m in 1985/86. The cost falls on non-domestic ratepayers in the contributor authorities - at present Westminster and the City.

On abolition the uniform GLC precept will disappear but more of the services it now finances will pass down to the boroughs. Another mechanism is therefore needed to require a contribution from ratepayers in the central authorities if they are not to benefit from 'windfall' gains at the expense of disproportionate extra burdens on ratepayers in other boroughs. The Government have therefore proposed an extension to the existing pool (the London Rate Equalisation Scheme) under which Westminster's contribution might rise to £40m or more.

Westminster, led by Lady Porter, and with some support from the City Corporation, is pressing for an alternative under which it might run some ex-GLC services on a London-wide basis instead of part, or all, of its "equalisation" payments. The range of services acceptable to Westminster is limited, but it is possible that a solution on these lines may be found. (It would have to be acceptable to other Conservative Borough leaders, who are keen to retain equal treatment for their own ratepayers). Detailed work is continuing.

Lady Porter would ideally like to take Westminster entirely outside the present grant arrangements. That is not legally possible, and could not readily be accommodated in the Local Government Bill. It would also breach the "general principles" on which local government finance presently rests and could have major implications, eg for rate-capping. It would be resented by the rest of local government, including Conservative authorities, whose ratepayers would be made worse off.

2. Planning consequences

The GLC is responsible for the Greater London Development Plan, which governs the use and development of land in the Greater London Area. This serves as a framework for the boroughs, who draw up detailed Local Plans for their individual areas.

After abolition, each borough council will be required to prepare a Unitary Development Plan, which will continue the features of both a structure plan and local plan. The Secretary of State for the Environment will issue strategic guidance to the boroughs to help them in drawing up their plans. A London Planning Commission is to be established to advise the Secretary of State in the preparation of

that guidance and on other matters relating to planning and development in London.

In its response to the Government's White Paper "Streamlining the Cities", Westminster welcomes the opportunity of taking over 'complete responsibility' for planning and for adopting its own structure plan. It does not however support the proposals for the establishment of the London Planning Commission seeing no need for a new 'quango' where there are already well established means of consultation (ie the Standing Conference of South East Regional Planning) on wider planning issues. This organisation, known as SERPLAN, will continue after abolition of the GLC.

3. "Lead Borough"

Westminster is very ready to act as lead borough for ex-GLC functions - eg superannuation, debt management etc, which will pass initially to the London Residuary Body. However this would be subject to agreement on details (especially finance) and is not yet acceptable to most of the other boroughs. Westminster's offer to stage the London Marathon is under discussion with the private sector promoters.

4. Counter-obstruction Controls in the Local Government (Interim Provisions) Act

Under these controls, the GLC and MCCs are required to seek consent for:

- (i) expenditure after 1 April 1985 under section 137 of the Local Government Act 1972 (the 'twopenny rate')
- (ii) disposal of any land
- (iii) major contracts

To date some 4,450 applications have been received. None has been formally refused but in a number of cases we have declined to consider giving consent to activities which would have proved either obstructive to abolition or prejudicial to successor authorities' interests. These controls are kept under review and the Government has made it clear that it will not hesitate to take any further steps necessary. Lady Porter may wish to know that we have now received the long-heralded application from the GLC to sell the Lyric and Garrick Theatres and the Lyceum Ballroom to the Theatres Trust for £1 each. Any views that Westminster might like to offer would be welcome.

5. New Counter-Obstruction Controls on Financial Assistance to Other Local Authorities

These new controls, announced on 24 July 1984, are included in clause 86 of the Abolition Bill. Consent will be required retrospective to 24 July for any financial assistance by the GLC or MCCs to any other local authority. This was a response to reports that the GLC was intending to hand over some £50 millions to selected London Boroughs on a partisan basis.

There is evidence that the GLC has chosen to ignore the controls in respect of payments to authorities under their 'Stress Boroughs' programme, under which they fund schemes for whom a 'special' need is perceived. (The programme budget for 1984/5 is £32 millions).

Avoidance of the requirement to seek consent seems to have been prompted by the fact that the only sanction for a failure to obtain consent is for the Secretary of State at his discretion, to require payment by the receiving authority to the Residuary Body as a civil debt. Consideration will be given to whether and when recovery should be initiated.



VOLUNTARY ORGANISATIONS

London Boroughs Association proposals for a collective scheme to grant aid London-wide voluntary bodies are well under way, and the Prime Minister might express pleasure at the efforts by the LBA. Richmond volunteered to provide a location for a grants unit, and to act as lead borough. Westminster also offered to do this, but LBA members decided on Richmond. They felt that the Labour boroughs would be more likely to join in if Richmond^(Liberal) was lead borough. We believe there was also some feeling that Westminster might try to dominate the scheme in a way which Richmond would not.

Lady Porter continues to press the case for Westminster, and John Wheeler MP has sought Ministers' support. If raised, the line to take is that this is for the boroughs to decide. Ministers would not want to interfere.

The DOE has offered assistance with grant and staff to get this scheme off the ground in time for grant-giving to be under way for 1986/87. This week the LBA have fallen out with the Department over the level of support. Lady Porter may not know of this, but if raised the line is that Sir George Young is discussing this issue urgently with Members of LBA's grants steering group, and that the Prime Minister is confident that any differences will be swiftly and amicably resolved.

(B)

PROPAGANDA ON THE RATES - LEGAL ACTIONS BROUGHT BY WESTMINSTER COUNCIL

1. The legality of publicity campaigns conducted by the ILEA and the GLC has been challenged in the High Court by Westminster City Council.
2. The judgement of Mr Justice Glidewell on 19 December was to declare invalid the ILEA resolution authorising expenditure of £650,000 on anti-rate capping publicity. ILEA have decided not to appeal.
3. In the case against the GLC's anti-abolition "Awareness Campaign", a temporary injunction was granted by Mr Justice Nolan on 18 January (replacing an earlier, wider one) banning the GLC from putting out any material which is not "pre-dominantly informative". The injunction will remain in force until the court has decided whether the GLC's expenditure in the "Awareness Campaign" is lawful. A date for the final hearing has still to be fixed.
4. For the time being the judgements have effectively halted further development of the more extreme forms of anti-abolition propaganda. Westminster are to be applauded for their initiative.

ABUSES INQUIRY

5. Lady Porter wrote to the Secretary of State recently expressing her concern not only about propaganda on the rates but also about the politicisation of officer appointments, the employment of councillors by neighbouring councils and the role of full time councillors. The Secretary of state has invited the Committee of Inquiry into the Conduct of Local Authority Business, recently established under the chairmanship of Mr David Widdicombe QC, to pay particular attention to these issues.
6. The Secretary of State has also written to Lady Porter drawing to her attention his request to the Inquiry to produce an urgent interim report on local authorities' discretionary spending on politically-motivated publicity; and suggesting that she might wish to consider submitting evidence. Ministers have made it clear that, subject to the outcome of the Inquiry, they do not preclude legislation to deal with publicity abuses.

(c)

PLANNING MATTERS

1. The National Gallery Extension

In September 1984, following a public inquiry, the Secretary of State refused planning permission for an extension to the gallery on the grounds that the tower element of the design was altogether inappropriate for this nationally important site. This view was fully supported by Westminster City Council. Since then discussions involving the Property Services Agency, the Trustees of the Gallery and Trafalgar House (the potential developers) have continued but it is not yet certain whether revised proposals, on the lines indicated by the Secretary of State in his decision letter, will be submitted in a fresh application.

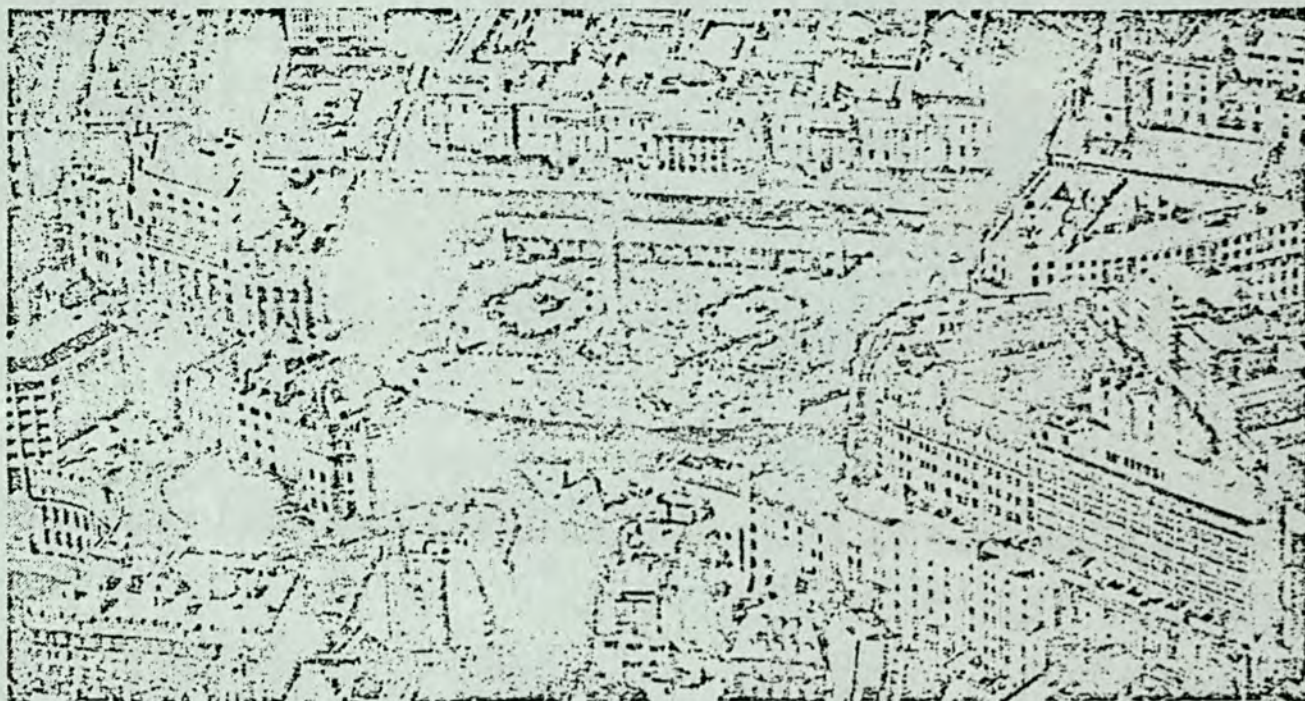
2. Bruce House, Kemble Street WC2

Bruce House is a listed building in Covent Garden run by Westminster Council as a hostel for homeless men. The building's poor condition makes it unsuitable for its present use and the Council are attempting to work up a scheme for its refurbishment. Lady Porter wrote to the Secretary of State recently asking for the building to be de-listed in order to remove what she regards as a barrier to formulating workable proposals. Officials from the Department and the Council are now discussing what can be done to find a solution to the problem.

3. Grand Buildings Trafalgar Square

In June 1983 the Secretary of State allowed an appeal by Land Securities Investment Trust Limited against the refusal by Westminster City Council to grant listed building consent for the demolition of the building. One of the conditions attached to the granting of consent was that no demolition should take place before planning permission has been granted for the redevelopment of the site. Land Securities' proposed competition for a design for the replacement building announced on Friday 25 January will be of great interest to Westminster (see attached cutting from Sunday Telegraph 27 January).

SUNDAY TELEGRAPH :



GRAND CHANCE: Trafalgar Square from the air, with dotted lines showing Grand Buildings and the National Gallery extension site

New corner for Trafalgar Sq

THE world's top architects are to be invited to produce designs for a £50 million office development in Trafalgar Square — the first major change to one of London's most famous landmarks for 50 years.

The site is on the corner of the Strand and Northumberland Avenue and is occupied by Grand Buildings. Built in 1889 as the Grand Hotel, the oval-fronted structure was converted to office use in 1927.

The other building on the site, Standard House, is an undistinguished 1920s office block. Land Securities, the company which bought the site in 1964, want a new development to replace the two.

Details of the competition which will be launched next week indicate Land Securities' desire to rehabilitate the image of architectural competitions tarnished by controversies such as those still surrounding the National Gallery extension.

The winning entry of the competition there was described

By MIRA BAR-HILLEL
Architecture Correspondent

40

by Prince Charles last year as "a monstrous caruncle on the face of a much-loved friend," and the Prince added his concern for the Grand Buildings site as well.

Land securities have been trying to develop the site for 15 years, but Westminster City Council opposed the demolition of Grand Buildings although they are not listed.

After many failed planning attempts, a public inquiry was held in 1983, at the end of which the Environment Secretary allowed the demolition.

Land Securities hope to attract at least 150 entries to the competition, which is open to all British registered architects and those qualified from overseas. All applicants will receive the promoters' requirements and the views of the planning authorities, Westminster and the Greater London Council.

While designers are offered a great deal of freedom in their ideas, the new building will have to follow the existing oval

outline. At ground level, an arcade four metres wide must be provided along the Strand frontage.

The height of the new building must be related to that of the National Gallery and South Africa House — so high-rise towers are out.

Apart from requirements relating to services, parking and office space, the promoters also remind the competitors of the site's importance: "Among the best-known landmarks in London . . . with a wider significance in forming an important focus on the Royal processional ways from Buckingham Palace to St Paul's Cathedral and the Houses of Parliament, visible to millions of television viewers throughout the world."

The competition is to have several stages, and the winner should be chosen by the end of the year. The panel of assessors will be chaired by Sir Hugh Wilson.

Trafalgar Square did not exist until 1826, when John

Nash got a scheme approved by Parliament. Formerly the site was the Royal Mews. By 1830 the square had been formed and the houses cleared from the front of St Martin-in-the-Fields. The fine church designed by James Gibbs is a century earlier. The west side was formed by the Union Club and the Royal College of Physicians (now Canada House).

The first building to be erected in the newly-named Trafalgar Square was William Wilkin's National Gallery (1852-53), with additions by Charles Barry in 1840.

Nelson's Column was begun in 1859, and the statue was hoisted on top in 1843; Landseer's lions were added in 1867, while the fountains were remodelled by Sir Edwin Lutyens in 1939.

Other 20th century landmarks in the square are Admiralty Arch (1911) and South Africa House (1935). In spite of the piecemeal development, most of the buildings facing the square are in the classical style (Portland, sandstone and Bath).

D

MISCELLANEOUS MATTERS

1. Westminster's 400th Anniversary

This year Westminster celebrates its 400th anniversary and in support of the programme of special events planned to mark the occasion, the Prime Minister is to host a reception at No.10, at the City Council's expense, on 25 March. This will provide an opportunity for recognising the support which Westminster are giving to Government policies, especially on the abolition of the GLC.

2. Rates on Crown Property

The Deputy Leader of Westminster City Council, Councillor Weeks, wrote to Patrick Jenkin in December complaining about the new payment dates adopted by the Rating of Government Property Department for its twice yearly ex-gratia contributions to local authorities in lieu of rates on Crown property (which is exempt from rates). From 1 April 1984 the twice yearly payments were each delayed one month on the recommendation of an Exchequer and Audit scrutiny, to bring the payment dates in line with those of ordinary ratepayers. All ratepayers will be entitled to pay in 10 monthly instalments from 1 April 1985.

Westminster claim that this delay will cost them £½ million in lost interest because of its relatively large proportion of Crown buildings. However Councillor Weeks was told by Mr Waldegrave that the Treasury do not consider that they could justify any exceptions.

3. Legislative and other burdens on local authorities

The Prime Minister has made clear her wish to reduce such burdens wherever possible in order to increase the efficiency and effectiveness of local authorities. Following a paper prepared by the Policy Unit and correspondence with the leader of Norfolk County Council the Department has been asked to examine ways of tackling the problem and Ministers are now examining specific proposals.

4. Competition in the provision of local authority services

The Secretary of State has already announced the Government's intention to introduce legislation to require authorities to put more service to the test of competition. Examples given by Ministers are refuse collection and street cleansing, cleaning of buildings and vehicle maintenance. A consultation paper is now being considered by Ministers and will issue shortly. Legislation will not be until next session at the earliest.

5. Inquiry into the conduct of local authority business

Lady Porter wrote to the Secretary of State recently expressing her concern about 'propaganda on the rates', the politicisation of officer appointments, the employment of councillors by neighbouring Councils and the role of full time councillors.

It is the Secretary of State's intention to ask the Committee of Inquiry into local government abuses, which should be established

shortly, to pay particular attention to these issues. In the first case the court found in Westminster's favour. In the second an injunction was granted precluding any further expenditure by the GLC pending a hearing. We can expect a hearing on this case within four weeks thus overtaking the appeal lodged by ILEA in the first case. The Prime Minister may like to applaud Westminster for their actions.

JKRAOQ
bcMA



10 DOWNING STREET

From the Private Secretary

4 March 1985

GLC ABOLITION

The Prime Minister has agreed to see Sir Philip Goodhart on Thursday, 21 March, at 3.45 p.m. to discuss his ideas for a London Grand Committee. The Prime Minister would be grateful if Mr. Baker could join the meeting. Could briefing on this issue reach us by close of play on Tuesday, 19 March.

I am copying this letter to John Ballard in the Secretary of State's Office.

(ANDREW TURNBULL)

M. Bailey, Esq.,
Department of the Environment.

JKRAUQ

A handwritten signature in the bottom right corner of the page, appearing to be 'JK' or similar initials.

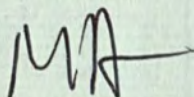
B/F 20/3

Andrew Turnbull

The attached correspondence from Philip Goodhart is self-explanatory.

I imagine that you will want to be at the meeting, and would be very grateful if you could arrange for the necessary briefing for the Prime Minister.

Many thanks.

A handwritten signature in black ink, consisting of the letters 'M' and 'A' joined together, with a horizontal line extending to the right from the end of the 'A'.

MICHAEL ALISON
4.3.85



10 DOWNING STREET

4th March 1985

Dear Philip

Thank you for your recent letter to me, and for your letter of 15th February to the Prime Minister, with which you enclosed copies of the letter you wrote to Kenneth Baker on 14th February.

In your letter to me, you asked if you could come to see the Prime Minister to discuss the possibility of a "London Grand Committee". She would, of course, be happy to see you, and I am writing to ask if 3.45 p.m. on Thursday, 21st March would be a convenient time for you to come to see her in her room at the House of Commons. Perhaps your secretary could very kindly telephone mine (930-4433) to let us know?

Yours ever
Michael

MICHAEL ALISON

Sir Philip Goodhart MP

21st March

345 HOC

Prime Minister

Philip Goodhart has written the attached letter to you which has simply been acknowledged. In a separate note to me, he asks if he could come to see you to discuss the possibility of a "London Grand Committee".

Would you agree if I were to fix a time one day after Questions when he might come to see you?

MA

Yes

MICHAEL ALISON

26.2.85

SIR PHILIP GOODHART, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

February 15th 1985

The Prime Minister,

The Rt. Hon. Mrs. Margaret Thatcher, MP.

R16

Dear Prime Minister

You will recall that last summer I pressed the suggestion that after the abolition of the G.L.C., a London Grand Committee, consisting of all London's Members of Parliament, should be set up to provide a forum where London-wide issues could be discussed. Both Patrick Jenkin and John Biffen saw some merit in this proposal, but you said that we ought to postpone a decision on this point.

Now that the Local Government Bill is about to leave the House of Commons for the House of Lords, I think that Members have to be given some idea of how we are going to resolve this problem. I enclose a copy of a letter to Kenneth Baker, which approaches the London Grand Committee question from a slightly different angle.

Yours Ever

Philip



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt.Hon.Kenneth Baker MP
Minister of State,
Department of Environment.

14th February 1985

I am sorry that my badly broken leg kept me away from the Guillotine Debate on the Local Government Bill, but if I had spoken, I would have said that the Government should tell the House of Commons how London-wide issues are going to be discussed, before the Bill is sent to the House of Lords. If you remain silent on this point, you make it rather more likely that the House of Lords will devise an unwelcome solution of their own.

I think we have five possible courses of action:

- 1) The Government could adopt the proposals for a directly elected London-Wide Body put forward by Alan Greengross, the Chairman of the Conservative Group at the G.L.C. This proposal is clearly supported by a majority of the Conservative members of the G.L.C., and by a number of our colleagues in the House. Despite the fact that the L.W.B. would have substantial executive powers, it could be argued that the establishment of the L.W.B. was compatible with the Government's pledge in the last Manifesto. On the other hand, it would be wholly incompatible with every speech that Environment Ministers have made about London since the General Election. If we now accept the L.W.B., I am sure that Alan Greengross and his colleagues will do their best to save the Government's face; - others would not be so kind.
- 2) The Government could acquiesce in the setting up of a watered down version of the L.W.B. proposals. This Body, (whether directly elected or not) could be presented as a mere extension of the Residuary Body which will be set up by Part VII of the Bill. An enhanced Residuary Body would not, of course, have access to Ministers, and if it is not to be directly elected there isn't any very obvious method of choosing the members.
- 3) The Government could give the London Boroughs Association a more important role than is presently envisaged. Some enhancement of the role of the L.B.A. may be desirable, but the recent Paper by Cyril Taylor has underlined the fact that this presents particular problems for any Conservative Government. Small, predominantly Labour, Inner London Boroughs, are over-represented on the L.B.A. Large, predominantly Conservative, Suburban London Boroughs, are under-represented.

Cont..



4) If the Government rejects these three Local Government level options, you could claim that the problem doesn't exist, and you could make no further arrangements for the discussion of London-wide issues by any particular Body. I do not think that this would be a very satisfactory option for London's Members of Parliament. As you said, when winding up the Second Reading of the Local Government Bill: "There is general dissatisfaction over the way in which London matters are being debated in the House." At the same time, Annex 'A' of Alan Greengross's Paper, 'London After Abolition', lists the "enormous enhancement" of Ministerial power which will take place when this Bill reaches the Statute Book, and which will, as he puts it, be "far too often exercised without any form of Parliamentary scrutiny."

Of course the House of Commons will be forced to fill that gap, and the growth of Ministerial responsibilities - both direct and indirect - must mean that Members of Parliament will be asking more Questions, seeking more Debates, and discussing more Orders. The Times recently argued that "problems of grass, traffic lights and refuse" in London would "clog the arteries of the nation's government." I don't accept that argument, but I do fear that the problems of London's grass, London's traffic lights and London's refuse are going to clog the arteries of the House of Commons. Whether we like it or not, London's Members of Parliament are going to have to take a greater interest in London's traffic, London's public transport, London's rates, and a wide range of other issues which we have not so far normally discussed. If we try to do this without modifying our unsatisfactory Parliamentary procedures, we shall get in a mess.

5) As you will be only too well aware, I believe that the best alternative is to set up a London Grand Committee, open to all Members of Parliament in the London area. We could then, in an orderly and sensible fashion, be able to monitor, scrutinise and debate, the activities of Ministers with respect to London. The Government's proposals for various Joint Boards and the alternative methods of dealing with other common problems are perfectly defensible, but it would be absurd to think that there won't be teething problems. I think it makes more sense to have a special Grand Committee, where these things can be discussed rationally, rather than having constant arguments about how and when these matters can be debated on the Floor of the House.

As you said when winding up the Second Reading Debate: "The idea of the Committee stands apart from this legislation", and I don't believe that there is much point in putting down a London Grand Committee Amendment in the hope of getting a brief Debate for the Report Stage.

I think, however, that it is important that the Government should give a clear indication of how London-wide issues are to be debated, before we send this Bill to the House of Lords. The London Grand Committee is still our best bet.

Minister for Local Government



14/3
Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

CF your papers and? My Ref: B/PSO/31643/85

Kay
6/3

(March 1985

Dear Andrew

As requested in your letter of 7 February,
/ I enclose an updated version of the briefing
on abolition of the GLC for the Prime
Minister's meeting with Lady Porter on
/ 6 March. I also enclose additional briefing
on the proposed scheme for funding London-
wide voluntary organisations. Briefing
on Westminster's court cases with ILEA
and the GLC over their advertising will
follow on Monday.

Mr Baker will attend the meeting as requested.

Yours ever

Alan

ALAN DOWNEY
Private Secretary

Andrew Turnbull Esq

Note: Told Eddie Gowans PM
did not want to make seminar.
Told Barbara Jones, Wakeham's
office that DOE should drop the
third official.

CONFIDENTIAL

me
AT
4/12

①
PRIME MINISTER

LOCAL GOVERNMENT SEMINAR: 31 MARCH

I am facing difficulties in keeping out gate-crashers from the Seminar on Local Government Finance at Chequers. In addition to the original suggestions we have admitted Lord Young and Mr. Hoffman. Mr. Younger is pressing for Mr. Ancram to attend. This will inevitably lead to a request for a Junior Welsh Minister - either Mr. Stradling-Thomas or Mr. Roberts. If we agreed to Junior territorial Ministers it will be difficult to keep out Sir Keith Joseph; and if he comes then other service Ministers will want to come and we are back to E(LF).

The purpose of the Seminar was to give DOE's ideas a pilot launch before a few non-service Ministers before work started in E(LF). The aim is to seek a political, rather than a technical, reaction. Although Mr. Ancram deals with local government from day to day in Scotland, I fear allowing him to come will overload the meeting.

At present the guest list is as follows:

MINISTERS

Prime Minister
The Lord President
Secretary of State for the
Environment
Secretary of State for
Scotland
Secretary of State for Wales

OFFICIALS

Lord Rothschild
Mr. Hoffman ?
Mr. Heizer
Mr. Mayer
One other DOE official
Mr. Redwood
Mr. Letwin

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Minister Without Portfolio
Minister for Local Government
Paymaster General
Mr. Waldegrave

Mr. Brearley ?
Mr. Butler
Myself

9

10

Agree no further invitations?

*Who is Mr. Brearley - who invited him ?
The Holtman
= No further invitation
- already too large.*

AT

ANDREW TURNBULL

1 March 1985

Minister for Local Government



Prime Minister to see
— for information S.S.

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

26 February 1985

Dear Stephen,

EARLY WARNING - PLANNING IN THE SOUTH

(attended)

I thought I should draw your attention to Early Day Motion 435 which has gone down in the name of Conservative MPs, broadly from the Home Counties. 83 members have put their names to it in 2 days. The politics behind this are very sensitive. What they are in effect saying is that they do not want very much more, or in many cases no more, housing development in the South East. They want more sites brought into use in the North and Midlands.

This represents a considerable clash of interests. They are responding to constituency and local pressures which are very hostile indeed to wholesale development in the South East, and will thus have an impact upon the impending county elections.

The issues are also sensitive politically because Liberal and SDP Members will broadly take the same line.

(attended)

I would only contrast this with Early Day Motion 432 which is again in the names of Conservative Members but concentrates on housing and represents in an oblique way a different point of view. So far only 8 names have been put down in support.

I am copying this to John Wakeham and John Selwyn Gummer.

KENNETH BAKER

Stephen Sherborne Esq

435 *DEVELOPMENT POLICY*

Mr Andrew MacKay
 Dr Alan Glyn
 Sir Gerard Vaughan
 Mr Michael McNair-Wilson
 Mr Michael Mates
 Mr Patrick McNair-Wilson

Mr Kenneth Warren Mr Geoffrey Dickens

★ 85

That this House urges the Secretary of State for the Environment to reconsider the provision of land for housing in the South East to take account of the need to give a boost to economic activity in the regions, especially the North and Midlands, to increase the use of land lying waste in the conurbations, especially inner cities and to reduce the pressure for development on green field sites in the South East, where intense development is not welcome.

436 *NATIONAL HERITAGE*

Mr Stephen Ross
 Mr Andrew Faulds
 Sir Patrick Wall
 Mr David Gilroy Bevan
 Mr Tony Lloyd
 Mr Laurie Pavitt

Mr Alec Woodall

★ 8

That this House welcomes the news that Kedleston Hall, Weston Manor and Nostell Priory together with their contents are to be preserved for the nation and that an extra £25 million has been found for this purpose ; and now further hopes that a purpose-built extension to the National Gallery will be insisted upon of a style in keeping with its importance and that the proposal that it form part of a speculative office building will be abandoned.

★ The figure following this symbol gives the total number of names of Members appended, including those names added in this edition of the Notices of Questions and Motions.

430 RATIONAL SYSTEM FOR THE DISTRIBUTION OF TICKETS FOR QUESTION TIME

Mr David Alton
Mr Peter Bruinvels
Mr Terry Lewis
Mr John Home Robertson
Mr Charles Kennedy
Mr Michael Brown

★ 26

That this House believes that the present system of administering the distribution of tickets for the galleries is time consuming and inefficient ; and calls for a more rational system of distribution based on the principle of all requests for tickets being referred to the Admission Order Office and all requests being dealt with on a strict first-come first-served basis.

As an Amendment to Mr David Alton's proposed Motion (Rational System for the Distribution of Tickets for Question Time):

Mr Ian Grist
Sir Anthony Meyer
Mr James Tinn
Mr David Maclean
Mr David Gilroy Bevan
Mr Charles Irving

★ 8

Mr Russell Johnston

Line 2, leave out from 'galleries' to end and add 'though not perfect, is a great deal better than a system based on the hit and miss of written applications or the boredom of queuing.'

434 OVERFISHING OF NAMIBIAN WATERS

Mr Michael Brown
Mr Nicholas Winterton
Sir Patrick Wall
Mr David Gilroy Bevan
Mr Michael Morris
Mr Christopher Murphy

★ 8

Mr Neil Thorne

That this House deplores the environmental atrocity occasioned by the systematic over-fishing of Namibian coastal waters by the countries of the Eastern bloc ; and calls upon Her Majesty's Government to take whatever steps it can to end this illegal plunder of the natural resources of Namibia.

★ The figure following this symbol gives the total number of names of Members appended, including those names added in this edition of the Notices of Questions and Motions.

EDM 432

SPOTLIGHT ON NEW HOUSING

- Mr Nicholas Winterton
- Mr Albert McQuarrie
- Mrs Elizabeth Peacock
- Mr Harry Greenway
- Mr David Gilroy Bevan
- Mr David Knox

★ 6 now 8

That this House welcomes the publication by the Building Employers Confederation of their report, *Spotlight on New Housing*; notes with concern its worrying conclusions that construction is lagging far behind any reasonable assessment of need, with only 198,000 houses being completed in 1984 compared to an average of 304,000 per annum during the 1970s, and that in 1984 only 152,000 new private houses were started by builders, some 15,000 fewer than in 1983; believes that a continuation of this trend will lead to an ever-worsening housing crisis; and calls upon Her Majesty's Government to do all in its power to stimulate new housing construction.

PROSECUTION OF CAMPAIGN FOR NUCLEAR DISARMAMENT

- Mr Edward Leigh
- Mr Andrew Mackay
- Mr Patrick Nicholls
- Mr Neil Hamilton
- Mr Martin Stevens
- Mr Ken Hargreaves

★ 9

Mr Peter Bruinvels Mr D. Gilroy Bevan Sir Patrick Wall

That this House notes with deep concern the request by the Campaign for Nuclear Disarmament to its supporters to state their willingness to engage in civil disobedience at RAF Molesworth; and calls on the Attorney General to initiate forthwith proceedings against this organisation for criminal conspiracy.

As an Amendment to Mr Edward Leigh's proposed Motion (Prosecution of Campaign for Nuclear Disarmament):

Mr Frank Cook

★ 1

Line 3, leave out from 'the' to end and add 'whole nation to rally to the Campaign for Nuclear Disarmament's support'.

★ The figure following this symbol gives the total number of names of Members appended, including those names added in this edition of the Notices of Questions and Motions.



10 DOWNING STREET

Prime Minister

It occurred to me
that you should see
the attache from
KEN BAKER, whom
you are seeing
tomorrow (Wed at 9-45)
with Lady Porter

Erin
5/3

SUBJECT
cc Master

CONFIDENTIAL

RE

JCAAMM



10 DOWNING STREET

From the Private Secretary

28 February 1985

Rates and Revaluation in Scotland

The Prime Minister held a meeting this evening to discuss rates and the revaluation in Scotland. Present were the Lord President, the Secretary of State for Scotland, the Chief Secretary, and Mr. Alison. Also present were Mr. Penman and Mr. Jamieson.

The Prime Minister said she accepted that the rate rises facing some domestic ratepayers in Scotland were excessive. These appeared to stem from a number of factors. Local authorities in Scotland had spending levels even higher than those in England and the revaluation had produced a shift in the burden of rates from industry to the commercial sector and domestic ratepayers. She regretted that a revaluation had been undertaken and asked whether, even at this late stage, it could be postponed; or whether the percentage of industrial derating could be reduced.

The Secretary of State for Scotland said that while revaluation was a factor the major influence was RSG settlement. The low spending authorities did not have any margin for cutting back expenditure and so higher rates were their only response to the reduction in Aggregate Exchequer Grant. He gave examples of the rate rises in some Scottish authorities - Borders 31%, Dumfries and Galloway 29% and Grampian 23%. It was very hard to explain how rises of this size were justified in areas which had adhered to the Government's policies.

The Secretary of State explained that it was too late to postpone the revaluation which, objectively, was justified by the relative movements in property values in the industrial, commercial and domestic sectors. The notices were about to be sent out and would, in any case, be known. If these were postponed, all those who would have gained would appeal, leaving local authorities with an unknown rate base for the coming year. In any case, an Order would need to be passed.

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871

The Prime Minister said it was not possible to accept the Secretary of State's proposals for an addition of £64 million to public expenditure. One possibility would be to reduce the derating percentage still further. Industry was now much more profitable than it had been a few years earlier. Unlike domestic ratepayers industry met its rates out of pre-tax income. Mr. Penman explained that industrial rates represented only 10% of the total; it would require a very large change in the derating percentage to have even a small impact on domestic ratepayers. The effect could be to negate totally the effect of the revaluation.

Another possibility discussed was to amend the RSG formula to give a better outcome to those councils with a good record on spending. This would be difficult, however, as it would require all councils to rework their budgets.

The Secretary of State for Scotland said the most promising approach was an increase in domestic rate relief, the benefit of which fed through directly to ratepayers rather than permitting higher expenditure by councils. The Chief Secretary said that if the Secretary of State was prepared to find the sums required from elsewhere in the territorial block he would raise no objection. The Secretary of State agreed to consider this, though he doubted whether he could find savings sufficient to finance more than a gesture of additional rate relief.

Summing up the discussion, the Prime Minister noted that a postponement of the revaluation was no longer possible. She asked the Secretary of State for Scotland and the Chief Secretary to consider what could be done to ease the impact on the domestic ratepayers most seriously affected by an amendment of the RSG formula, a lower measure of industrial derating, or increased domestic rate relief financed from elsewhere in the Scottish block, or some combination of the three.

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

(Andrew Turnbull)

John Graham, Esq.,
Scottish Office.

PRIME MINISTER

28 February 1985

RATE REVALUATION IN SCOTLAND

The rate rises listed in George Younger's note are clearly unacceptable. They will have disastrous political effect.

As George Younger says, the Treasury will have to find an additional £64 million for domestic rate relief.

But this should be offset by matching reductions in the Scottish budget. The territorial review showed that Scottish expenditure was £900 million higher than it should be, compared to England: a glaring example is spending on health, which is over 20% higher per capita in Scotland than in England.

Oliver Letwin

OLIVER LETWIN

CONFIDENTIAL

CCOL

FROM: CHIEF SECRETARY
DATE: 28 February 1985

PRIME MINISTER

RATES AND REVALUATION IN SCOTLAND

I would like to set out briefly some facts which are not reflected in George Younger's minute to you of 27 February which I have only just seen. *attached*

2 George Younger and I reached agreement last July on a figure for Aggregate Exchequer Grant (AEG) for Scotland of £1905 million. I regarded this figure as final in what I have always acknowledged is a difficult area.

3 In deference to George Younger's growing concern, I agreed last November to re-open the AEG decision. After two meetings, which went into considerable detail on the basis of figures extensively discussed and agreed between officials, we agreed to a new AEG total of £1924 million.

4 I am surprised and disappointed that George Younger is trying to re-open this decision as well.

5 I think it would be wrong to agree to a higher figure for the following reasons:

- (i) LA spending in Scotland has increased faster in cost terms than in England since 1979 (10.8 per cent against 7.7 per cent) and manpower has fallen less (3 per cent against 4 per cent).

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(ii) Levels of provision in Scotland are higher than in England e.g. pupil teacher ratios in 1983/84 were 17.0 in Scotland, 17.9 in England

(iii) In the two years from 1982-83 to 1984-85 rates have increased by 5½ per cent in Scotland, over 12 per cent in England

(iv) Even on the figures agreed in the autumn the grant percentage for 1985-86 is over 56 in Scotland, under 49 in England. It would be impossible to defend an even bigger differential.

(v) The converse of the high domestic rate increases in Scotland will be very much lower non-domestic figures, with benefits to industry and employment

(vi) Danger that settlement will be broken will be repaired.

6 Finally, I must emphasise that the extra £64 million George is asking for would affect the Chancellor's Budget arithmetic. It is almost equivalent to the cost of indexing the high rate thresholds.

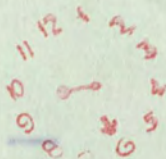
7 I am sending a copy of this to George Younger.

PK

PETER REES

CONFIDENTIAL

22 FEB 1985



~~CONFIDENTIAL~~

APPOINTMENTS IN CONFIDENCE

Soi



file
bc: Olives letter

10 DOWNING STREET

4 Appts

From the Private Secretary

28 February 1985

Inquiry into Local Government
Practices and Procedures

The Prime Minister has seen your Secretary of State's minute of 25 February and, subject to the views of colleagues and Sir Robert Armstrong, is content with his proposals for members of the Widdicombe Inquiry.

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

(Andrew Turnbull)

John Ballard, Esq.,
Department of the Environment

APPOINTMENTS IN CONFIDENCE

SH

Mr. Turnbull

*June
Drewer*

Widdicombe Inquiry

Peter Newsam Comment by the Home Secretary in March 1984 when the question of re-appointing the Deputy Chairman was under consideration was-

"Peter Newsam, who took up office on 1 September 1982, assumed the duties of Chief Executive and began a structural reorganisation of the Commission. This is virtually complete and the first signs are that the Commission is a more effective body as a result"

Sir Lawrence Boyle No information

George Russell When appointed to IBA in 1979 described as a person with "a wide range of interests active in regional organisations in the educational field, on the Board of Management of Northern Sinfonia Orchestra, interested in conservation and wild life. Strong interest in industrial relations"

I have a note that he was appointed a member of the Civil Service Pay Research Unit Board in 1980 but I have not located the papers.

So far as I am aware these names are not under consideration for any other appointment.

27.2.85

J.D.



With the Compliments of the
Parliamentary Clerk

PS/Prime Minister

Could clearance on
this amendment to
the Opposition motion
on Capital Expenditure
be telephoned directly
to the whips Office
please?

Peace

(Leslie Peacock)

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3711

27.2?

OPPOSITION DAY DEBATE

WEDNESDAY 27 FEBRUARY 1985

GOVERNMENT AMENDMENT

THAT THIS HOUSE, NOTING THE EXISTENCE OF LOCAL AUTHORITY ACCUMULATED RESERVES OF CAPITAL RECEIPTS OF ABOUT £5 BILLION AND THE SECRETARY OF STATE FOR THE ENVIRONMENT'S ACCEPTANCE THAT THESE RESERVES BELONG TO THE LOCAL AUTHORITIES, "NOTES THAT HOUSING AND INFRASTRUCTURE NEEDS ARE REFLECTED IN THE GROSS PROVISION OF OVER £4 BILLION FOR LOCAL AUTHORITY CAPITAL SPENDING IN 1985/86 AND WELCOMES THE GOVERNMENT'S DETERMINATION TO KEEP NEXT YEAR'S LOCAL AUTHORITY CAPITAL EXPENDITURE WITHIN THE TOTAL PROVIDED IN THE AUTUMN STATEMENT AND APPROVED BY THIS HOUSE ON 6 DECEMBER 1984."

OPPOSITION MOTION - WEDNESDAY 27 FEBRUARY 1985

Local Authority Capital Expenditure

That this House, noting the existence of local authority accumulated reserves of capital receipts of about £5 billion and the Secretary of State for the Environment's acceptance that these reserves belong to the local authorities, noting the existence of housing and infrastructure need, noting the continuing need to create real jobs, but regretting the proposals of the Secretary of State to reduce the prescribed proportion of receipts which an authority may spend in any one year, asks the Secretary of State to review these proposals and restore the prescribed proportion of housing receipts to 40% and of other receipts to what they were prior to his statement of 18th December 1984.

TIM

This is the proposed
Government Amendment, to
be approved by No. 10
Please Julia.

GOVERNMENT AMENDMENT

That this House noting the existence of local authority accumulated reserves of capital receipts of about £5 billion, and the Secretary of State for the Environment's acceptance that these reserves belong to local authorities "notes that housing and infrastructure needs are reflected in the gross provision of over £4 billion for local authority capital spending in 1985/86 and welcomes the Government's determination to keep next year's local authority capital expenditure within the total provided in the Autumn Statement and approved by this House on 6 December 1984".



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

27 February 1985

Prime Minister

RATES AND REVALUATION IN SCOTLAND

I have had reports of the meeting which you had with Sir James Goold on 14 February when he expressed great concern about the effects of revaluation on domestic rate bills in Scotland. I have myself been keeping a close watch on what is certainly a worrying situation and Michael Ancram and I saw Sir James yesterday.

The full position is not yet clear and indeed it will not be until 5 March, the statutory date by which rates must be struck. However our estimate is that the increase in domestic rate bills will on average be 24%. The figures we have for authorities which have struck their rates are alarming. The following are announced percentage increases in domestic rate bills:

Angus	30.9%
Banff and Buchan	15.3%
Gordon	23.6%
Moray	10.8%
Kincardine and Deeside	17.2%
Eastwood	38.5%
Kyle and Carrick	14.9%
Cunninghame	18.5%
Berwickshire	23.3%
Ettrick	24.4%
Roxburgh	18.6%
Tweeddale	23.8%

Three quarters of these authorities are Conservative or Independent and two thirds are spending in line with our guidelines.

Obviously we could not foresee in detail what domestic rate levels would be when we discussed the 1985-86 rate support grant settlement last July. However, I was aware that revaluation would mean a shift of the rate burden to domestic ratepayers and for this reason argued strongly against the severe reduction in rate support grant which I had to accept. A revaluation year is not a time to have to cope with large grant reductions as well. You may remember that I minuted to you on 1 August to express my concern about the settlement so that you would not be taken by surprise if, as I then expected, we ran into a very serious political situation in Scotland.

Attached

I returned to the question of rate support grant in the Autumn when the effects of revaluation were much clearer in the form of assessors' estimates available in confidence at the beginning of September. I put to Peter Rees proposals for a substantial increase in grant to ensure comparable treatment with England and to enable me "to increase the domestic element and head off the serious political problems emerging as a result of revaluation with politically unacceptable increases in domestic rates." In the event Peter Rees was able to agree to an increase in grant very much below what I considered necessary.

My own conclusion is that we are facing a very serious situation in Scotland. Over the past four years rates have been one of our success stories. In 1980-81 and 1981-82 increases were over 30% each year. In 1982-83 partly by selective action we got the annual increase down to 12%, in 1983-84 to 0.5%, in 1984-85 to 5%. All that will be obliterated by increases of the kind I have listed above. There is no doubt about the severe political damage this will cause - a point Sir James has already put forcibly to you.

Time is now very short for taking any action to retrieve the situation. The postponement of revaluation is impossible. The new valuation rolls are available. Those who are gaining - in particular industrial ratepayers - know their new valuations and what would be lost by postponement. The mechanical problems of postponement are formidable. Sir James accepts this and has said so publicly.

We need to decide in a matter of days what to do. The only course open is to increase the level of domestic rate relief. Within the limited amount of grant available to me I have already done as much as possible to mitigate the effects of revaluation on the domestic ratepayer, increasing domestic rate relief five fold. What I should like to do is to increase domestic rate relief by £64 million.

E.R.

This would enable the level of increase in domestic rate bills to be halved. The figures for domestic rate increases would become manageable, 12% on average, although still twice the English figures which I understand will average in single figures, perhaps about 6%. Only action on this scale will restore ratepayers' confidence and even then they will complain they are doing worse than England.

I would argue that there need be no consequence for England of such a step.

G.Y.

G.Y.

①

PRIME MINISTER

Following his meeting with you, Sir James Goold has talked to George Younger about the Scottish rates and revaluation. Sir James now accepts that the revaluation cannot be postponed. George Younger has minuted about the position - Flag A. He is arguing for an extra £64 million of RSG to provide more domestic rate relief. Sir James has written to Michael Alison - Flag B and Michael has commented on the political position.

A meeting with Mr Younger and the Chief Secretary seems necessary.

Agree?

Yes *ms* *AT*

Andrew Turnbull
27 February 1985

~~Andrew~~ *ck.*
Can Michael
arrange an
official called
Mr Pentlan
come too?
y so, no
further action

Yes Treasury should offer an
official too.



10 DOWNING STREET

From the Private Secretary

Prime Minister

After lengthy discussion, Mr Jenkin has produced his final ~~other~~ recommendations for members of the Widdicombe inquiry. (Sir James Swathfield who was on most people's list has been ill and has not recovered sufficiently). Some notes by Appointments are attached.

Agree subject to colleagues and RTA?

Yes Mr

AT

27/2

Minister for Local Government

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

26 February 1985

ABOLITION: COUNTER-OBSTRUCTION

I have considered carefully colleagues' responses to my letter to you of 9 January which proposed that we amend the Abolition Bill to introduce additional controls over the ability of the GLC and the metropolitan county councils to secure 'life after death' by creating enforceable undertakings whereby commitments would pass to successor authorities regardless of the latter's views. We are all agreed that additional measures are necessary and that we cannot rely on the requirement in Section 11 of the Paving Act for the abolition authorities to consult constituent districts and boroughs about future expenditure proposals. In any case, consultation alone will clearly be inadequate to protect the interests of successor authorities. We will, therefore, be introducing an amendment, at Report Stage in the Commons, to require the Secretary of State's consent to have been obtained before any such financial arrangement or undertaking is entered into by the abolition authorities.

Contract Values

We know that, based on counsel's advice, the GLC are interpreting quite narrowly the present 'disaggregation' provisions in the Paving Act which were designed to prevent large contracts from being separated into small units, each below the £100,000 threshold. There have, for example, been two recent publicity contracts each for more than £90,000. I therefore propose that we should at the same time as the new controls and sanctions are announced take steps to tighten our control by reducing the minimum value above which consent is required to £15,000. This will involve a considerably greater administrative burden, but I will aim to cope with the extra work within the Department's manpower provision.

For both these extended controls we would provide for exemptions to be granted by means of general consents and, possibly, in certain important instances, on the face of the Bill.

I do not consider that it will be sufficient to rely solely on the sanction of disqualification from local authority membership of the councillors responsible for a failure to obtain consent either to the creation of enforceable undertakings or, now that the principle of abolition is accepted, to disposals of land or contracts. When we were introducing the controls under the Paving Bill, we considered, but rejected, the possibility of adding the further penalty of a surcharge, a measure falling short of the criminal sanction to which

the Home Secretary rightly objected in his letter of 23 January, but a sanction stringent enough to deter all but the most determined of militant minorities. I believe that we now have little choice but to return to this concept, which is strongly supported by Conservative councillors in the successor authorities. Details of the proposal are set out in the draft clause attached.

Third Party Rights

Some colleagues have also suggested that actions taken without your consent should automatically be invalidated on 1 April 1986. In principle I agree that such a measure is now justified in the light of continuing threats that have been made by some of the abolition authorities, for example to dispose of County Hall or to let large contracts in the period immediately before abolition. I do not think we can entirely rely on the threat of disqualification and even surcharge, nor am I sanguine about relying on the courts to set aside as unreasonable such transactions: it may not always be easy for objecting successor authorities to establish bad faith; moreover the prospect of emergency retrospective legislation to undo what had been done is extremely unpalatable. I am satisfied that the need to prevent possible irresponsible activity makes it imperative for us to protect successor authorities absolutely from the consequences of such actions. Indeed, as abolition approaches I suggest that it is only reasonable that the abolition authorities should not be able to bind successor authorities without your consent. The risk of significant actions which, though unlawful and irresponsible in themselves, would still be valid vis-a-vis third parties, being taken in anticipation of any new provision to this effect accordingly suggests that this further sanction should be brought into effect retrospective to the date of announcement: it would not be wise to give firm notice of our intentions by bringing it into effect at Royal Assent or some later specified date.

We need to look very carefully at the effect which such a universal measure could have on innocent contractors or purchasers of land, and indeed at the hardship which might be caused to third and fourth parties whose actions taken in all innocence would be prejudiced. It would certainly be necessary to seek to mitigate these effects by means of publicity and wide general consents. But, even so, I have little doubt that a considerable measure of uncertainty would be created - with all the attendant administrative difficulties - particularly about actions taken in the period between the date of announcement and Royal Assent. Against this, we could argue with some force that the effect of a consent issued after I had consulted the appropriate successor authority would be to provide a measure of security for deserving contractors against the possibility of a successor body seeking to renege on commitments which were considered to be undesirable.

We also need to consider carefully the effect of this new control on the passage of the Bill, both in terms of the debate on Report Stage, when I would suggest that the announcement should be made, and in the Lords. With regard to the Lords, it might be in their lordships' minds that none of this would have been needed if they had not insisted on amending the Paving Bill!

A possible alternative would be to seek an order-making power whereby defined categories of contracts or disposals would be automatically invalidated unless, after the date specified in the orders, consent had been obtained. This would allow me to select those cases, and those authorities, of particular potential significance, and I would, for example, act to protect the future ownership of County Hall immediately after Royal Assent. As this power could not be used until August of this year it would open the possibility of one or more horses bolting before such an order could be made. However, it would reduce the risk of irresponsible behaviour, and there may well be some merit in the selectivity that would thereby be provided. We would, nevertheless, have to rely on the courts setting aside as unreasonable actions taken before the effective date of the order, in particular where there had been an element of collusion and secrecy. The choice which faces us therefore lies in introducing a controversial new measure with immediate and universal effect, based on the threats which have been made, or waiting until one or more unlawful actions had been taken before introducing selective measures for which there would then be clear justification.

Decision Criteria

Lastly, I am concerned that now that the principle of abolition has been accepted and certainly after Royal Assent there should be no doubt that you may exercise your discretion under Sections 8 and 9 of the Paving Act in such a way as to prevent, for example, the letting of a short-term contract on the grounds that the cost incurred would not be in the interests of ratepayers. I propose accordingly to bring all the controls, existing and contemplated, into line with Section 7 of the Paving Act and Clause 86 of the Bill by providing that, before giving consent, you should be satisfied that the proposal is expedient.

Timing of Introduction

With the possible exception of the power to invalidate by order enforceable undertakings, contracts and land disposals let without your consent, should we go down that road, I consider that these new measures should take effect from midnight on the date of announcement, which would coincide with the tabling of amendments to the Abolition Bill at Report Stage.

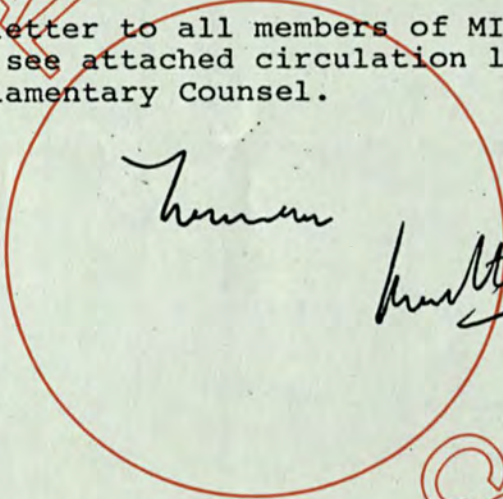
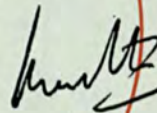
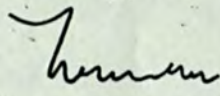
I am not convinced that we would be justified in seeking to take controls over the wide range of activities involving expenditure and the raising of income in general by the abolition authorities which have no direct consequences for successor authorities. Such steps would fall not far short of putting the authorities into commission, and I am doubtful of the consequences of, say, seeking to control all grant-giving by the GLC and MCCs in the run-up to abolition.

I am, of course, concerned that the tabling of amendments such as are proposed at Report Stage should not prejudice the timely passage of the Bill. But, given the necessity for further measures I consider that it would be better to take any further steps necessary for tightening controls at that stage, rather than to announce more limited steps, with the possibility of tabling further amendments at a later stage.

The attached draft paper describes the package of measures in more detail. This paper could be discussed at a meeting of MISC 95 if necessary; but if colleagues are content to proceed without discussion I will take the necessary steps to prepare amendments to the Bill and a simultaneous announcement.

I am copying this letter to all members of MISC 95, other colleagues with an interest - see attached circulation list, Sir Robert Armstrong and the First Parliamentary Counsel.

KENNETH BAKER



The Rt Hon Patrick Jenkin MP

CIRCULATION LIST

no comment Lord President of the Council
don't interfere Lord Chancellor
Secretary of State for Foreign and Commonwealth Affairs
no objections Secretary of State for the Home Department
coming - 11/6A? Secretary of State for Education and Science
no comment? Secretary of State for Scotland
" ? Secretary of State for Wales
" ? Lord Privy Seal
" ? Secretary of State for Social Services
no comment NK Secretary of State for Trade and Industry
no comment Secretary of State for Employment
no comment Minister of Agriculture, Fisheries and Food
letter in way Chief Secretary, Treasury
NK Secretary of State for Transport
Chancellor of the Duchy of Lancaster
Attorney General
Parliamentary Secretary, Treasury (Chief Whip)
Captain of the Gentlemen-at-Arms, Chief Whip (House of Lords)
? Sir Robert Armstrong
The First Parliamentary Counsel

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(5) In this section -

"building or engineering works" includes any work involved in the laying out of land, the improvement of land or buildings, the construction or improvement of a highway and any work of demolition;

"maintenance works" includes work for the maintenance or repair of land, buildings or highways, the gritting of a highway and the clearing of snow from a highway.

(6) This section applies to any contract entered into after 12th July 1984 and any consent given by the Secretary of State for the purposes of this section between that date and the passing of this Act shall have effect as if given under this section.

Insert the following new Clause:-

Penalties for contravention of sections (Control of disposals of land) and (Control of contracts).

.-(1) If, on the application of a constituent council or a local government elector for the area of a constituent council, it appears to the court that the Greater London Council or a metropolitan county council has made a disposal in contravention of section (Control of disposals of land) above or entered into a contract in contravention of section (Control of contracts) above, the court may -

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- (a) order that any person responsible for authorising the disposal or contract shall make to the council a payment of a sum not exceeding the amount specified in subsection (2) below and, where two or more persons are found to be responsible, that they shall be jointly and severally liable to make that payment; and
- (b) if the person responsible is, or was at the time of the conduct in question, a member of the council, order him to be disqualified for being a member of that council and to be disqualified for a specified period for being a member of any other local authority.

(2) The amount of the payment under subsection (1)(a) above shall be -

- (a) in the case of a disposal in contravention of section (Control of disposals of land) above, an amount equal to the amount or value of the consideration for the disposal or, if there is no consideration or it is less than the market value of what is disposed of, an amount equal to that market value;
- (b) in the case of a contract in contravention of section (Control of contracts) above, an amount equal to the amount or value of the consideration in respect of the matters by virtue of which the contract is subject to that section.

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(3) The court having jurisdiction for the purposes of this section shall be the High Court except that, if the amount of the payment under subsection (1)(a) above would not exceed the amount over which county courts have jurisdiction in actions founded on contract, the county court shall have concurrent jurisdiction with the High Court.

(4) In section 265 of the Public Health Act 1875 the reference to sections 19 and 20 of the Local Government Finance Act 1982, and in sections 80(1)(e), 86(b) and 87(1)(d) of the principal Act references to Part III of the said Act of 1982, shall include references to this section." 1982 c.32.

CLAUSE 10

Page 8, line 18, at end insert ("and either unconditionally or subject to conditions")

Transpose clause 10 to after new clause (Penalty for contravention of sections Control of disposal of land) and Control of contracts).

CLAUSE 11

Page 9, line 12, leave out subsection (5).

CLAUSE 13

Page 9, line 17, at end insert -

("() For the purposes of this Act the constituent councils are -

DRAFT PAPER FOR MISC 95

ABOLITION: COUNTER-OBSTRUCTION

Introduction

1. The Local Government (Interim Provisions) Act requires the GLC and the metropolitan county councils to obtain my consent to (a) expenditure under section 137, LG Act 1972 after 1/4/85, (b) major contracts for specified purposes, and (c) disposals of land, and to consult constituent district and borough councils about proposals for expenditure after 1/4/86. While the operation of the consent provisions has not proved administratively burdensome, it has become clear that the Act's provisions - and those in clause 86 of the Abolition Bill - will probably not be sufficient to deter the abolition authorities from activities designed specifically to prejudice abolition, now that the Bill has achieved the Commons' agreement in principle. The Government would not, however, in present circumstances be justified in seeking to take complete control of the authorities' activities in the remaining period of their existence.

Long term liabilities

2. The Abolition Bill ensures that no rights or liabilities of the abolition authorities which exist at abolition will be extinguished. Some of the abolition authorities seem inclined to exploit this principle by creating long term liabilities, for example to ensure the continued financial support of Enterprise Boards, which successor authorities will inherit, with the aim of perpetuating their policies long after abolition. Accordingly, it is proposed to introduce a new control to constrain such activities.

Contract values

3. It is apparent that the GLC at least are interpreting the provisions in section 9 of the Paving Act narrowly so as to allow certain obstructive contracts to proceed without consent. It is therefore proposed to require consent in future to be obtained to such individual contracts above a value of £15,000, which would cover the majority of such activities as may be contemplated.

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Sanctions

4. It is also becoming clear that the existing Paving Act sanction of disqualification from local government office will not prove to be an effective deterrent to disposals of land or the letting of major contracts without my consent. To place total reliance on the courts in due course finding against such actions as unreasonable would be tiresome and risky; while the prospect of having to legislate to set aside retrospectively a court finding in favour of an abolition authority, and to undo the transaction, would be extremely unpalatable.

5. It is therefore proposed to provide not only the sanction of disqualification but also for contracts capable of binding successor authorities to be unenforceable against them if they were let without my consent, and for disposals of land without my consent to be invalidated. Colleagues will wish to consider, in the light of the likely adverse effects on innocent third parties and the Abolition Bill, whether

- (a) this sanction should apply, with universal effect (but ameliorated by means of specific exemptions, general consents and appropriate publicity) retrospectively to the date of announcement; or
- (b) it would be preferable, on balance, to seek a power in the Bill to apply the sanction selectively by order from the effective date of the order(s)

Although the latter option would leave some risk that actions would be taken, as indeed may already have happened, which could not be set aside even after judicial review, it is a possible alternative. It would reduce considerably the uncertainty created for third and other interested parties while offering protection to successor authorities and creating a measure of long term security for deserving cases, but some evasive action will be taken before it comes into operation.

6. Furthermore, if only because of the financial hardship which may in consequence be suffered by third parties, it is proposed for reasons of equity to apply the additional sanction of a liability to surcharge for the loss which is deemed to be incurred by the councillors responsible for the unlawful action.

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Decision Criteria

7. The discretionary powers in sections 8 and 9 of the Paving act may be exercised only for the purposes for which the Act was sought. Now that the principle of abolition has been accepted, and certainly after Royal Assent is obtained, I consider that the criteria governing the exercise of the discretionary Paving Act powers over contracts and property disposals, and the new control over long term liabilities, should be slightly widened to require me to be satisfied that the proposal would be expedient. This would allow me, beyond doubt, to take into account such considerations as the financial penalty on ratepayers or successor authorities of a short-term contract or disposal of land. Section 7 of the Paving Act and Clause 86 of the Bill already contain such a criterion.

Summary of proposals

8. It is proposed to introduce amendments to the Abolition Bill, having retrospective effect to midnight on the date of announcement, so that the abolition authorities will require my consent to:-

- (1) property disposals (as in section 8 of the Paving Act);
- (2) contracts (of the types specified in section 9 of the Paving Act) to a value in excess of £15,000 (as opposed to £100,000 or £250,000);
- (3) any other enforceable agreement or arrangement capable of surviving beyond abolition.

Where consent is not obtained:-

- (4) the councillors responsible will be liable to disqualification and surcharge on application to the High Court by an interested party.

And:-

- (5) before giving consent I would have to be satisfied that the proposal is expedient.

Furthermore,

either

(6A) any property disposal undertaken without my consent will be void, and any contract or other arrangement will not be binding on successor authorities;

or

(6B) provision will be included for orders to be made with the effect, from the date of the order, of invalidating specified categories of land disposals or of providing that specified contracts or

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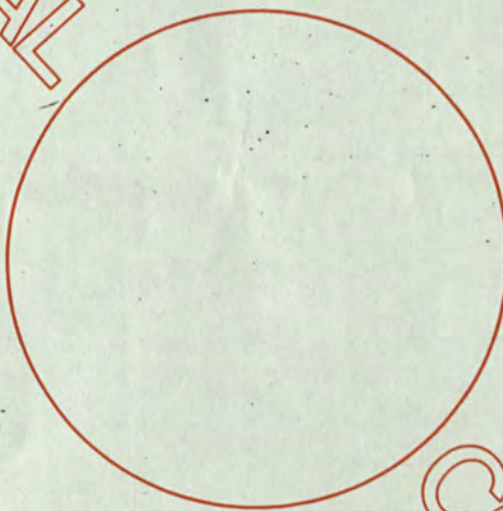
other arrangements will not be binding on successor authorities, unless my consent has been obtained.

9. The following activities would be specifically exempt from these provisions:

- actions taken before the date of announcement
- contracts of employment
- borrowing activities

The effect of the controls would also be ameliorated by means of general consents to certain activities. The existing provisions in Clause 86 of the Abolition Bill (relating to financial assistance to other authorities) and in section 7 of the Paving Act (concerning expenditure under section 137, LG Act 1972) would not be affected.

February 1985



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Sec of State

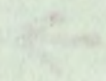
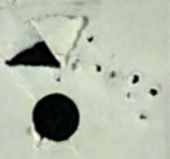
cc: Lord Avon
Mr Waldegrave
Sir George Young
Mr Heiser
Mr Ennals
Mr Owen
Mr Pickup
Mr Rowcliffe
Mr Fletcher
→ Mr Griffin
Mr Hobson
Mr Medcalf
Mrs Phillips
Mr D J Phillips
Mr Roscoe
Mr Walley
Mrs Watson - Legal
PS Mr Barker

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Local Govt Relations.



file

BRIEFING FOR PRIME MINISTER'S QUESTIONS - 26 FEBRUARY

RATE CAPPING ASSUMPTIONS - PROVISION OF INFORMATION TO OPPOSITION

Line to take

1. We have always made clear that we would discuss the calculation of rate limits with individual authorities if they were to negotiate on different limits.
2. It is ridiculous to pretend that individual authorities could not assess their proposed rate limits without knowing the basis of calculation. Every year authorities go through this kind of process in deciding on a budget and a rate. They know what rate they need to provide reasonable services.
3. Councillor Blunkett has told us quite clearly what the authorities' game really is. They are out to make the Government look intransigent, and to dislocate the Parliamentary timetable. We are not falling for that.

Background note

4. It is possible that the Opposition may raise the refusal of the Secretary of State for the Environment yesterday evening to reveal the assumptions on which rate limits were based; this was during the debate on the Order setting the rate limits. As the points above make clear, we have always said that we would reveal assumptions in the context of detailed negotiations on different limits. No authority has proposed such a limit.
5. Authorities are perfectly able to assess whether proposed rate limits are acceptable to them without knowing precisely how they were calculated. That is what they have to do every year.
6. There may be comment that, in the Affidavit which is being submitted to the High Court in the context of the GLC and ILEA challenges of their precept limits, the Secretary of State is revealing the basis of calculation of those limits. (It is likely that the Affidavit will be public knowledge by this afternoon.) The answer to that is that, if an individual authority challenges the legal propriety of its limit, then of course the Secretary of State will be willing to provide the full information necessary to the Court to reach a judgement on the reasonableness of the limit and of the procedure which has led to it.

cc Apppts



Prime Minister

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

In my minute to you of 16 January I proposed to sound out a number of possible members for the Widdicombe Inquiry.

I am now in a position to propose the following members for your approval, all of whom have expressed their willingness to serve:

Mr Peter Newsam Presently Chairman of the Commission for Racial Equality. As you know, he has been a highly respected educational administrator with long experience first in the North of England and then as Education Officer of the Inner London Education Authority. I believe that he will, above all, keep the Committee in mind of the need to maintain the professional standards of local government without losing sight of the need for political sensitivity.

Sir Lawrence Boyle Formerly Chief Executive of Strathclyde Regional Council, Sir Lawrence has an unrivalled experience and knowledge of local government in Scotland. He has also the advantage of extensive contacts in the business and financial world. He is a member who will give an impressive amount of weight to the Committee as well as lending the necessary Scottish dimension to their work.

APPOINTMENTS IN CONFIDENCE



Mr George Russell He is credited with a dynamic performance as Managing Director of Alcan UK and is held in the highest regard by the Department of Trade and Industry. I have no doubt he will add an incisive cutting edge to the Committee's proceedings. He is presently a member of the Independent Broadcasting Authority - his experience here will be invaluable in the Inquiry's initial task of tackling the problem of local authorities' spending on publicity.

I should add that, although I have considered very carefully nominations which have been made to me in the course of my discussions with the Opposition party spokesmen and the local authority associations, none of them have met the very exacting criteria which I believe necessary for membership of this sensitive and important Inquiry.

I am also sure that we should not include serving Councillors on the Committee if we are to maintain a necessary impartiality. George Younger and I have therefore decided that it would not be wise to appoint Sir Alan Smith, as proposed in my minute of 16 January, since we understand that he remains a member of Tayside Regional Council. For the same reason I fear that Keith Joseph's suggestions in his letter of 22 January might be open to question. On further consideration I agree that Sir John Boynton is perhaps not the man for this job and, as you have said, Mrs Heather Brigstocke is almost certainly too busy to take on this additional commitment.

APPOINTMENTS IN CONFIDENCE



Although Kenneth Baker and I are taking soundings of a possible fifth member, I consider that we are now in a position to announce the substantive composition of the Committee. I would propose to do this at the earliest opportunity in answer to an arranged Parliamentary Question. I should therefore be grateful for your approval to the appointment of Mr Newsam, Sir Lawrence Boyle and Mr Russell to the Committee of Inquiry.

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

W. G. G. G.
for P J

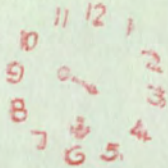
25 February 1985

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

WOMEN'S GOLF CLUB A 25



25 FEB 1985



[Faint, mirrored text, likely bleed-through from the reverse side of the page]

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 February 1985

LOCAL GOVERNMENT FINANCE

The Prime Minister understands that good progress has been made in the studies into a new structure of local government finance. She thinks that before launching into discussions into E(LF) it would be helpful to have the first look at the ideas which are emerging. She understands Department of the Environment Ministers would like to make a presentation to her and a number of other Ministers. She therefore suggests that a seminar at Chequers be arranged, starting with lunch on Sunday, 31 March and continuing into the afternoon. She suggests that the Lord President, the Secretaries of State for Scotland and Wales, the Paymaster General, the Secretary of State for the Environment, the Minister for Local Government, Mr Waldegrave, Lord Rothschild and a representative of the Cabinet Office be invited. I will be in touch nearer the time about DOE officials and the arrangements for the presentation.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), John Graham (Scottish Office), Colin Jones (Welsh Office), Alex Galloway (Paymaster General's Office), Mike Bailey (Minister for Local Government's Office), Barbara Jones (Mr Waldegrave's Office), Lord Rothschild and Peter Gregson (Cabinet Office).

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

CONFIDENTIAL

LOCAL GOVT: Relations.

MESSAGE FOR MR BUTLER FROM TURNBULL

YOU SHOULD BE AWARE OF DEVELOPMENTS IN THE HOUSE. LAST WEEK MR JENKIN LAID AN ORDER SETTING THE RATE LIMITS FOR FOURTEEN RATE CAPPED COUNCILS. UNDER PROTEST THE SELECT COMMITTEE ON STATUTORY INSTRUMENTS WAS PRESSURED INTO CLEARING THEM QUICKLY SO THAT A DEBATE COULD TAKE PLACE ON WEDNESDAY. YESTERDAY, HOWEVER, MR JENKIN WITHDREW THE ORDERS AND RETABLED THEM WITH A NEW FIGURE FOR HARRINGAY. THE OPPOSITION ARE COMPLAINING THAT A DEBATE TOMORROW LEAVES INSUFFICIENT TIME TO LOOK AT THE MODIFIED ORDERS. THE SELECT COMMITTEE IS ALSO PUT OUT.

IF THE GOVERNMENT TRY TO PROCEED WITH THE RATE CAPPING DEBATE TOMORROW THERE IS EVERY PROSPECT OF DISRUPTION. MR BIFFEN AND MR JENKIN HAVE THEREFORE AGREED TO CHANGE THE BUSINESS. THEY WILL TRY TO PUT RATE CAPPING ON THURSDAY AND BRING FORWARD DISCUSSION OF THE LRT BILL FROM THURSDAY TO WEDNESDAY.

ANOTHER BANANA SKIN FOR MR JENKIN I AM AFRAID.

MESSAGE ENDS
19 FEBRUARY

File

MR TURNBULL

BF for meeting //

Local Government Finance Seminar
Sunday 31 March - Chequers

I confirm that:-

Secretary of State for the Environment
Minister of Local Government
Mr Waldegrave
Secretary of State for Scotland
Secretary of State for Wales
Paymaster General
Ld R. M. D. D.

can all attend the lunch and the afternoon on Sunday 31 March.

The Lord President is in difficulties but can cancel his engagements in the north if you so wished.

Please:

1. Ring the Lord President's Office back. *if you want in to come.*
2. Circulate relevant papers to respective offices.

cf.

Caroline Ryder
19 February 1985



NBPM AT 207 2

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

19 February 1985

Dear Peter,

Thank you for your letter of 4 February about the terms of reference of the Widdicombe Inquiry.

I have indeed written to Mr Widdicombe on a number of specific topics which I wish the Committee to consider. These include the activities of bodies set up or supported by local authorities. I agree however with your suggestion that it should be made clear in a public statement that these bodies are covered by the inquiry's terms of reference, particularly in the context of discretionary spending on publicity. You will have seen by now that this was done in my statement to the House on 6 February.

I am copying this to the Prime Minister and other cabinet colleagues and to Sir Robert Armstrong.

Yours ever
Patrick Jenkin

PATRICK JENKIN

20 FEB 1985

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G.S.

03

WDPN

AT

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LN/D



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

Secretary of State for Trade and Industry

19 February 1985

The Rt Hon Kenneth Baker MP
Minister for Local Government
Department of the Environment
2 Marsham Street
London SW1P 3EB

D. Kenneth will request

ABOLITION AND THE VOLUNTARY SECTOR

Thank you for sending me a copy of your letter to Patrick Jenkin of 11 February, about abolition and the voluntary sector.

2 The National Association of Citizens Advice Bureaux have continued to express their fears to us over the effect of abolition on the funding of bureaux at the local level. Your new proposals go some way towards alleviating those fears.

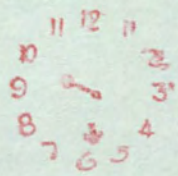
3 In answer to the questions in paragraph 9 of the note attached to your letter, I should make it clear that we have told NACAB that there is no prospect of this Department being able to make extra money available to offset problems that may arise as a result of abolition. Following the Lovelock Review we have substantially increased the grant-in-aid to NACAB for support services and development funding. But it is a long established principle that the operating costs of individual bureaux are met by the local authorities; to breach this principle would only encourage local authorities to withdraw from funding.

4 I am sending copies of this letter to members of MISC 95 and to Sir Robert Armstrong.

NORMAN TEBBIT

JH1BZN

19 FEB 1985





10 DOWNING STREET

CR

Pl establish availability of for
Local Govt Finance Seminar
on Sunday 31 March, evening,
week + afternoon, of :-

✓ Local Press — Mark.

✓ SS/EN — O.K. ✓

✓ Min of Local Govt — O.K. ✓

✓ Mr Wadegrave — O.K. ✓

✓ SS/Scotland — O.K. ✓

✓ SS/Wales — O.K. ✓

✓ Payments General — O.K. ✓

Can we have another ward where
you have established a quarter

BT
18/2

CONFIDENTIAL

NBPM 19/12 20



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

18 February 1985

Dear Peter,

RATE LIMITATION: FINALISATION OF LIMITS FOR RATING AUTHORITIES

Thank you for your letter of 12 February, responding to my letter of 11 February to Willie Whitelaw about the draft Order. I have now had to set rate limits. You will by now have seen my further letter about my final decision on the rate limit for Lewisham, which is now included in the draft Order at 99.66p.

You express your concern - which we share - at the necessity for adequate controls to prevent authorities from budgetting for a deficit. This is something we are looking at in the context of the local government finance studies which Kenneth Baker and William Waldegrave are currently leading. You and other colleagues will of course be fully involved in consideration of their conclusions.

I am copying this letter to the recipients of yours.

*Yours ever
Patrick*

PATRICK JENKIN

LOCAL GOVT: Relations A 25



OLD

NDP 7
AS 19/12
CME



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

From the Minister for the Arts

The Rt Hon Kenneth Baker MP
Minister for Local Government
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

18 February 1985

Dear Kenneth,

will request

Thank you for sending me a copy of your letter of 11 February to Patrick Jenkin about the impact of abolition on voluntary bodies.

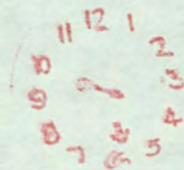
I agree with your proposal to use some of the assets from the GLC to set up a charitable trust to make grants to voluntary bodies in London, and that much credit would be gained from such a move. Such a trust could be of benefit to certain "arts" bodies which, as I have mentioned before, are in fact more aptly described as "voluntary" bodies because their functions are not wholly or primarily artistic. This applies particularly to those local bodies whose activities cross borough boundaries.

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

*Yours,
e/ly
Z*

GOWRIE

19 FEB 1985



CONFIDENTIAL



NISAN
BT
18/2
Camp
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

18 February 1985

Dear Willie,

RATE LIMITATION: FINALISATION OF RATE LIMITS FOR RATING AUTHORITIES

In my letter of 11 February I put forward proposals for the rate limits which I proposed to include in the necessary draft Affirmative Order (which I laid yesterday).

There was one change in the rate limits included in the Order from those which I described in my letter. In the case of Lewisham, the rate limit in the Order is not 104.70p but 99.66p. The reason for this change is that, after I wrote my letter, I looked again at the information available to me regarding Lewisham's financial position. While I remained of the view that there was a good case for my considering a larger part of their creative accounting than I had previously allowed for in the context of a "Merseyside" adjustment for substantial use of special funds, I was less certain on reflection about the need to make any allowance for a possible deficit. The information provided by the authority is not conclusive and we have no evidence of the District auditor having warned the authority about a likely deficit. (In Hackney's case the Council has sent us evidence of a warning from the District Auditor.)

In these circumstances I concluded that I should make allowance in the rate limit only for the creative accounting factor as previously described. I am satisfied that the resulting rate limit of 99.66p is a reasonable one in all the circumstances.

I am copying this letter to the Prime Minister, Members of E(LA), John Biffen, John Wakeham and Sir Robert Armstrong.

You are
Patrick

PATRICK JENKIN

Relations: Local Gov. Pt 25

18 FEB 1985

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5 6 7 8 9 10



file No

10 DOWNING STREET

From the Private Secretary

15 February 1985

EX-GLC HOUSING STOCK

The Prime Minister has seen the briefing note circulated by Sir George Young on 13 February to members of the Standing Committee and to London Members. She found the note too long, too complicated and virtually incomprehensible. She has asked that this and other briefing notes on abolition should be much shorter and clearer, with the points to be made set out more cogently.

ANDREW TURNBULL

Trevor Beattie, Esq.,
Department of the Environment.

246



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

J F Ballard
Private Secretary
to Secretary of State
for the Environment
2 Marsham Street
LONDON SW1 3EB

15 February 1985

Dear John,

My Secretary of State has seen Alan Davis's letter of 5 February to Andrew Turnbull and the latter's reply of 7 February.

(DB)
He has noted that the suggestion has been made that the building might be valued at £100m. He very much doubts if a sum of that order could in practice be realised from its sale; but if it could, it would carry the implication that ILEA would find it equally expensive to find new accommodation. ILEA have in fact just received a report from their architects, engineers and valuers which suggests that any move, including a shift out of the Riverside Block to elsewhere in the same complex, would be expensive. This is all potentially embarrassing material for the Authority to use against the Government when it is faced with precept limitation.

My Secretary of State has therefore asked me to say that he is glad to note the proposal that the line to take in public statements is that no final decision will be taken until the practicalities have been analysed by the Residuary Body.

Yours,

Elizabeth

MISS C E HODKINSON
Private Secretary

P.S.

Copies of this letter go to Private Secretaries of MISC 95, Andrew Turnbull (No 10) and to Richard Hatfield (Cabinet Office).

15 FEB 1985

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CC Master

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND
SIR JAMES GOOLD, CHAIRMAN OF THE SCOTTISH
CONSERVATIVE PARTY, ON THURSDAY 14TH FEBRUARY AT
4.00 P.M.

Sir James Goold came to express his great anxiety about the damage to the Conservative Party which is likely to result from Scottish rating revaluation. The details of the revaluation were soon to be published and will be implemented in May 1985, in time to affect household rate demands this year. He understood that domestic revaluation would show an overall increase of 170%, and industrial and commercial revaluation increases respectively of 100% and 120%.

Only 20% of Scottish householders were liable to pay full rates, and most of this small residue of householders were Conservatives. Sir James gave some examples of likely rate increases in different constituencies, against a background of revaluation:-

Borders	+23%
North East Fife	+30%
Eastwood	+48%
Perth & Kinross	+70%

As an indication of how crippling Scottish rates were, Sir James reported that a 4-roomed bungalow in Edinburgh would cost a householder at least £1,000 a year in rates. On the commercial side, Jenners, the Edinburgh department store, would have a rate bill twice as big as Harrods yet with only one-tenth of the floor space. The Edinburgh branch of Marks &

Spencer was the highest rated store in Britain.

Sir James stressed that Scotland had now undergone two rating revaluations since the last one was held in England. The effect of this revaluation was likely to be seen as unfair discrimination against Scotland compared with England, rather as the heating allowance differential was viewed. He expressed the view that unless something could be done to stop rate demands on the scale he had outlined being delivered this year, the Conservative Party would not control a single Scottish region in local government in 1986. The Prime Minister took note of Sir James's report and expressed deep concern. She stated that the rating changes and likely rate demands outlined by Sir James could not be allowed to happen. If necessary, the implementation of the rating revaluation must be postponed, whilst the situation was carefully assessed by Treasury Ministers and the Secretary of State for Scotland. The Prime Minister directed that the Ministers be informed accordingly.

MA

MICHAEL ALISON

14.2.85

Prime Minister ②
AT 14/2

MR TURNBULL

14 February 1985

DOE BRIEF ON GLC HOUSING

Sir George Young's brief on post-abolition arrangements for GLC housing has been sent to London Members of Parliament and others.

I think the Prime Minister should see the brief because it illustrates all too clearly why the abolition strategy has run into difficulties. The brief is long, complicated, virtually incomprehensible and useless to anyone who is unfamiliar with the subject.

If this is the best that the DoE can do, we are not likely to win many propaganda campaigns.

or Patrick Jenkin's

Perhaps a mildly caustic note to Sir George's office would be in order.

Wrote to George as follows
I have looked at your brief
on GLC housing. Oh better.
It is virtually incomprehensible. Larger paper something
clear & logical & straight in 2 pages
500 words

OLIVER LETWIN

G. R.

①

PRIME MINISTER

William Waldegrave is making good progress in his study of local authority finance and expects to be able to meet the deadline of reporting to E(LF) by Easter. William is worried about presenting what will be radical proposals cold to the committee. He would like to have a preliminary reaction from you and one or two key Ministers beforehand and he feels a tutorial would be helpful before getting down to the business of decision taking. In this he has learnt from the experience of MISC 111 which has launched straight into decisions without stopping to look at the whole picture.

To meet these points William has suggested a seminar at Chequers with you, DOE Ministers, Lord Rothschild, the Chancellor, Lord Whitelaw and the Party Chairman but with no Service Ministers. He would make a presentation of his ideas and seek a reaction. The afternoon of Sunday 31 March would be possible, either from 1700-2100 including supper or lunch followed by discussion until about 1800.

- ✓ i) Agree such a seminar
- ✓ ii) Agree suggested attendance
- ✓ iii) Any other names you wish to add
- ✓ iv) Afternoon or evening?

See Hand n Wales

lunch plus

This has implications for the Maazel concert on which a minute is attached.

NT

14 February 1985

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NBPM AF 14/2

CCOL



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

13 February 1985

R14

Dear Mr Mason

I expect you will have received a copy of a brief circulated by the London Tenants Organisation to all Members of the Standing Committee on the Local Government Bill and to all other London Members as well. The London Tenants Organisation appears to have received financial assistance from the GLC in the past, and their brief concerns the arrangements we propose should be adopted after abolition in respect of ex-GLC housing. They have arranged a meeting with tenants for London Members on 13 February.

The LTO's brief does not in my view properly represent either the existing position or the intended new arrangements. You may therefore find it useful to look at the enclosed briefing note we have prepared, bringing together a number of statements which have been made elsewhere and adding one or two further points.

The note emphasises our intention to ensure that the financial position of Borough Councils with ex-GLC dwellings is broadly unchanged by abolition, but also to see that the Boroughs become fully responsible for their own stock. The arrangements will not compel Boroughs to undertake particular renovation works; this must be a matter for local decision in the light of local priorities. They will, however, provide that abolition has little if any effect on the net cost to individual authorities of those works they do undertake. In my view, these arrangements are fair and reasonable.

My officials are sending copies of the note to the local authority associations in London.

I am writing in similar terms to the other recipients of the LTO's brief.

Yours sincerely
George Young

SIR GEORGE YOUNG

EX-GLC HOUSING STOCK

POST-ABOLITION ARRANGEMENTS IN LONDON

GOVERNMENT BRIEFING FOR MEMBERS REPRESENTING LONDON CONSTITUENCIES
AND FOR MEMBERS OF THE STANDING COMMITTEE ON THE LOCAL GOVERNMENT
BILL (HOUSE OF COMMONS)

BACKGROUND

1. THE LONDON TENANTS ORGANISATION (LTO) HAS CIRCULATED A BRIEF ABOUT THE GLC RENOVATION PROGRAMME TO THE TRANSFERRED STOCK, AND HAS INVITED MEMBERS TO A MEETING ON 13 FEBRUARY. GLC PAPERS INDICATE THAT THE LTO HAS ITSELF RECEIVED SUBSTANTIAL FINANCIAL ASSISTANCE FROM THE COUNCIL. THIS NOTE CONSIDERS SOME OF THE POINTS MADE BY THE LTO AND SETS OUT THE GOVERNMENT'S VIEWS AND PROPOSALS.
2. THE GLC HOUSING TRANSFER ORDERS MADE BETWEEN 1980 AND 1983 CONFER ON THE COUNCIL A NUMBER OF RIGHTS AND OBLIGATIONS. ONE SUCH OBLIGATION IS TO MAKE PAYMENTS TO THE BOROUGH COUNCILS TO COMPENSATE FOR WHATEVER REVENUE DEFICITS THE BOROUGHS ARE INCURRING ON THE TRANSFERRED STOCK; THE WAY IN WHICH DEFICITS ARE CALCULATED IS DEFINED IN THE ORDERS. ANOTHER OBLIGATION IS TO UNDERTAKE WORKS OF REPAIR AND RENOVATION TO THE TRANSFERRED STOCK. THE REVENUE COSTS OF THESE WORKS ARE MET INITIALLY BY THE BOROUGH, BUT ARE INCLUDED IN THE CALCULATION OF ANY DEFICIT PAYMENT TO BE MADE BY THE GLC.
3. IN THE CASE OF ONE ORDER - THAT MADE IN 1981 INVOLVING COMPULSORY TRANSFER OF DWELLINGS TO 8 BOROUGH - THE GLC HAVE AN OBLIGATION TO THE BOROUGH TO COMPLETE THE RENOVATION AND REPAIR WORKS TO A DEFINED STANDARD BY 1992. THIS PROVISION WAS MADE IN VIEW OF THE POOR CONDITION OF MUCH OF THE TRANSFERRED STOCK, AND SO AS TO REASSURE THOSE BOROUGH THAT THE GLC WOULD DISCHARGE THEIR RESPONSIBILITIES WITHIN A SPECIFIED TIME.

COUNCIL'S ANNUAL MONEY BILL. SUBJECT TO THE BILL THEY ARE ALSO ABLE TO INVEST UP TO THE "PRESCRIBED PROPORTION" OF THEIR CAPITAL RECEIPTS FROM THE SALE OF COUNCIL HOUSES AND LAND, REDEMPTION OF MORTGAGE LOANS, ETC.

8. ABOLITION WILL LEAVE ESSENTIALLY UNAFFECTED THE TOTAL VOLUME OF THESE RESOURCES. THE ENTIRE HIP ALLOCATION FOR LONDON WILL BE DISTRIBUTED AMONG THE BOROUGHs, WITHOUT A SHARE BEING PRE-EMPTED BY THE GLC. THE DISTRIBUTION WILL TAKE FULL ACCOUNT OF THE INCIDENCE OF EXPENDITURE LIABILITIES INHERITED FROM THE GLC. THE PRESCRIBED PROPORTION OF VIRTUALLY ALL HOUSING RECEIPTS RECEIVED BY THE LONDON RESIDUARY BODY WILL ALSO BE DISTRIBUTED AMONG THE BOROUGHs, INCLUDING THE RECEIPTS ASSOCIATED WITH THE MORTGAGE ACCOUNT. SO THERE WILL BE NO NET LOSS OF RESOURCES TO LONDON. FURTHERMORE, BY SEEKING TO RE-FINANCE EX-GLC MORTGAGES THE RESIDUARY BODY MAY BE ABLE TO UNLOCK RESOURCES FOR ADDITIONAL PUBLIC INVESTMENT IN LONDON'S HOUSING.

9. IT WILL, OF COURSE, BE FOR THE BOROUGHs TO DETERMINE HOW THEY USE THE RESOURCES AVAILABLE TO THEM. THEY ARE ALREADY LONDON'S PRIMARY HOUSING AUTHORITIES, AND ARE BEST PLACED TO KNOW LOCAL CIRCUMSTANCES AND NEEDS AND TO ESTABLISH THEIR OWN PRIORITIES FOR EXPENDITURE. GIVEN THE POOR CONDITION OF MUCH EX-GLC STOCK, SOME BOROUGHs MAY EVEN WISH TO DEVOTE ADDITIONAL RESOURCES TO ITS IMPROVEMENT; IT WILL BE THEIR DECISION.

10. IT HAS BEEN SUGGESTED THAT THE BOROUGHs SHOULD BE REQUIRED TO CARRY OUT THE GLC'S PROGRAMME TO EX-GLC STOCK, AND THAT PART OF THEIR HIP ALLOCATIONS SHOULD BE EAR-MARKED FOR THAT PURPOSE BY THE GOVERNMENT. IT WOULD, HOWEVER, BE QUITE INAPPROPRIATE STATUTORILY TO REQUIRE THE BOROUGHs TO CARRY OUT OBLIGATIONS TO THEMSELVES. AND EAR-MARKING RESOURCES WOULD INVOLVE CENTRAL GOVERNMENT IN TAKING DETAILED DECISIONS ABOUT RELATIVE NEEDS FOR EXPENDITURE WITHIN THE AREA OF EACH BOROUGH, WHICH SHOULD BE A LOCAL MATTER.

11. FURTHER, THERE IS A FINITE TOTAL OF RESOURCES AVAILABLE FOR LOCAL AUTHORITY HOUSING INVESTMENT IN LONDON. EAR-MARKING PART FOR EX-GLC STOCK AND REQUIRING BOROUGHs TO UNDERTAKE WORKS WOULD BE

TO CREATE A PRIVILEGED CLASS OF DWELLINGS WITHIN BOROUGH'S OWN STOCK, IRRESPECTIVE OF RELATIVE CONDITIONS AND NEEDS FOR EXPENDITURE, WHICH COULD NOT BE JUSTIFIED.

12. THE LONDON TENANTS ORGANISATION RECOGNISE THAT THE GLC DO NOT HAVE AN ASSURED SUPPLY OF RESOURCES TO COMPLETE THE RENOVATION PROGRAMME. THE GOVERNMENT HAVE INDEED HAD FULL REGARD TO THE GLC'S OBLIGATIONS IN DETERMINING THEIR HIP ALLOCATIONS, BUT SO TOO HAVE THEY HAD TO HAVE REGARD TO THE COMPETING NEEDS OF OTHER HOUSING AUTHORITIES. THE LTO QUOTE TWO COMMENTS MADE BY THE THEN SECRETARY OF STATE, MICHAEL HESELTINE, DURING THE DEBATE OF 31 MARCH 1981. THEY OMIT TO MENTION, HOWEVER, HIS OTHER COMMENTS:

"THE GLC HAS MADE REQUESTS OF ME, AS ONE WOULD EXPECT, BUT THE TERMS OF THE REQUESTS THAT IT HAS MADE WOULD ASSUME THAT I AM ABLE TO GIVE COMMITMENTS ABOUT THE HOUSING INVESTMENT PROGRAMME ALLOCATIONS FOR YEARS TO COME. THAT IS QUITE WITHOUT PRECEDENT, AND I CANNOT DO IT."

(COL 155)

AND, IN RESPONSE TO A QUESTION FROM MR CHRISTOPHER PRICE, MP, "I AM NOT ABLE TO COMMIT THIS OR ANY FUTURE GOVERNMENT OVER A PERIOD OF 10 YEARS WITH THE DEGREE OF PRECISION IMPLIED BY THE HON GENTLEMAN'S QUESTION."

THERE IS THEREFORE NO QUESTION OF AN ASSURANCE FROM THE GOVERNMENT BEING BROKEN, AS THE LTO SUGGESTS.

REVENUE FINANCE

13. NOR DO THE GOVERNMENT INTEND THAT BOROUGH'S SHOULD SUFFER WHEN THE REVENUE DEFICIT PAYMENTS THE GLC ARE OBLIGED TO MAKE ARE BROUGHT TO AN END ON ABOLITION. THE GOVERNMENT ARE COMMITTED TO ENSURING THAT THE BROAD FINANCIAL EFFECT OF THESE PAYMENTS IS MAINTAINED AFTER ABOLITION BY ADJUSTMENT TO BOROUGH'S ENTITLEMENT TO RATE SUPPORT GRANT, SUBJECT TO THE OUTCOME OF THE REVIEW OF THE PAYMENTS THE GLC ARE CURRENTLY UNDERTAKING. THE

GOVERNMENT WILL CONSIDER IN DUE COURSE WHAT ARRANGEMENTS SHOULD
MADE IN RESPECT OF THOSE PAYMENTS THE GLC MAKE AT THEIR
DISCRETION.

14. IT IS INTENDED TO PASS TO THE LONDON RESIDUARY BODY CERTAIN OF THE GLC'S LIABILITIES TO MAKE SPECIFIC PAYMENTS UNDER THE ORDERS. EXAMPLES INCLUDE THE ANNUAL PAYMENT TO BE MADE TO LB TOWER HAMLETS UNTIL 1987/88 FOR THE PURPOSE OF IMPROVING THE MANAGEMENT AND MAINTENANCE OF HOUSING ACCOMMODATION IN THE AREA (UNDER PARAGRAPH 1 OF SCHEDULE 3 TO SI 1981 No 644) AND THE LIABILITY IN RESPECT OF ACTS OR BREACHES COMMITTED BY THE GLC PRIOR TO TRANSFER (FOR EXAMPLE UNDER ARTICLE 9 OF SI 1981 No 289).

15. THE CALCULATION OF BOROUGH'S RSG ENTITLEMENT WILL ALSO TAKE ACCOUNT OF THE REVENUE COSTS OF NEW CAPITAL WORKS TO THE TRANSFERRED STOCK, NET OF HOUSING SUBSIDY. THE NEW METHODOLOGY FOR GRE FACTOR E7, INTRODUCED FOR 1985/86, PROVIDES FOR A GRE ASSESSMENT FOR THE ESTIMATED NET REVENUE CONSEQUENCES TO THE HOUSING REVENUE ACCOUNT OF CAPITAL EXPENDITURE ON THE BASIS OF EACH AUTHORITY'S HOUSING INVESTMENT PROGRAMME ALLOCATION, TOGETHER WITH THE PRESCRIBED PROPORTION OF NEW CAPITAL RECEIPTS. THIS WILL THEREFORE PROVIDE ADDITIONAL GRE AND HENCE RATE SUPPORT GRANT TO AUTHORITIES USING THESE RESOURCES TO CARRY OUT WORK TO THE TRANSFERRED STOCK.

16. IT IS INTENDED THAT BOROUGH'S SHOULD BENEFIT IN FULL FROM THESE ARRANGEMENTS, BOTH IN RESPECT OF THE EXISTING REVENUE DEFICIT PAYMENTS AND THE COST OF IMPROVEMENT WORKS, IRRESPECTIVE OF THEIR CURRENT LEVEL OF SPENDING IN RELATION TO THEIR GRANT RELATED EXPENDITURE ASSESSMENTS OR TARGETS (SHOULD TARGETS CONTINUE TO BE SET), AND IRRESPECTIVE OF ANY SURPLUS ACCRUING FROM ANY OTHER ELEMENTS OF THEIR HOUSING STOCK. THE NET COST TO THOSE TRANSFEREE BOROUGH'S NOT IN RECEIPT OF BLOCK GRANT OF MEETING DEFICITS NOW BORNE BY THE GLC WILL BE TAKEN INTO ACCOUNT IN THE CALCULATION OF THEIR CONTRIBUTIONS TO THE LONDON RATE EQUALISATION SCHEME.

CONCLUSION

17. IN THE GOVERNMENT'S VIEW THESE ARRANGEMENTS BALANCE FAIRLY THE INTERESTS OF THE BOROUGHs, THEIR TENANTS, RATEPAYERS AND TAXPAYERS. SUBJECT ONLY TO DECISIONS ABOUT THE GLC'S DISCRETIONARY PAYMENTS AND THEIR REVIEW, THE ARRANGEMENTS WILL ALLOW RENT LEVELS AND MANAGEMENT AND MAINTENANCE EXPENDITURE ON EX-GLC STOCK TO BE UNAFFECTED BY THE ABOLITION OF THE GLC, AND THEY WILL ENABLE THE BOROUGHs BROADLY TO MAINTAIN THE RENOVATION PROGRAMME TO EX-GLC STOCK IF THEY SO WISH, BUT DECISIONS ABOUT THE NATURE, SCOPE AND LOCATION OF RENOVATION WORKS MUST IN FUTURE BE FOR EACH BOROUGH TO TAKE. THIS IS INHERENT IN THE DEVOLUTION OF POWER TO BOROUGH LEVEL, WHICH IS FUNDAMENTAL TO THE GOVERNMENT'S ABOLITION PROPOSALS.

CONFIDENTIAL

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12/2



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

12 February 1985

Dear Secretary of State,

**RATE LIMITATION: FINALISATION OF PRESENT LIMITS
 FOR PRECEPTING AUTHORITIES**

I have seen a copy of your letter of 11 February to Willie Whitelaw about the Orders you propose to lay on Wednesday to set rate limits.

I understand the reasons behind your proposals to increase the rate limits for Leicester and Lewisham, and I accept your judgment on the new levels proposed.

For Hackney the position is rather more difficult, and I am concerned about the principle of validating deficits on the rate fund account - especially one of the size which appears to be emerging in Hackney. It is unfortunate to have to do this, given the presentational difficulties of turning a small rate cut into a large rate rise and the more general problem of the encouragement it may give to other authorities to attempt similar manoeuvres. But if in your opinion the nature of the new information you have received makes this step essential I will not press my objections.

It does seem to me important to satisfy ourselves that we have adequate controls to prevent authorities from budgetting for a deficit. I understand your officials are looking into this and I hope they will pursue it quickly, in consultation with Treasury officials.

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

Yours Sincerely,

PETER REES

Approved by the Chief Secretary
 and signed in his presence

CONFIDENTIAL

12 FEB 1985

FEB 12 1985
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CONFIDENTIAL

CCNO



Private Minutes (2)

To note. Treasury are content

Note: Told John Bellard PM had seen and noted these proposals

AT "12

AT 12/2

MT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 February 1985

Dear Willie,

RATE LIMITATION: FINALISATION OF RATE LIMITS FOR RATING AUTHORITIES

Following the setting of precept limits, this letter informs colleagues of the rate limits which (subject to any late representations giving rise to changes) I propose to include in the draft Affirmative Order covering the 13 designated rating authorities (ie all except Portsmouth) who have not accepted their proposed rate limit.

It is necessary for me to set final rate limits by 1 March; otherwise the interim limit procedure would come into play. Given the Parliamentary timing constraints, I should therefore lay the draft rating Order by Wednesday 13 February. (Even this timetable, for the precept limit Order, gave rise to a complaint from the Chairman of the Scrutiny Committee in the House before the debate). However I have for legal reasons had to keep my mind open throughout to possible representations from the authorities; and as you know they have deliberately adopted delaying tactics. It is for that reason that I am writing at very short notice, for which I apologise.

For the majority of authorities we have had little new information since setting the proposed rate limits, and there are no grounds for substantial alterations (which can only be upwards). There is a minor change in Islington's limit for technical reasons. There are three authorities however where new factors have emerged arguing for a change in the limit. These are Hackney, Lewisham and Leicester. (There are informal indications that Haringey may be intending to provide further information; but in the absence of new material I see no grounds at present for changing their limit.)

In the case of Hackney, the Council has sent us a letter from the District Auditor warning them that they may be heading for a deficit this year of £6m and asking them to take steps to offset it. Because of their creative accounting this year, for which I made partial allowance in their proposed rate limit, their true level of spending this year is likely to be considerably higher than their EL. Indeed, if we were to make complete allowance in a revised rate limit for their possible deficit, their rate limit would rise from its present 114.09p to no less than 179.37p implying a 50% rate increase. Public statements by Hackney councillors, however, suggest that they could well make no rate at all, or possibly one no higher than the rate of inflation. In any case, the deficit could in the event be smaller. In these circumstances I have considered carefully what rate limit is appropriate. To leave the rate limit at its present level would imply

CONFIDENTIAL

requiring Hackney to make very large real terms cuts. On the other hand, to allow a 50% rate increase looks unrealistic and could be over-generous. I therefore consider that, while we should recognise the existence of a deficit for which there is independent evidence from the District Auditor, we cannot be certain of its size; we should therefore allow for the financing of some £4m of shortfall this year and a carry-over of some £2m into next year's spending base. On this basis the rate limit would rise to 147.18p, implying a rate increase of 23.3% over this year's figure.

Lewisham have given me further information within the last few days which improves my understanding of the extensive creative accounting measures they have undertaken this year, and which also indicates the existence of a deficit. They have made a good case for my considering a larger part of their creative accounting than I previously allowed for in the context of a "Merseyside" adjustment for substantial use of special funds (from which they did not previously benefit). On this basis their rate limit would increase. I also propose to make partial allowance for the possible deficit this year. On these grounds I propose to raise Lewisham's RL from its original level of 87.49p to a figure of around 105p, which would still imply a reduction of 9.5% on this year's rate. (The new rate limit implies that at ratepayer level, allowing for likely changes in the GLC, ILEA, Metropolitan Police and LRT elements, there would be virtually no change in Lewisham's overall rate demand.)

In respect of Leicester, we have further information which indicates that, while their reserves are very large by comparison with similar authorities, they are not as large as originally thought. Furthermore some funds would appear to be earmarked for specific purposes. By making a reduced assumption in respect of reserves available to support the rate (an assumption which leaves over 40% of their annual spend in Leicester's reserves) I propose to increase their rate limit from 16.27p to 25.22p, still implying a 34% reduction in this year's rate.

The rates limits I propose to include in the draft Order are shown in the table annexed, together (for completeness) with the agreed precept limits. None of the changes I am proposing has any substantial expenditure effects.

I must ask for comments by 10.00AM on Tuesday 12 February at the latest in order to enable the draft Order to be finalised.

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

*You see
Pat*

PATRICK JENKIN

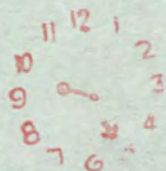
The Rt Hon the Lord Whitelaw CH MC

1985/6 RATE LIMITS

ANNEX A

Expenditure level	1984/5 local rate	1985/6 rate limit	Rate poundage increase implied by rate limit	
Basildon	£ 13.662m	42.80p	50.33p	17.59%
Bournemouth	£ 16.751m	27.20p	26.88p	-1.16%
Leicester	£ 24.392m	37.50p	25.22p	-32.74%
Shaesdown	£ 14.199m	54.19p	57.22p	5.55%
Sheffield	£ 216.573m	208.24p	207.07p	-0.56%
Caaden	£ 117.429m	91.94p	92.02p	.09%
Greenwich	£ 66.584m	118.91p	96.42p	-18.91%
Hackney	£ 82.315m	119.30p	147.18p	23.37%
Islington	£ 85.564m	122.74p	112.07p	-8.69%
Lambeth	£ 113.558m	122.34p	107.57p	-12.07%
Lewisham	£ 79.301m	115.74p	104.70p	-9.54%
Southwark	£ 108.437m	149.74p	112.69p	-24.74%
Brent	£ 140.021m	193.42p	196.42p	1.55%
Haringey	£ 128.658m	229.16p	222.17p	-3.05%
Merseyside	£ 205.180m	65.00p	82.86p	27.48%
South Yorkshire	£ 178.291m	83.30p	81.32p	-2.39%
GLC	£ 785.233m	36.55p	36.52p	-.08%
ILEA	£ 900.366m	90.00p	77.25p	-13.44%

11 FEB 1985



THE RIGHT WORSHIPFUL THE LORD MAYOR OF WESTMINSTER

COUNCILLOR JOHN BULL JP



8 February 1985

P.O. Box 240
Westminster City Hall
Victoria Street, London SW1E 6QP
Telephone 01-828 8070 Ex 2240

Dear Mr Barclay. <sup>*Dmb
12/12*</sup>

I would be grateful if the enclosed letter could be given
to the Prime Minister.

*Yours sincerely,
John Bull.*

David Barclay Esq
Private Secretary to the Rt Hon Mrs Margaret Thatcher MP
10 Downing Street
London SW1

~~of~~ GRs

CR

Can you rearrange
this neatly to find a
fine betw Lady
Parker & Ker Baker can
make

AT

- ① ~~AT~~
- ② GR's.

Rearranged for Wed

6 Feb at 9.45

Yours truly
Parker

CR



10 DOWNING STREET

AT

Lady Portillo is
coming on TUE
26: Feb at
11.30. Will

You can now
D.E briefing.
CR

Andrew

Re above. how
about briefing: these are all
the papers in GR. Kay

8/2/85.

CF - Andrew has
asked that a copy of his given
letter to Mike Barry be given
to him. R

CONFIDENTIAL

ECU

MISC 95:
Ld Pres
Lord Chancellor
Home Sec
S/Education
S/Scotland
S/Wales
S/Environment



bc Ok.

10 DOWNING STREET

LPS
S/Social Servs
From the Private Secretary
S/Trade & Ind
S/Emp
Min Ag
Ch Sec HMT
S/Transport
CDL
A Gen
Ch Whip

7 February 1985

ABOLITION OF THE GLC:
FUTURE USE OF COUNTY HALL

The Prime Minister has seen your letter of 5 February to David Barclay. She recognises that there is a limit to the progress which can be made before the Residuary Body is appointed. Nevertheless she hopes that in the meantime the Department will continue to look out for ideas and opportunities.

I am copying this letter to the Private Secretaries to members of MISC 95 and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

A.H. Davis, Esq.,
Department of the Environment

CONFIDENTIAL

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FILE

da

bz OL

cc Kay Dover

GR file

10 DOWNING STREET

From the Private Secretary

7 February 1985

Abolition of the GLC

The Prime Minister will be seeing Lady Porter on Wednesday, 6 March at 9.45 am to discuss abolition of the GLC. She would be grateful if Mr. Baker could also attend the meeting.

You have already provided some briefing on the views of Westminster City Council on its role after the abolition of the GLC. If there are any further developments between now and 6 March, could you update the material.

I am copying this letter to John Ballard in the Secretary of State's office.

Andrew Turnbull

Michael Bailey, Esq.,
Department of the Environment.

ls

THE RT HON PATRICK JENKIN MP

SECRETARY OF STATE FOR THE ENVIRONMENT

COMMONS SPEECH ON THE RATE LIMITATION (PRESCRIBED MAXIMUM)

(PRECEPTS) ORDER 1985

FOR

WEDNESDAY 6 FEBRUARY 1985

I BEG TO MOVE THAT THE HOUSE SHOULD APPROVE THE RATE LIMITATION (PRESCRIBED MAXIMUM) (PRECEPTS) ORDER 1985.

THIS ORDER IS THE FIRST OF TWO THAT WILL COME BEFORE THE HOUSE UNDER SECTION 4 OF THE RATES ACT 1984. IT IS THE STAGE IN THE RATE CAPPING PROCESS WHEN THE HOUSE IS ASKED TO APPROVE THE MAXIMUM RATE OR PRECEPT LIMITS FOR EACH OF THE AUTHORITIES SELECTED FOR RATE CAPPING. THIS ORDER COVERS THE 4 PRECEPTING AUTHORITIES. MY PRESENT INTENTION IS TO TABLE THE ORDER COVERING THE RATING AUTHORITIES THAT HAVE NOT AGREED THEIR LIMIT IN A FEW DAYS.

THE PURPOSE OF RATE CAPPING IS TO PROTECT RATEPAYERS FROM THE IMPACT OF HIGH RATES CAUSED BY HIGH SPENDING. ALL THE AUTHORITIES DESIGNATED LAST JULY HAVE BUDGETED THIS YEAR TO SPEND BOTH MORE THAN 4% ABOVE THEIR TARGETS AND MORE THAN 20% ABOVE THEIR GREAS.

THIS ORDER COVERS THE GLC, THE INNER LONDON EDUCATION AUTHORITY, THE MERSEYSIDE COUNTY COUNCIL AND SOUTH YORKSHIRE COUNTY COUNCIL.

THE GLC HAS DOUBLED ITS SPENDING IN 3 YEARS. IT HAS MORE THAN DOUBLED ITS PRECEPT SINCE THE SOCIALISTS TOOK CONTROL IN 1981. THEY SPEND AS IF THERE WERE NO TOMORROW BUT OF COURSE FOR THE GLC THERE WILL BE NO TOMORROW. THEIR £10M ADVERTISING CAMPAIGN HAS BECOME A NATIONAL SCANDAL, THEY ARE RECRUITING THIS YEAR 1700 EXTRA STAFF POSTS. LAST WEEK GLC COUNCILLORS - AND I QUOTE THE NEW STANDARD OF 1 FEBRUARY WERE "DELUGED WITH 125 SEPARATE SPENDING PLANS TOGETHER AS THICK AS FIVE TELEPHONE DIRECTORIES."

I READ ON -

"MOST HAD BEEN DELIVERED TO THEIR HOMES (AT MORE EXPENSE NO DOUBT) ONLY THE NIGHT BEFORE, OTHERS WERE ACTUALLY TRUNDLED IN WHILE THE MEETING WAS GOING ON."

"SMALL WONDER" WRITES THE STANDARD, "THAT EVEN A LABOUR COUNCILLOR COMPLAINED THAT HE HAD NOT HAD TIME EVEN TO LOOK AT THE PROPOSALS AND COULD NOT VOTE FOR THEM."

MR SPEAKER, IN THE FACE OF THAT EVIDENCE HOW CAN THE GLC POSSIBLY ARGUE THAT THE PRECEPT LIMIT IN THE ORDER IS IMPOSSIBLE?

THE INNER LONDON EDUCATION AUTHORITY IS UNIQUE - NOT ONLY IN ITS CONSTITUTION BUT IN ITS UNRIVALLED EXTRAVAGANCE. IN THE LAST 3 YEARS ITS SCHOOL POPULATION HAS FALLEN BY 10% BUT ITS SPENDING HAS GONE UP BY ALMOST A THIRD TO OVER £900M. ILEA IS NOW SPENDING PER PUPIL 29% MORE THAN MANCHESTER, 31% MORE THAN SHEFFIELD AND 54% MORE THAN BRADFORD.

UNTIL THEY WERE STOPPED BY THE COURT, THEY WERE SPENDING £¼M ON A BLATANT POLITICAL ADVERTISING CAMPAIGN. AND I WONDER IF MY HON FRIENDS NOTICED THE RECENT ADVERTISEMENT IN THE GUARDIAN FOR A PERSONAL ASSISTANT TO THE LEADER OF ILEA?

THAT PERSON MUST HAVE, I QUOTE: "POLITICAL SENSITIVITY AND A SUPPORTIVE UNDERSTANDING OF THE OBJECTIVES OF THE MAJORITY PARTY (LABOUR)".

AND WHAT IS TO BE THE COST OF THIS PARAGON'S SALARY TO BE PAID BY INNER LONDON RATEPAYERS? THE ANSWER £17,598 PER ANNUM.

MERSEYSIDE COUNTY COUNCIL HAS INCREASED ITS SPENDING BY ALMOST 150% SINCE 1978/79.

THIS IS FASTER THAN ANY OF THE 5 MERSEYSIDE DISTRICT COUNCILS INCLUDING LIVERPOOL. IT IS THE WORST SPENDING RECORD OF ANY OF THE 6 METROPOLITAN COUNTIES. ITS ANNUAL TRANSPORT DEFICIT NOW AMOUNTS TO NO LESS THAN £82M. MERSEYSIDE'S PRECEPT HAS RISEN OVER 50% IN THE LAST 3 YEARS.

YET MERSEYSIDE HAS NOW DECIDED TO HELP TO FUND LIVERPOOL'S FIRST NOVELIST IN RESIDENCE. THE COUNCIL HAS JUST GIVEN A £1500 GRANT TO THE MAKERS OF A RECORD ALBUM ATTACKING THE POLICE. THIS IS THE COUNCIL WHICH PAID ITS STAFF TO STRIKE FOR A DAY AGAINST ABOLITION - A STRIKE WHICH DID MORE TO GENERATE SUPPORT FOR ABOLITION THAN ANYTHING ELSE IT HAD EVER DONE.

FINALLY SOUTH YORKSHIRE. THAT COUNCIL HAS INCREASED ITS SPENDING SINCE 1978/79 BY 132% - AGAIN MORE THAN ANY OF THE 4 DISTRICT COUNCILS IN ITS AREA. THEY HAVE RECENTLY GIVEN £100,000 TO THE MINERS. THEY HAVE DECIDED TO PUT NUCLEAR FREE ZONE SIGNS ON 21 PRIMARY ROUTES THROUGH THE COUNTY AT A COST OF £100 PER SIGN.

AND AS FOR TRANSPORT, THEY SUBSIDISE PUBLIC TRANSPORT TO THE TUNE OF NO LESS THAN £73.5M A YEAR. FARES IN SOUTH YORKSHIRE HAVE NOT RISEN ACROSS THE BOARD SINCE 1976. BUSES COST THE PTE £1.92P PER PASSENGER MILE. THE PASSENGERS ACTUALLY PAY 0.44P PER MILE. THE RATEPAYERS PAY THE DIFFERENCE.

THESE ARE COUNCILS CLAIMING TO BE STARVED OF MONEY FOR THEIR ESSENTIALS; YET THE EXAMPLES I'VE QUOTED SHOW THEM TO HAVE PLENTY TO SPARE.

WHY SHOULD THE HUNDREDS OF RESPONSIBLE COUNCILS SUFFER FOR THE EXTRAVAGANCE OF THE FEW? MANY LABOUR COUNCILS BUDGET TO STAY WITHIN THE GUIDELINES. THESE SHOULD DO THE SAME.

BEFORE COMING TO THE INDIVIDUAL PRECEPT LIMITS LET ME JUST REMIND THE HOUSE OF THE STAGES IN THE PROCESS THAT HAVE ALREADY HAPPENED.

ON 24 JULY LAST YEAR I LISTED THE 18 AUTHORITIES TO BE CAPPED AND ANNOUNCED THEIR MAXIMUM EXPENDITURE LEVELS. UNDER THE RATES ACT THEY COULD APPEAL AGAINST THOSE EXPENDITURE LIMITS AND ASK THAT THEY BE RAISED. AS THE HOUSE KNOWS, THE LABOUR PARTY'S NATIONAL EXECUTIVE COMMITTEE DECIDED ON A POLICY WHICH THEY DESCRIBED AS "NON COMPLIANCE".

AS A RESULT, NOT ONE LABOUR CONTROLLED AUTHORITY AVAILED THEMSELVES OF THE APPEAL PROCEDURE. I EXTENDED THE TIME. I GAVE THE CLEAREST INDICATION, BOTH INSIDE AND OUTSIDE THE HOUSE, THAT THE PROFESSED REASONS FOR NOT APPEALING WERE MISCONCEIVED. BUT STILL, NOT ONE SINGLE AUTHORITY APPEALED.

SO ON 11 DECEMBER, BASING MYSELF ON THOSE EXPENDITURE LEVELS, I ANNOUNCED THE RATE AND PRECEPT LIMITS TO THE HOUSE.

THE ACT PROVIDES FOR A SECOND RIGHT OF APPEAL. ANY AUTHORITY WHICH WISHES TO CHALLENGE ITS LIMIT CAN COME IN AND ARGUE FOR A HIGHER LIMIT.

NONE OF THE 4 PRECEPTING AUTHORITIES NAMED IN THIS ORDER HAVE DONE SO. HOWEVER, DURING THIS PERIOD "NON COMPLIANCE" TOOK A CURIOUS FORM, THERE ARRIVED ON THE DESKS OF MY OFFICIALS, THROUGH VARIOUS ROUTES, SUBSTANTIAL QUANTITIES OF PAPER SETTING OUT, OFTEN IN VERY CONSIDERABLE DETAIL, MANY OF THE FACTS AND FIGURES WHICH I WOULD NEED IN ORDER TO SATISFY MYSELF EITHER THAT THE PROPOSED LIMITS WERE FAIR AND REASONABLE OR THAT THEY SHOULD BE RAISED. INDEED, THE INFORMATION FLOWED IN SO THICK AND FAST THAT WHEN I MET A DEPUTATION FROM 17 RATE CAPPED AND 9 OTHER LABOUR CONTROLLED AUTHORITIES ON MONDAY, THE PILE OF INFORMATION ON THE TABLE IN FRONT OF ME STOOD OVER 6 INCHES HIGH!

WELL, IF THAT'S NON COMPLIANCE, SO BE IT, I GAINED THE IMPRESSION HOWEVER THAT SOME OF THE REAL NON-COMPLIERS WHO REALLY HAD DANCED TO THE NEC'S TUNE FELT A BIT LET DOWN BY THEIR COMRADES!

THIS BRINGS ME TO THE INDIVIDUAL PRECEPT LIMITS SET OUT IN THE SCHEDULE TO THE ORDER.

FIRST, THE GLC.

THE GLC'S PRECEPT LIMIT OF 36.52P IS WHAT I PROPOSED ON 11 DECEMBER. IT CORRESPONDS TO A SPEND OF ABOUT £785M, ASSUMING A MODEST DRAW DOWN OF BALANCES. COMPARED WITH THE GLC'S OWN PROPOSED BUDGET OF OVER £860M, THE RESULT OF PASSING THIS ORDER WILL BE THAT THE GLC'S PRECEPT NEXT YEAR WILL BE ABOUT 7P LESS THAN IT OTHERWISE WOULD HAVE BEEN. OF COURSE, IF YOU ADD IN THE LRT LEVY THE AMOUNT RATEPAYERS WILL PAY WILL BE HIGHER THAN THIS YEAR'S PRECEPT. BUT THAT IS BECAUSE, AS THE HOUSE WILL REMEMBER, THIS YEAR, THE GLC MANIPULATED THEIR PRECEPT DOWNWARDS BY DRAWING OVER £200M FROM BALANCES, WHILE INCREASING THEIR SPENDING BY OVER £100M. BECAUSE OF THIS MANIPULATION, THERE WOULD HAVE TO HAVE BEEN A BIG INCREASE ANYWAY NEXT YEAR. WITHOUT RATE CAPPING, THE FACT REMAINS THAT, FROM NEXT APRIL, LONDONERS WOULD HAVE HAD TO PAY 7P MORE IN THE POUND TO THE GLC THAN WILL BE THE CASE.

THE GLC HAS SUPPLIED ME WITH A GREAT DEAL OF INFORMATION WHICH I HAVE CONSIDERED WITH CARE. EVEN SO, THOSE PAPERS HAVE NOT CONTAINED THE FULL STORY AND I HAVE TAKEN INTO ACCOUNT OTHER INFORMATION AVAILABLE TO ME. I HAVE ALSO HAD REGARD TO THE COURT CASE ABOUT PAYMENTS TO LRT AND TO MY RT HON FRIEND'S ANNOUNCEMENT LAST WEEK ABOUT THE AMOUNT WHICH THE GLC SHOULD PAY TO LRT NEXT YEAR. IN ALL THE CIRCUMSTANCES, I HAVE CONCLUDED THAT THE PRECEPT LIMIT I PROPOSED ON 11 DECEMBER IS REASONABLE AND THAT IT SHOULD STAND.

NEXT, ILEA. THIS IS A DIFFERENT STORY. IN DECEMBER I PROPOSED A PRECEPT LIMIT OF 74.19P. THE LIMIT IN THE ORDER IS 3.06P HIGHER - 77.25P. THE REASON FOR THE INCREASE IS STRAIGHTFORWARD.

ILEA TOO HAVE BEEN HELPFUL IN SUPPLYING INFORMATION, PART OF THIS CONSISTED OF A BREAKDOWN OF THEIR RESERVES. IT APPEARED THAT PART OF THOSE RESERVES - THOSE CONTAINED IN THEIR BUILDING REPAIR AND RENEWALS FUND - REPRESENTS MONEY FROM THE SALE OF CAPITAL ASSETS. BY LAW, SUCH MONEY IS NOT AVAILABLE FOR USE TO SUPPORT REVENUE SPENDING. IN DECEMBER I WAS NOT ABLE TO DISTINGUISH REVENUE RESERVES FROM CAPITAL RESERVES. NOW THAT I HAVE THE DETAILED FIGURES I HAD TO MAKE ALLOWANCE FOR THIS FACTOR. I ALSO MADE A NUMBER OF OTHER ADJUSTMENTS IN THE LIGHT OF ILEA'S INFORMATION. AND ACCORDINGLY THE PRECEPT LIMIT HAS BEEN RAISED TO 77.25P. THIS STILL REPRESENTS A REDUCTION OF NEARLY 3P COMPARED WITH THIS YEAR'S ILEA PRECEPT OF 80P.

THE 3.06P UPLIFT DOESN'T ALLOW ILEA TO SPEND ANY MORE MONEY. IT IS STILL BASED ON AN EXPENDITURE LEVEL OF £900M. WHAT HAS CHANGED IS HOW MUCH OF THAT SPENDING CAN BE FINANCED FROM PRECEPT AND HOW MUCH FROM RESERVES. I HOPE THAT IF THERE ARE ANY RATING AUTHORITIES WHO BELIEVE THAT THE SAME CONSIDERATIONS MIGHT APPLY TO THEM, THEY WILL NOTE THAT IT WAS INFORMATION GIVEN TO US FROM ILEA WHICH LED TO A MODEST EASING OF THE PRECEPT LIMIT.

IN THE ABSENCE OF RATE CAPPING, ILEA WERE PROPOSING TO SPEND NOT £900M BUT £957M. THIS WOULD HAVE REQUIRED A PRECEPT NOT OF 77.25P, BUT 83.1P.

SO TAKING THE GLC PRECEPT AND THE ILEA PRECEPT TOGETHER, A TYPICAL 2-STOREY TERRACED HOUSE IN TOWER HAMLETS WILL SAVE £ 32 NEXT YEAR COMPARED WITH WHAT WOULD HAVE HAPPENED WITHOUT RATECAPPING.

OR TAKE A TYPICAL CORNER SHOP IN LAMBETH. THERE, THE SAVING WILL AMOUNT TO NO LESS THAN £52 NEXT YEAR BELOW WHAT IT OTHERWISE MIGHT HAVE BEEN. WHEN THERE IS ADDED THE FURTHER SAVINGS BECAUSE OF RATE CAPPING IN SOME BOROUGHES, I THINK RATEPAYERS WILL SEE QUITE CLEARLY THAT RATE CAPPING IS INDEED COMING TO THEIR RESCUE.

NEXT, MERSEYSIDE. THIS IS DIFFERENT AGAIN. HERE THE PRECEPT LIMIT OF 82.86_p THOUGH NO CHANGE FROM WHAT I PROPOSED IN DECEMBER, IS A 27% INCREASE ON THIS YEAR'S PRECEPT. THE REASON FOR THE INCREASE IS THAT THIS YEAR MERSEYSIDE ARE PLANNING TO DRAW DOWN SPECIAL FUNDS SO THAT THEIR PRECEPT THIS YEAR IS MUCH LESS THAN WOULD BE NECESSARY TO SUPPORT THEIR SPENDING THIS YEAR. THE INFORMATION I THEN HAD SUGGESTED THAT THEY WOULD NOT BE ABLE TO DO THIS AGAIN NEXT YEAR, EVEN A REDUCED LEVEL OF SPENDING WOULD HAVE TO BE FINANCED ALMOST WHOLLY FROM THE PRECEPT. SO IT WOULD BE BOUND TO BE HIGHER. AGAIN, AFTER CAREFULLY CONSIDERING FURTHER INFORMATION WHICH MERSEYSIDE GAVE ME, I HAVE DECIDED TO CONFIRM THE LIMIT WHICH I ORIGINALLY PROPOSED.

11

COMPARED WITH A £249 MILLION BUDGET WHICH MERSEYSIDE SAY THEY WOULD HAVE INTRODUCED IN THE ABSENCE OF RATE CAPPING, THIS PRECEPT, ALTHOUGH AN INCREASE ON LAST YEAR, IS OF THE ORDER OF 50P LESS THAN IT WOULD OTHERWISE HAVE BEEN. FOR A TYPICAL SEMI-DETACHED HOUSE IN BOOTLE, THIS REPRESENTS A SAVING IN THE RATES NEXT YEAR OF ABOUT £125 COMPARED WITH WHAT IT OTHERWISE WOULD HAVE BEEN. AND I WOULD ASK THE HOUSE TO CONTRAST WHAT MAY WELL HAPPEN IN LIVERPOOL WHERE THE RATES WILL NOT BE CAPPED AND I THINK RATEPAYERS IN BOOTLE WILL CONSIDER THEMSELVES EXTREMELY LUCKY.

AND THEN FINALLY THERE IS SOUTH YORKSHIRE.

IN DECEMBER I PROPOSED 81.32P, A REDUCTION ON THIS YEAR'S PRECEPT OF JUST OVER 2%. SOUTH YORKSHIRE SENT ME A CERTAIN AMOUNT OF INFORMATION BUT I HAVE CONCLUDED THAT IT WAS NOT SUCH AS TO LEAD ME TO CHANGE MY PROPOSAL.

SOUTH YORKSHIRE WERE PROPOSING TO SPEND £206M NEXT YEAR. THANKS TO RATE CAPPING, SOUTH YORKSHIRE'S PRECEPT WILL BE ABOUT 35P IN THE POUND BELOW WHAT IT WOULD HAVE BEEN, SAVING THE RATEPAYER IN A TYPICAL 3 BEDROOMED SEMI IN BARNSELY AROUND £63.

THOSE THEN, MR SPEAKER, ARE THE PRECEPT LIMITS FOR THE FOUR PRECEPTING AUTHORITIES. IF THE HOUSE APPROVES THE ORDER, THEY WILL HAVE OVER A MONTH IN WHICH TO DECIDE ON THEIR BUDGETS AND DECLARE THEIR PRECEPTS WHICH TO BE LEGAL MUST NOT BE HIGHER THAN THE FIGURES IN THE ORDER.

PREDICTABLY, THE CAPPED AUTHORITIES PROPHESE ALL SORTS OF DOOM AND DISASTER. YES, THEY WILL HAVE TO MAKE SAVINGS, AS OTHERS HAVE DONE ALREADY. NEVERTHELESS, HAVING CONSIDERED THE MATTER WITH SOME CARE, AND BEARING IN MIND THE GLCS GROSSLY INFLATED BUDGETS, THE VERY MODEST SAVINGS BEING SOUGHT FROM ILEA, AND THE HUGE SUBSIDIES TO TRANSPORT IN MERSEYSIDE AND SOUTH YORKSHIRE, I AM IN NO DOUBT, AND THE HOUSE SHOULD BE IN NO DOUBT THAT ALL FOUR AUTHORITIES CAN BUDGET TO SPEND SENSIBLY ON SERVICES WHILE REMAINING WITHIN THE LIMITS IN THE ORDER.

ALL FOUR AUTHORITIES WERE REPRESENTED IN THE DEPUTATION WHICH CAME TO SEE ME ON MONDAY. LET ME JUST TELL THE HOUSE WHAT THAT DEPUTATION ASKED FOR.

ALTHOUGH THIS HOUSE VOTED ON 15 JANUARY TO ACCEPT THE RSG SETTLEMENT FOR NEXT YEAR AS SET OUT IN THE RSG REPORT, THE DEPUTATION ASKED IN EFFECT THAT I SHOULD CAST IT ASIDE; THAT I SHOULD ABANDON TARGETS AND HOLD BACK; THAT I SHOULD MAKE SOME LARGE BUT UNSPECIFIED INCREASE IN THE AMOUNT OF RATE SUPPORT GRANT; THAT I SHOULD ABANDON THE RATES ACT PASSED BY THIS HOUSE LAST YEAR; AND THAT, APPARENTLY IN RETURN FOR ALL THIS, THE 26 AUTHORITIES REPRESENTED WOULD BE PREPARED TO JOIN WITH ME IN SOME COMMISSION OF INQUIRY. THEY SAID NOTHING ABOUT CUTTING OUT GROWTH. INDEED, THE FIGURES THEY TABLED ASSUMED CONTINUING GROWTH IN SPENDING.

THE HOUSE CANNOT HAVE BEEN TOO SURPRISED TO READ THAT I FELT UNABLE TO ACCEDE TO THOSE REQUESTS.

OF COURSE, I DON'T SUPPOSE THERE WAS A SINGLE PERSON IN THE ROOM WHO THOUGHT THEY WERE SERIOUSLY INTENDED. ON THE CONTRARY, EVERY ONE OF THOSE COUNCIL LEADERS WAS THERE FOR QUITE DIFFERENT REASONS WHICH WERE SPELT OUT WITH ADMIRABLE CLARITY IN A REPORT PRESENTED TO THEM ABOUT THREE WEEKS AGO BY COUNCILLOR BLUNKETT OF SHEFFIELD.

THEY WANTED TO BE ABLE TO SAY THAT WHEN I LAY THE ORDER THAT IS BEFORE THE HOUSE TODAY I WOULD NOT BE ABLE TO CLAIM THAT THE CAPPED AUTHORITIES SIMPLY REFUSED TO MEET ME AT ALL OR THAT THEY WERE UNWILLING TO PUT THEIR CASE COLLECTIVELY. THEY ALSO WANTED TO "ENSURE THAT AT THE COUNCILS' BUDGET MEETINGS IN MARCH ELECTED MEMBERS CANNOT BE ACCUSED OF FAILING TO CHALLENGE THE SECRETARY OF STATE FACE TO FACE IN THIS WAY PRIOR TO CONSIDERING THE KIND OF TACTICS POTENTIALLY ILLEGAL OTHERWISE, BEING CONSIDERED BY COUNCILS CONCERNED." THE REPORT ALSO WENT ON TO SAY THAT IT WAS THEIR AIM "TO PREVENT THE BREAK-UP OF GROUPS ARGUING ABOUT WHETHER OR NOT WE SHOULD MEET JENKIN." AND FINALLY IT WAS THEIR AIM TO DISLOCATE THE DOE'S PARLIAMENTARY TIMETABLE.

RARELY CAN A DEPUTATION HAVE BEEN LAUNCHED WITH SUCH SHODDY AND TRANSPARENT HUMBUG!

RATE CAPPING WILL NOT ONLY CURB THE SPENDING OF THE MOSE
EXTRAVAGANT OVERSPENDERS, IT WILL PROTECT THE RATEPAYERS IN THOSE
AREAS, AND IT HAS, AS I SAID IN LAST MONTH'S RSG DEBATE, LET ME SET
MUCH FAIRER TARGETS FOR THE MUCH LARGER NUMBER OF PRUDENT LOW SPENDING
COUNCILS WHO FOR TOO LONG HAVE HAD TO SUFFER FOR THE EXTRAVAGANCE OF
THE FEW.

FOR ALL THESE REASONS, I ASK THE HOUSE TO APPROVE THIS ORDER
TONIGHT.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

- 1) Mr Turnbull
2) Prime Minister (2)

My ref:

Your ref:

This is rather weak. It may be that only limited progress can be made before the Residuary Body is appointed, but DoE should in the meantime be on the lookout for ideas and opportunities.

5 February 1985

Dear David

ABOLITION OF THE GLC: FUTURE USE OF COUNTY HALL

AT 6/2

mt

I understand that, following discussion at one of her meetings about abolition, the Prime Minister has asked for a note about options for the future use of GLC County Hall.

I attach a note setting out what we know about the nature and present occupation of County Hall and some of the factors affecting its future use. It is, of course, difficult to make any detailed assessment when we do not have access to the building, let alone the opportunity to carry out a full survey.

There is little doubt that a new owner would want to carry out very extensive work before occupying County Hall; and that even more major works would be needed if the use were to be changed - eg to an hotel. Another factor is that some internal features are listed. These considerations could affect the value if the building were put on the market in its present state. However, there is little doubt that there would be considerable interest in the building - the Department has indeed already received two separate approaches - one from a well-known hotel and leisure group, the other from agents acting on behalf of Saudi Arabian principals - expressing interest in acquiring the building for use as a hotel and conference centre.

The extent of works that would be needed, and the limitations imposed by the nature of the building, make it unlikely that a quasi-public sector use would be feasible. For example, a University would probably find the costs of conversion prohibitive. The same applies to the suggestion that the building might be sold to the British Library - quite apart from the fact that it is much too small for their purpose and that cancellation of the existing scheme would itself be very expensive.

My Secretary of State is clear that our declared aim must be to dispose of County Hall - or at least the most prominent part of it, ie the block fronting on to the River. He considers that the Residuary Body should, if possible, sell to a private sector occupier. However, it will be for the Residuary Body to get the best price that they can, and my Secretary of State would not wish to interfere in their commercial judgement.

Although disposal should be the aim, my Secretary of State considers it important not to imply that there will be an immediate change on the abolition date. Quite apart from the fact that the Residuary Body will not be able to assess the potential market for the building until it has full access, any attempt at very early disposal could involve increased public expenditure. Sir Keith Joseph's letter of 20 October to my Secretary of State indicates that the present leader of ILEA would be quick to exploit this to the Government's disadvantage. For this reason my Secretary of State advised Sir Keith to take the line in discussion with Mrs Morell that discussion of the future arrangements for housing ILEA staff was premature, and that there was no question of immediate disturbance of ILEA staff when ownership passes to the Residuary Body on abolition.

My Secretary of State has it in mind to appoint members to the Residuary Bodies, in shadow form, in advance of Royal Assent; and to include members with knowledge of property management and disposal. He would make it clear to the London Residuary Body that he would expect them to give priority to assessing the future use of County Hall, so that programmes could be developed as soon as the Residuary Body has access to the building. Until a more detailed study has been carried out, with access to the building, it would be necessary to say publicly that while the Government's aim was disposal of the building, no final decision would be taken until the practicalities had been analysed.

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

Yours ever

A H Davis

A H DAVIS
Private Secretary

GLC Abolition: Future use of GLC County Hall

1. GLC County Hall is a major office complex on a prime site. No fully detailed information is available about the accommodation and the present distribution of occupants; but it is known that the complex comprises four related, and partly linked, blocks. It provides over one million sq ft of space, and a tentative estimate by DOE officials, not based on any kind of formal detailed valuation, would put its value with vacant possession in the region of £100 million.

2. The main block, fronting the river, which probably contains about three-quarters of the floorspace, is Edwardian; the rest is inter-war/post-war. The older parts are listed (Grade II*); this means that special consent is needed for any alterations (external or internal).

3. County Hall houses most of the headquarters staff of the GLC. ILEA staff occupy about two fifths of the space, at a cost of some £4 million a year; if all ILEA HQ staff were brought together they could occupy about two-thirds of the building. ILEA also uses the Council Chamber which is in the riverside block. The complex also houses specialist facilities, including main-frame computers (with extensive links to other buildings) and the laboratories of the Scientific Services Branch.

TREATMENT UNDER THE BILL

4. The Bill provides for all property to be transferred by Order to successor bodies. General-purpose buildings like County Hall will go to the appropriate Residuary Body. They will need some of the accommodation for their own staff; other occupants - in particular ILEA staff - will also need to continue to use the building for at least a transitional period.

5. The Residuary Body will have a duty to wind up their affairs as soon as possible. They will therefore need to decide how to dispose of any property they own, to either existing or new occupants. If they want to sell a building with vacant occupation they may need to "buy out" existing occupants.

LIMITING FACTORS

6. Vacating County Hall quickly presents difficulties. Moving the main-frame computers before their useful life has expired would entail substantial cost. So would relocation or reprovision of the scientific laboratories which currently provide some services which would be of value to successor bodies.

7. Moving the new ILEA presents problems of finding and/as much as 500,000 sq feet of replacement office accommodation, as well as reproviding specialised facilities such as a council chamber. Planning and implementing such a move will inevitably take time, and impose significant costs on the new ILEA (which they estimate at £8 million). The timing of a move would need to be considered in relation both to ILEA's financial position - equipping

since it will be subject to rate capping and precept control for the first 3 years after abolition (1986-9) - and the provisions for reviewing its future before March 1991.

8. The nature of County Hall itself limits the scope for its disposal. Extensive conversion could be expensive and difficult given the fact that most of the complex consists of Edwardian listed buildings, and that the building is on concrete rafts because of the marshy nature of the site.

POTENTIAL USES

9. One obvious commercial use for the building is offices. That could possibly be combined with hotel use for part of the complex; but the need to comply with Fire Regulations, as well as listed building requirements, would make conversion for hotel use very expensive.

10. The most profitable course, given the new ILEA's continuing need for accommodation, might be for the Residuary Body to allow ILEA to continue to occupy the three more up-to-date blocks and to concentrate on clearing the block fronting the river which could be offered for sale separately. This would have the advantage of avoiding maintaining a regular public sector use in the most prominent part of the complex. ILEA would, however, need to find a replacement council chamber, and almost certainly some additional HQ office accommodation. Moving the ILEA staff and facilities from the riverside block, where they are now, to the other blocks might also turn out to be little less expensive than relocating them elsewhere.

CONCLUSION

11. The Bill will give Ministers effective control over the future use of the complex, given the need to transfer it at abolition to the Residuary Body, which will be subject to direction. There should be no difficulty in principle in finding a private sector use for either the whole complex or the River Block alone; but no detailed assessment of the most advantageous future use can be made until it is possible to carry out a full survey of the structure.

12. The quickest way of making progress would be to direct the London Residuary Body, as soon as it has been set up following Royal Assent, to commission consultants to carry out a feasibility study into alternative uses. Such a study would also have to consider the implications of relocating ILEA and the specialised facilities currently housed in County Hall.

DOE/LGR Directorate

January 1985



10 DOWNING STREET

Prime Minister,
Agree draft
statement attached?

Duty Clerk
pp Mr. Fletcher
5.2.85.

[Handwritten signature]

[Handwritten signature]

SETT
AT
Questions

Prime Minister

WIDDICOMBE INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

1. I circulated on 31 January a draft of an oral statement which, subject to any changes necessary as a result of consultations with the Opposition parties and the local authority associations, I proposed to make to the House on the establishment of the Widdicombe Inquiry.

2. I have now been able to consult the Opposition parties and the local authority associations. George Younger and Nicholas Edwards have had similar discussions with the associations in Scotland and Wales. The Opposition spokesmen, - including John Cunningham, and most of the associations accept in broad terms our proposals. Only the Association of Municipal Authorities expressed substantive reservations on particular aspects of the Inquiry. However I am satisfied that with the very minor presentational changes which have now incorporated we will have all the local authority bodies on board. We always saw this as highly desirable if it could be achieved.

3. I am therefore circulating a final draft statement which has been revised, as you have suggested, to make more explicit the issue of officers of one Council serving as Councillors of another; and to take into account the comments which have been made in the course of consultations. It is clearly desirable that I should make the announcement while Mr Widdicombe is still in the country. To enable me to do this I would wish to be in a position by midday tomorrow (Wednesday) to make a statement in the House after DOE questions. I should therefore be grateful for your urgent approval that I should put forward our detailed proposals for the Inquiry in the terms of the final draft statement attached.



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

J. S. [Signature]

to P.J.

5 February 1985

Approved by the Security of
the ad signed in his absence.



D R A F T S T A T E M E N T

1. "In the debate on the Address on 7 November I said I intended to set up an inquiry into various practices and procedures in local government. Following discussions with the Opposition parties and the local authority associations, I am now in a position to give further information to the House.

2. The terms of reference for the Inquiry will be as follows:

"To inquire into practices and procedures governing the conduct of local authority business in Great Britain, with particular reference to :

a. the rights and responsibilities of elected members;

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

c. the need to clarify the limits and conditions governing discretionary spending by local authorities

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

3. Within those terms of reference I am inviting the Committee to pay particular attention to the following issues:

- ensuring proper accountability for decision-taking to elected members and to the electorate generally; and examining possible ways of strengthening local democracy within the existing structure of local government;

- clarifying the status and role of party groups in decision-taking;



- ensuring the proper participation and accountability of individual elected members in the decision-taking process;
- examining any problems of propriety which may arise from members' conflicts of interest, particularly where officers of one Council serve as Councillors of another;
- considering the merits of the development of full-time Councillors; and the related issues of the use of members' allowances and the remuneration of Councillors generally;
- reviewing the system of co-option of non-elected members;
- studying officers' relationships, particularly in view of their legal and professional obligations, with elected members and political groups;
- clarifying the limits and conditions governing discretionary spending, including the use of sections 137 and 142 of the Local Government Act 1972 (and sections 83 and 88 of the Local Government (Scotland) Act 1973), for political purposes in local government.

Local government franchise, finance and structure will be outside the terms of reference.

4. In view of the growing public concern about the use made by some local authorities of their discretionary powers to engage in overt political campaigning at public expense, I am asking the Committee to submit an early interim report on this question. As far as the report as a whole is concerned, I am asking the Committee to aim to report within a year.



5. It is essential that the Inquiry should be both impartial and effective in dealing with these difficult issues. The best way to achieve this is to establish a small Committee of people of judgement and ability, headed by a Chairman of known integrity. The Secretaries of State for Scotland and Wales and I therefore propose to appoint a Committee of four or five members chosen for the personal contribution which each can make to the wide-ranging subject-matter of the Inquiry.

6. I am glad to inform the House that Mr David Widdicombe, QC, has indicated to me that he would be prepared to accept appointment as Chairman of the Committee of Inquiry. Further appointments to the Committee, of which I shall advise the House, will be made shortly.



10 DOWNING STREET

Prime Minister ①

You are seeing Lady
Pater and the Lord Mayor of
Westminster on 26 February
to discuss GLC Abdulla
Agre & Baker also be
invited?

AT
5/2

Yes no



bcc: O. Lewin

10 DOWNING STREET

From the Private Secretary

4 February, 1985

Local Authority Propaganda

The Prime Minister has seen your Secretary of State's minute of 31 January. She agrees that the question of rate financed propaganda should be referred to the Widdicombe Inquiry. She has noted that it is proposed to ask for an interim reply by July and has asked whether it would be possible to shorten this timetable. Even before legislation is enacted, the findings of the Inquiry could help buttress the Government's case in the arguments about rate capping and abolition, and the sooner the findings are available the better.

In the specific context of abolition, the Prime Minister has asked that consideration be given to adding a clause to the Abolition Bill which would strengthen controls on all frivolous expenditure, including advertising.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Elizabeth Hodgkinson (Department of Education and Science), Charles Marshall (Lord Privy Seal's Office), Alex Galloway (Paymaster General's Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

cc: LPO
HO
DES
LPSO
DHSS
C Secy Hmt
CO

Also get
MISC 109
letters

Min without Port.
CDLO
PMGO
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10 DOWNING STREET

4 February, 1985

From the Private Secretary

The Prime Minister has seen your Secretary of State's minute of 31 January. Subject to the views of colleagues, she is content that an early statement be made on the terms of reference of the Inquiry along the lines proposed. She feels, however, that the issue of officers of one council serving as councillors of another should be made more explicit.

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

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

so

Misc 109
cc: L Press O

CONFIDENTIAL

PLF SHADO

HO
DES
LPSO
DHSS
Chief Sec, HMT



bcc: O. Larkin

ALOD
MIN (LOCAL GOVT)

10 DOWNING STREET

From the Private Secretary

4 February, 1985

MISC 109: Extending the Coverage of Disqualification
of Councillors

The Prime Minister has seen your Secretary of State's minute of 30 January. She agrees that the question of whether provision for disqualification of councillors should relate not only to their council membership but also to any job held in another authority is one that should be considered by the Widdicombe Inquiry. She agrees, therefore, that it would be premature at this stage to consider this separately in MISC 109. She has noted that the Chairman will receive guidance on this issue, but wonders whether the question of cross-employment ought to be brought out more explicitly in the terms of reference.

I am copying this letter to Private Secretaries to members of MISC 109 and to Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

John Ballard, Esq.
Department of the Environment

CONFIDENTIAL

lv

CONFIDENTIAL

NABP
AT 5/2 CCASO

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

H^m
 4 February 1985

Patrick Jenkin

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

I am generally content with the ^{out.} proposals set out in your minute to the Prime Minister dated 31 January, subject to one comment.

I understand that you intend to ask the inquiry to include the activities of bodies set up or mainly financed by local authorities among the issues for particular attention. But I suggest that this should be spelt out in your statement, perhaps in the particular context of discretionary spending.

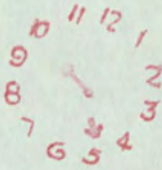
I am copying this to the Prime Minister and other Cabinet colleagues and to Sir Robert Armstrong.

*Yours ever
 Peter Rees*

PETER REES

CONFIDENTIAL

5 FEB 1985



cc: Mr. Butler

PRIME MINISTER

Lady Porter, the Leader of the Westminster City Council, would like to come and see you to discuss the GLC abolition. Apparently this was raised at the lunch on 30.1.85 Wednesday.

with Lord Mayor of Westminster. File in GR.

Content for me to find her a time?

Yes - but please not before the CR.

828.6497
Hanna Smith
Neil A.
Brief 2 P.E.

U.S. will not

Caroline Ryder
1 February 1985

The Lord Mayor also wants to come
Westminster. not

PRIME MINISTER

Local Authority Propaganda and Abuse

Enclosed is a group of papers on local authority issues. At the meeting held after Cabinet two weeks ago DOE were asked to consider whether the question of local authority propaganda should be part of the Widdicombe inquiry, as originally envisaged or whether the issue should be taken into the Department with the aim of producing proposals for legislation. In paper no. 1, DOE set out the arguments for entrusting this issue to the Widdicombe inquiry which would be asked to produce an interim report on this question by July. This would enable legislation to be introduced in the next session. ??

Policy Unit agreed but:-

- (i) They want the timetable to be kept as tight as possible. Even if there is no legislation until the next session, the Government's hand would be strengthened by having the conclusions available as early as possible.
- (ii) They suggest that something separate could be done on propaganda related specifically to abolition.

On (ii), DOE feel it would be inappropriate to legislate before we know the outcome of the GLC's appeal in the case brought by Westminster City Council. If Westminster's position is upheld, the use of S.142 will be severely restricted. From 1 April spending under S.137 will be subject to control by the Department - contracts over £100,000 will require their authorisation. DOE are considering whether to put a clause in the abolition bill lowering this threshold. This would apply to all expenditure not just expenditure on advertising and it could therefore be presented as a measure to prevent frivolous expenditure rather than an attempt to

muzzle the Opposition.

Agree:

- (i) that the issue of local authority propaganda be referred to Widdicombe? *Yes*
- (ii) that the timetable be made as tight as possible? *Yes*
- (iii) that DOE consider whether special action be taken on propaganda in the abolition battle? *Yes*

✓ If you agree, then you can turn to paper 2 in which Mr. Jenkin seeks agreement to his statement on the terms of reference to the Widdicombe inquiry. Policy Unit thought it important to impress on the inquiry team that they should be considering whether a sufficient distinction has been made between the interests of the council and the interests of party political groups in the spending of public money, in the appointment of people to council posts and in the conduct of council business. These points can, however, be got across in the notes of guidance to the chairman which DOE will be preparing.

It would also be useful if DOE could draw the attention of the press to the fact that Widdicombe is a former Labour candidate, thereby giving the Government credit for being impartial.

Agree Mr. Jenkin's statement?

I think this is unwise. The Press will find out anyway. But we did not choose Mr. W. Jenkin. Whole reason. M.S.

Paper no. 3 also emerges from the meeting two week's ago. It sets out Mr. Baker's analysis of political crisis developing in our cities. It is a persuasive piece but the section on Government action describes what the Government should do rather than makes recommendations about how it should go about it.

DOE minute no. 1 sets out how the Department intend to go

about stopping rate financed propaganda but the issue of a counter campaign seems to have reached an impasse. Mr. Baker and Mr. Gummer are reluctant to take this further unless they know whether there is any money available; meanwhile Sir Keith Joseph has not approached any benefactor unless he has a proposal to put to him.

Agree that the three of them be asked to meet again to sort out this impasse? - Yes - with me, and fairly soon me

AT

1 February 1985

Re Paper 3 - the
Statement - Under which
heading can the question of
officers of one authority being
members of another be considered?
me

E.P.

File

Note: Discussion with OLA
succeeded by myrole.

AT 1/2

PRIME MINISTER

1 February 1985

LOCAL AUTHORITY PROPAGANDA AND ABUSES

Patrick Jenkin is probably right that immediate legislation to prevent propaganda on the rates would be regarded as a blatant attempt by the Government to muzzle its critics. The matter should therefore be referred to the Widdicombe Enquiry. But why should it take five months for a report to be produced? Surely three months would be sufficient.

The idea of amending the Abolition Bill to prevent anti-abolition propaganda is attractive. This, too, would cause a political rumpus; but abolition is a special case, and many of the Government's supporters would certainly welcome such action.

The proposed draft statement on the Widdicombe Enquiry needs amendment. It is vital that the members of the Committee should be completely clear what they are being asked to investigate, and the terms of reference do not at present make this sufficiently explicit. We suggest the following terms:

"To enquire whether there have been and are abuses or improprieties in the administration of local authorities; and in particular to determine whether sufficient distinction has been made between (1) the interests of the council and (2) the interests of party political groups, in the spending of public money, in the appointment of people to council posts, and in the conduct of council business."

We suggest that there should be no request for recommendations: the Committee will no doubt produce recommendations in any case; but they may not be sensible,

E. R.

and we will find it easier to ignore them if we have not explicitly asked for them.

It would be useful if Bernard Ingham could delicately hint to the press that Widdicombe is a former Labour candidate: the Government might as well get the credit for being impartial.

Conclusion

We recommend:

1. That general legislation on propaganda should await Widdicombe's interim report, but that he should be required to produce such a report by May rather than July.
2. That the Abolition Bill should be amended to deal with the special case of anti-abolition propaganda.
3. That the terms of reference in the draft statement on the enquiry should be amended, and that Bernard should brief the Press on Widdicombe's background.

Ol Let

OLIVER LETWIN

cc OL

3

Minister for Local Government



Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

31 January 1985

Ken Keith

Following our meeting with John Selwyn Gummer
/ last week I have prepared a note which sets
out my view of how the politics of the cities
are developing. Both Patrick and I have put
our assessment of the situation to a group of
Ministers headed by the Prime Minister, and
in particular the consequences this year which
will flow from rate-capping, so colleagues
are aware of these serious matters. This note
summarises and updates this assessment.

/ I am copying this only to the Prime Minister
and the Chairman of the Party.

KENNETH BAKER

The Rt Hon Sir Keith Joseph Bt MP

THE DEVELOPING POLITICAL CRISIS IN OUR CITIES

Over the last three years, several councils have fallen under the control of hard left militant groups and I think we should appreciate where this is leading us. The councils are the City of Liverpool, Lambeth, Hackney, Islington, Southwark, Greenwich and the City of Manchester. Militant groups are also moving into control in other towns.

The Characteristics of Militant Control

- i. The local council is the vehicle for promoting radical socialism. Municipal housing and low rents, municipal public transport and low fares and municipal control of all activities are the bedrock of their policies. Only the council can provide the answer to the appalling problems of inner city deprivation.
- ii. They concentrate on groups of people with social problems - the old, the unemployed, the single parent, the disabled, ethnic minorities, social security claimants, the lonely, the isolated and the desperate. They have given to these people a political interest in ensuring that they remain in power. They have fashioned a strong body of grass roots support which looks to them and the council services for help. The slogan is "no cuts in services".
- iii. They replace local authority officials with their political supporters. Reg Race has a job in the GLC at £21,000 a year. Joan Lester is head of Lambeth Council's

Police Monitoring Unit at £15,000 a year. A Labour Councillor in Hackney and Chairman of their Social Services Committee has been appointed as the Director of Social Services in Camden at £25,000 a year. The Chief Executive of the Greater London Enterprise Board was the Deputy Labour Group Leader on Wandsworth Council. Derek Prentice, the former Deputy Leader of Lambeth is now the Secretary of the ALA and he's tipped to become the new Chief Executive of Southwark Council at £30,000 a year. All over London the Left are appointing their men to key council posts. Newham is trying to sack its Director of Education and is offering him a golden handshake of £250,000 because he will not allow the schools to be used to distribute political propoganda to parents. The Housing Manager for Liverpool City Council has been suspended because of his refusal to accept political extremists in his department. These practices undermine and will eventually destroy the integrity, independence and the professionalism of local government service and they also amount to a huge abuse of political patronage.

iv. Public sector unions are locked in to the militant policy. The council promises them "no jobs cut". In Liverpool in January 1985 the General Municipal Boiler-Makers and Allied Trade Unions (GMBATU) has been given the 100% nomination rights to all vacancies in the City's security staff.

Public sector employees now form a significant payroll vote. In the May 1984 election in Liverpool City NOP did a post elections survey which found that 4 out of 5 City Council employees had voted in a turnout of 51%.

v. Militants use the words of democracy but show scant regard when in power. Both Ken Livingstone and Ted Knight came to power through coups d'état on the day after someone else had led their parties to victory. John McDonnell, the Deputy Leader of the GLC, has demanded that soft Left GLC members should resign to be replaced by safe militants who will follow a caucus direction. It is now well documented that the Liverpool City Councillors have to take their instructions on voting from the Liverpool District Labour Party. In Lambeth Ted Knight has just cancelled the Council committee meetings for February and March to allow Councillors more time for public "consultation", in other words, campaigning at ratepayers' expense. Camden also agreed to do this but changed its mind on the grounds that some people might think that it was undemocratic.

vi. Using discretionary powers the councils indulge in huge publicity campaigns. The GLC has spent over £10m, the Metropolitan Counties £2m, the ALA £350,000 and Lambeth £280,000. Their propaganda machines pour out leaflets, banners, badges, plastic bags, posters, and newspaper advertisements. And now they hire the finest advertising and public relations organisations.

vii. They demand more and more money as the answer to their problems. They attack the Government for reducing their grants and they refer to this grant loss as "stolen" money. In opposing ratecapping, they've been joined in their campaign by other high spending Labour authorities

because they want to broaden the basis of dissent. They refuse to budget anywhere near their resources and the normal contacts between central and local government simply don't exist. They are creating financial expectations which no government could possibly meet. But the inability to meet them will be placed at the door of the Government and not the local council.

Summary

The politics of the inner city have changed significantly. Our own support has never been high and is probably falling as more responsible people leave the cities to stew in their own juice. The hard Left who are in charge regard the Parliamentary Labour Party as ineffective and it is the hard Left who are controlling the power bases where Labour is in office. This embarrasses the Labour leadership just as much as Scargill but they can do little about it.

In the past there have been some subtle self-correcting mechanisms within our system and in the Labour Party which have won back the balance. It seems most unlikely that these mechanisms will operate in places where the militants have taken over. In some areas, Wakefield and Sandwell, the traditional Labour Party has fought back; the hard Left have not yet taken over in Leeds, Birmingham or Newcastle. But in all of these places the old guard of the Labour Party is fighting a rearguard action. It is not in the interests of good government to see the disappearance of the moderate Labour control of local authorities. The

new Left are organised, determined and have found that they can manipulate a huge rate revenue through controlling local councils.

The hard Left thrive on the rhetoric of conflict. They really do hope that the Government can be brought down by widespread action in the inner cities. They see ratecapping as the opportunity for conflict. Ken Livingstone, in January 1985 said: "We will effectively operate within the State in defiance of the State. That will prove the most dramatic challenge, apart from the challenge of the miners, that this Government has faced since 1979." Councillor Carney, Manchester, January 1985: "I think there will be serious riots in the City this Summer." Ted Knight, Lambeth, January 1985: "We have chosen to defend the communities we represent and the urgent needs of people who put us into office. And if that requires us to step outside of Tory laws, then we believe it will be understood and supported by thousands of Labour voters who have already shown support for the miners."

Undermining the police is part of the strategy of the hard Left. The GLC has given £1m to police monitoring groups in this financial year. Attached is an advertisement from the Guardian of 30 January for a £10,000 researcher into "police activity in schools".

Government Action

- i. We must ensure that ratecapping succeeds. The campaign against this will be very emotional, featuring Meals on Wheels, Home Helps, old people and nursery classes. We must concentrate on the positive help we are giving to hard-pressed ratepayers. We are their only protection in the inner cities. The Left's tactics are to force us onto the defensive and to recognise their needs by making larger grants. This would be a major victory for militancy.

- ii. We must find a way to stop them spending ratepayers' money on propaganda. We are circulating a note on this separately to colleagues. We must, within the conventions, counter this propaganda and consider a political campaign, but this will be expensive.

- iii. We must exploit the differences between the Kinnock line of not being drawn into illegality and the militants who are planning for it.

- iv. We must make the most of what we are doing to help the inner cities through the Urban Programme and the MSC training. We are working on this but we must not let ourselves be accused of cosmetic exercises - the new Urban Programme strategy will help us to demonstrate the achievements for which UP can take credit.

v. We must make the most of the follies which our opponents fortunately still engage in. The activities of the loony Left give us good cases for popular ridicule. In Liverpool the militants are so dedicated to municipal socialism that they have stopped supporting housing co-operatives and voluntary activities because they represent alternative power bases. They have now lined up against what is left of the middle class Left, Shelter, the black caucus and the bishops.

vi. We must do everything we can to break their grip on local authority housing. "Right to Buy" only helps in a small way in these areas and we are looking at further extensions. Housing co-operatives, currently small, are an effective way of creating homes which people want and which are not in the thralldom of the local authority.

vii. We must make quite sure that we take full account of the tendencies described in this minute in the recommendations which flow out of the Local Government Finance Studies. It is very likely that any new régime that is recommended for local government generally will not be in itself sufficient as regards the proper local government of the inner cities, which might call for special consideration.

viii. We are about to set up the abuses inquiry and this together with the local government finance studies and the proposals we are putting together on housing will all bear on the problems of the inner city and are very much addressed to dealing with them.

CHIEF EXECUTIVE'S DEPARTMENT

Researcher: Police in Schools

ONE YEAR POST: S01 (up to £10,287 incl.)

Newham's Police Sub-Committee, requires a Researcher for one year to undertake a review of Police activity in Newham Schools and to make approved recommendations to the Council.

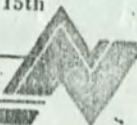
It is anticipated that the successful candidate will be familiar with the relevant clauses of the Police and Criminal Evidence and Data Protection Acts. She/He will be expected to conduct surveys of teachers and pupils and will have research experience into policing matters and/or teaching experience.

This post is funded by the GLC.

For further information, please contact 01-472 1430. Ext. 3461.

For an application form and further details please write to the Chief Executive's Department, Town Hall, East Ham, London E6 2RP or telephone 01-472 1439. Ext. 3065. Closing date: 15th February, 1985.

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2



PRIME MINISTER

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

When I minuted you on ^{See Pt 24} 7 December about the proposed inquiry into local government practices and procedures, I said that I would be making final recommendations to you about how we should proceed and simultaneously circulating the proposed terms of an oral statement in the House on the establishment of the inquiry.

Preliminary soundings which I took of John Cunningham and the leaders of the main local authority associations indicated that they would be favourably disposed to our proposals for a small but high-powered committee of inquiry. I have invited the Opposition parties' spokesmen and the leaders of the English local authority association to meet me over the next few days for fuller informal discussions. George Younger has written similarly to the Convention of Scottish Local Authorities and Nicholas Edwards is speaking tomorrow to the local authority associations in Wales. I will want to take account of these discussions in setting the final form of my statement to the House but I would not expect them to affect the substance of what I need to say. Therefore, in view of the importance of announcing the establishment of the inquiry before 7 February if we are to maintain momentum (Mr Widdicombe being out of the country from 16 February until the end of this month) I am circulating now a draft of this oral statement which, subject to any changes necessary as a result of consultations with the opposition parties and the Associations I would like to make in the House at the earliest opportunity. I should be grateful for your approval that I should put forward our further proposals for the inquiry in the terms of the draft statement attached.

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

PJ

P J

31 JAN 1985

CONFIDENTIAL



DRAFT STATEMENT

IN THE DEBATE ON THE ADDRESS ON 7 NOVEMBER I SAID I INTENDED TO SET UP AN INQUIRY INTO VARIOUS PRACTICES AND PROCEDURES IN LOCAL GOVERNMENT, FOLLOWING DISCUSSIONS WITH THE OPPOSITION PARTIES AND THE LOCAL AUTHORITY ASSOCIATIONS, I AM NOW IN A POSITION TO GIVE FURTHER INFORMATION TO THE HOUSE.

THE TERMS OF REFERENCE FOR THE INQUIRY WILL BE AS FOLLOWS:

"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."



WITHIN THOSE TERMS OF REFERENCE I HAVE SUGGESTED THAT THE INQUIRY MIGHT PAY PARTICULAR ATTENTION TO THE FOLLOWING ISSUES -

- THE MAINTENANCE OF FULL AND OPEN ACCOUNTABILITY FOR DECISION-TAKING TO ELECTED MEMBERS AND TO THE ELECTORATE GENERALLY; AND THE SAFEGUARDING OF THE DEMOCRATIC PROCESSES IN LOCAL GOVERNMENT;
- THE RIGHTS AND RESPONSIBILITIES OF PARTY GROUPS AND OF INDIVIDUAL ELECTED MEMBERS;
- ANY PROBLEMS OF PROPRIETY WHICH MAY ARISE FROM MEMBERS' CONFLICTS OF INTEREST;
- THE USE OF MEMBERS' ALLOWANCES AND THE IMPLICATIONS OF THE DEVELOPMENT OF FULL-TIME COUNCILLORS;
- THE CO-OPTION OF NON-ELECTED MEMBERS;
- THE NEED TO PROTECT THE POLITICAL NEUTRALITY OF LOCAL AUTHORITY OFFICERS;
- THE NEED TO CLARIFY THE LIMITS AND CONDITIONS GOVERNING DISCRETIONARY SPENDING FOR POLITICAL PURPOSES.

IN VIEW OF THE GROWING PUBLIC CONCERN ABOUT THE USE MADE BY SOME LOCAL AUTHORITIES OF THEIR DISCRETIONARY POWERS TO ENGAGE IN

CONFIDENTIAL



OVERT POLITICAL CAMPAIGNING AT PUBLIC EXPENSE I AM ASKING THE COMMITTEE TO SUBMIT AN EARLY INTERIM REPORT ON THIS QUESTION. AS FAR AS THE REPORT AS A WHOLE IS CONCERNED I HAVE ASKED THE CHAIRMAN TO AIM THE REPORT WITHIN A YEAR.

IT IS ESSENTIAL THAT THE INQUIRY SHOULD BE BOTH IMPARTIAL AND EFFECTIVE IN DEALING WITH THESE DIFFICULT ISSUES. I BELIEVE THAT THE WAY TO ACHIEVE THIS IS TO ESTABLISH A SMALL COMMITTEE OF PEOPLE OF JUDGEMENT AND ABILITY HEADED BY A CHAIRMAN OF KNOWN INTEGRITY AND INCISIVENESS. THE SECRETARIES OF STATE FOR SCOTLAND AND WALES AND I THEREFORE PROPOSE TO APPOINT A COMMITTEE OF FOUR MEMBERS IN ALL, CHOSEN FOR THE PERSONAL CONTRIBUTION WHICH EACH CAN MAKE TO THE WIDE-RANGING SUBJECT-MATTER OF THE INQUIRY.

MR DAVID WIDDICOMBE, QC, HAS INDICATED TO ME THAT HE WOULD BE PREPARED TO ACCEPT APPOINTMENT AS CHAIRMAN OF THE COMMITTEE OF INQUIRY.

LOCAL CNT News Pt 25



BT JAN 1985

12 25

COMMUNICATIONS

12

4/10



①

PRIME MINISTER

LOCAL AUTHORITY PROPAGANDA

We discussed last week our shared concern that local authorities are increasingly using ratepayers' money to finance a number of hostile publicity campaigns, not least on rate-capping and on the abolition of the GLC and the Metropolitan County Councils. I agreed to examine further whether it would be preferable to introduce a quick Bill this session to deal with the problem (the Abolition Bill being too limited in its scope to deal with the general problem, especially as regards rate capping) or whether to ask the Widdicombe Inquiry into Local Government Practices and Procedures to provide a very early report which would provide us with an authoritative basis for legislating immediately thereafter. Kenneth Baker and I have now looked closely at the problem and have reached the following conclusions.

The idea that we might introduce an emergency Bill this Session on the basis of a rapid internal examination of the policy options does seem, on consideration, to be fraught with difficulties. It would be hard to explain why we had suddenly switched our approach. As recently as 9 January Kenneth Baker confirmed, in reply to a Parliamentary Question from David Amess, that the Widdicombe Inquiry would be covering the uses being made by local authorities of Sections 137 and 142 to fund propaganda campaigns; and our intention to put this issue to the Widdicombe Inquiry has been confirmed in a letter I sent to the Local Authority Associations only last week. I am sure that this sudden reversal of approach would, in itself, give rise to major presentational difficulties. Almost all the recent rulings of the Courts have been broadly helpful in curbing the GLC's publicity activities, and the Appeal against the recent favourable High Court ruling on Westminster's case against the GLC's advertising campaign is due to be heard by 8 February at the latest.



It would, in these circumstances, be impossible to persuade the Opposition Parties that any quick legislation was - whatever the provocation - other than a blatant attempt by the Government to muzzle its critics. I am sure we would hear a great deal more about elective dictatorship. We would of course argue for the need to act to prevent abuse but it is difficult to see what answer we would have to the question "Why not wait for Widdicombe?"

On the other hand, the alternative approach - that of seeking an early view from the Widdicombe Inquiry - does offer the prospect of allowing the Government to take reasonably early action on the basis of a study which was seen to be impartial and objective. I believe that the advantages to be won by securing such an outcome in this highly complex and controversial area of policy would far outweigh the small delay in waiting for the Inquiry to reach a view.

I have reluctantly to accept that it is unrealistic to expect the Committee to produce a recommendation on this subject in as little as one month from its starting date. I advised earlier that an interim report should be possible by say, July, and we see no way of significantly improving on that timing. We have to allow for the Committee first familiarising itself with the problem - which, as the current spate of Counsels' Opinions and litigation indicates, is no easy matter - and then calling for, and weighing, evidence from interested parties. Thus if we adhere to the Inquiry route, there could not be any legislation before the 1985/6 session.

As against that, I have considered what we might gain from a quick Bill this session. We could not contemplate making it retrospective, so that it would not affect the current campaigns about this year's rate capping or the campaigns running during the passage of the Abolition Bill. On the other hand, measures that were on the Statute book by July



would allow the memories of recent and current campaigns to fade before the main 1986 local elections in London and the other metropolitan areas. Such early legislation would also forestall any attempt to repeat this year's anti rate-capping campaigns. These are important advantages and the question we have to consider is whether these undoubted political gains could justify facing the charges of using our Parliamentary majority, in advance of Widdicombe, to muzzle our critics.

We are already considering as a matter of great urgency whether we could formulate an amendment to the Abolition Bill which would restrain the 7 abolition authorities (but not the successor London Boroughs and Met District Councils) from blatant advertising against that Bill; but I am advised that it would be ultra vires to seek to use any powers provided under the Abolition Bill to control media campaigns on any other issue such as rate capping.

Even on this limited basis, it is very difficult to see how to frame such an amendment so as to make it stick, and even more difficult to contemplate giving the Government right to consent, or to withhold consent, to particular spending proposals. Nevertheless this is an avenue which is worth exploring and we are doing so swiftly as a piece of contingent planning to be activated should the Court rule against Westminster. (If the Court upholds the interim ruling, the necessary restraint we are seeking will have been substantially provided.)

We would have to justify the amendment, partly by reference to the need to prevent the abolition authorities from frittering away their assets during the last year of their existence, and partly by the need to take emergency action in what is undoubtedly one of the worst areas of abuse. We would also



have to make it abundantly clear that this limited step to control anti-Abolition advertising would be entirely without prejudice to whatever might emerge from the Widdicombe Inquiry. Any later legislation based on Widdicombe's findings would, of course, apply to local authority advertising as a whole and would replace the short-term provisions of the Abolition Act.

That possibility apart therefore I believe that the best way to proceed is to make every effort to put the Widdicombe Inquiry to work as rapidly as possible - and I intend to make a Statement about the Inquiry very early next month - and asking that they address themselves to the propaganda issue as an urgent first task. We will submit clear-cut Departmental evidence to the Inquiry on this issue, and work up our own ideas on the best way to legislate to prevent future abuses by local authorities so that we would be ready to introduce general legislative proposals very early in the autumn.

See
minute
No 2.

Feb

I should be grateful for your agreement to this approach.

Copies of this minute go to William Whitelaw, Keith Joseph, John Biffen and John Gummer.

PJ

P J

31 JAN 1985

LOUAE OBT NLS PR25

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31 JAN 1985

31 JAN 1985

CE NO



Prime Minister ①
Agree this issue is better
considered by Progress
Procedure Inquiry?

PRIME MINISTER

Yes not AT
2/12
1/2

MISC 109: EXTENDING THE COVERAGE OF DISQUALIFICATION OF COUNCILLORS

At the meeting of MISC 109 on 12 February, I and the Attorney General were asked to consider the possibility of extending the provisions for disqualifying local councillors to cover not only their council membership but also any job held in another local authority, or body funded by a local authority (MISC 109(84)1st meeting, page 4 refers.)

14 24

You will recall that in my speech to the Party Conference and again during the Debate on the Address on 7 November, I referred to the problem of local authority employees holding office as councillors in other authorities without any recognition given to the conflicts of interest which inevitably arise. I believe that this is one of the principal issues which should be considered by the inquiry into local government practices and procedures, on which I minuted you on 31 December, and that it should be set in the general context of political abuses in local government which the inquiry will be investigating. As you know, the Chairman of the Committee of Inquiry will be receiving detailed guidance on the topics which I shall expect him to consider, of which the position of councillors employed by other local authorities or bodies funded by local authorities will be one. I am also making it clear that I expect the Committee to report within a year of starting work.

14 24

It is not clear from the terms reference.

I hope you will agree therefore that it would be premature at this stage to consider the issues separately in the MISC 109 context, and that we should decide on further action on this front in the light of the Committee's report.

CONFIDENTIAL



I am copying this letter to colleagues on MISC 109, and would be grateful to know whether you and they are content to proceed on this basis. A copy also goes to Sir Robert Armstrong.

PJ

P J

30 January 1985

Relative: LOCAL GOVT. P725.



GOVERNMENT



NBPM
AT 30/1/85

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

29 January 1985

Dear Secretary of State

RATE LIMITATION: FINALISATION OF PRECEPT LIMITS FOR PRECEPTING AUTHORITIES

I have seen a copy of your letter of 28 January to Willie Whitelaw about the Orders you propose to lay tomorrow to set precept limits. *attached*

Our officials have been in touch briefly about the technical reasons for increasing the precept limit for the ILEA. I accept the case for some increase, but I am left with a slight doubt about the amount you propose. However, the decision is for you to take and I will not press the point if you and Keith Joseph are satisfied that the limit will be as rigorous as it reasonably can be.

I fully understand the timing problems you face, but it would be helpful if my officials could be brought into the technical discussions at the earliest possible stage in the preparations for the Order dealing with rating authorities.

I am copying this letter to the Prime Minister, Willie Whitelaw and other members of E(LA), John Biffen, John Wakeham and Sir Robert Armstrong.

Yours sincerely

for PETER REES

[Approved by the Chief Secretary]

LOCAL Gov.
Reports

30 JAN 1963

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NBM
AT 30/1

CONFIDENTIAL

Prime Minister (2)

WAT



To note. AT 28/1

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

MJ

28 January 1985

Dear Lord President

RATE LIMITATION: FINALISATION OF PRECEPT LIMITS FOR PRECEPTING AUTHORITIES

As colleagues are aware, I announced on 11 December proposed rate or precept limits for the 18 authorities selected for rate limitation in 1985/6. A list of the limits I then proposed is attached.

Under the Rates Act, authorities are required to inform me whether or not they agree to the limit proposed for them; in cases where they do not agree, I have to set final limits by way of Orders subject to the Affirmative Resolution procedure in the House of Commons. Of the 18 authorities only one, Portsmouth, has so far assented to its proposed limit; I shall set their limit by direction. I propose (unless I receive significant new relevant information at the last minute which requires extensive consideration) to lay the first of the two draft Affirmative Orders, covering the four designated precepting authorities (GLC, ILEA, South Yorkshire and Merseyside) on Wednesday 30 January.

Colleagues may wish to know that, having considered the further information which has become available to me since 11 December, I propose to make no change to the precept limits proposed for the GLC, South Yorkshire and Merseyside. (I do not have powers, in the absence of the authority's agreement, to reduce a proposed rate or precept limit, but only to increase it.)

I do however propose to increase the precept limit for ILEA from 74.19p to 77.25p, as a result of new information provided by ILEA about their reserves, including in particular certain technical constraints on the use of some funds which I had previously assumed would be available in support of their spending next year. Despite this increase in the limit, the precept maximum would nonetheless remain some 3.4% below the 1984/5 precept of 80p. I have sought Keith Joseph's comments on this proposal, and he is content given the technical reasons for the change.

I am sorry about the short notice given by this letter; since

the authorities have not been willing to operate the procedures of the Act and supply me with information at the appropriate time it has been necessary for legal reasons to leave my decision until the latest possible moment. I shall write as soon as I can about my decisions regarding the selected rating authorities.

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

Yours sincerely

P. Jenkin
PATRICK JENKIN

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

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	£ 205.190m	65.00p	32.86p	27.48%
Portsmouth	£ 16.751m	27.20p	26.22p	-1.18%
Sheffield	£ 216.573m	208.24p	207.07p	-.56%
Southwark	£ 108.437m	149.74p	112.69p	-24.74%
South Yorkshire	£ 178.291m	22.30p	81.32p	-2.38%
Thamesdown	£ 14.199m	54.19p	57.22p	5.59%

Love you
Melody

25 JAN 1983



NBM
AT 29/1/85
QUEEN ANNE'S GATE LONDON SW1H 9AT

28 January 1985

L. Jenkin,

NEW BURDENS ON LOCAL GOVERNMENT

I share Keith Joseph's view of the value of our recent correspondence, and have made clear the particular importance I place on rigorous assessments of the costs and benefits of new initiatives and on declaring to services and local authorities how we expect those initiatives to be financed.

It is the varied nature of my Department's exchanges with services and the local authority associations that makes me specially anxious to avoid the straight-jacket of a new procedure that could inhibit the development of new proposals of the kinds we wish to encourage, including those for securing better value for money. I am sure I am not alone in this. I suggest that the simplest way of recognising our joint concerns would be by making it a rule that the service Departments should copy to yours, in all matters affecting local government, the first intimation we give to the Treasury of any proposal with financial implications. Such a rule would ensure, without detriment to preliminary discussions with the local authority associations and others, that you would become aware of any new initiative at a sufficiently early stage to intervene as you wished. And your officials would be in a position to see that an appropriate entry was made in the list which is to remind us of the aggregate effect of our proposals.

Copies of this go to the Prime Minister, the Lord President, Members of E(LA) and Sir Robert Armstrong.

L. Jenkin,

com

The Rt Hon Patrick Jenkin, MP

LOCAL GOVT. Relations: Pt 25.



10 DOWNING STREET

From the Private Secretary

23 January 1985

INQUIRY INTO LOCAL GOVERNMENT PRACTICES AND PROCEDURES

The Prime Minister has seen your Secretary of State's minute of 16 January and Sir Keith Joseph's letter of 22 January. She has commented that she would prefer Mr. Peter Newsam to Sir John Boynton; she wonders whether Mrs. Brigstocke would find time for this assignment; and that Mr. Coutts would be a very good appointment. She does not know either of the Moore's and has not commented on Sir Alan Smith, Mr. George Russell or Professor Alan Bradley.

The Prime Minister would be grateful if, when he has completed his soundings, your Secretary of State would submit his final selection.

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

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment.

*file 16.
a Oliver Martin*

SB



NAPM AS 23/11
SNO

QUEEN ANNE'S GATE LONDON SW1H 9AT

23 January 1985

R Patrick,

LOCAL GOVERNMENT BILL: COUNTER-OBSTRUCTION

In his letter of 9 January Kenneth Baker proposes new measures to deal with potential abuses by the GLC and MCCs. I agree that further measures are necessary and I think it crucial that they should be effective and not reactive and belated.

With this in mind I see great merit in Grey Gowrie's case that commitments to third parties entered without consultation with successor authorities should be regarded as void. I appreciate that this involves cutting across the rights of third parties and might be awkward for some in the voluntary sector, but in these unusual circumstances where a public authority is behaving as irresponsibly as the GLC, I believe this to be justified and defensible, and indeed ultimately in the best interests of all responsible organisations.

I should add, however, that were it eventually decided to follow Kenneth's original proposal I would favour the issuing of general consents to cover cases where acceptance of responsibility by an appropriate successor authority clearly exists, and to ensure that certain transitional commitments to the voluntary sector going beyond the date of abolition are honoured. My officials will be in touch with yours about the details of these consents should it be necessary.

I would also support very strongly Kenneth's reservations about the creation of a new criminal sanction. Any new offence would presumably need to apply to individual councillors. But councillors who are not deterred from making illegal agreements by the threat of disqualification from office might well not be deterred by the possibility of a fine. But in any case a new offence could well be counter-productive because of the opportunities presented to rebel councillors for "political martyrdom" and for using the criminal courts as a platform for advancing their cause. This would be undesirable in itself. Further, if as seems likely, councillors were tempted to refuse any fines, there would be the prospect of imprisonment for non-payment. The possibility that a large number of councillors on an authority such as the GLC might be party to the offence emphasises the difficulties that could arise.

In short, I consider that the creation of a criminal offence along the lines of that discussed by Kenneth would represent a significant and unwelcome extension of the criminal law; and I doubt whether it would serve as an effective deterrent and fear instead that it might well have the reverse effect.

/Finally,

The Rt Hon Patrick Jenkin, MP

Finally, I note that we have no proposals before us to deal with "front-loaded" payments where the GLC and MCCs can artificially inflate their grants to willing recipients such as "GLC in exile". They would not then have to rely at all on successor authorities. Although such grants could presumably be the subject of inquiry by the auditors that would not affect the recipients. I assume that this has been considered, and that we shall have to rely on the pressure of public opinion to deter the GLC and the MCCs from activities of this nature. The only alternative possibility that I can see would be to make all the GLC's and MCCs' expenditure in their last period of existence subject to your detailed control. But I well understand why you wish to avoid that.

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

Law,
Law

Local Govt: Relations: Pt 25

23 JAN 1965

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VBAS Q

10 DOWNING STREET

Prime Minister ①

Sir Keith has put in some names for the Widdicombe inquiry. Could you indicate if there are any on his list you either strongly favour or oppose. I will relay any views to Mr Jenkin and ask him to put forward his final preferences. I am told Mr Jenkin may now prefer Sir Peter Newson to Sir John Boynton. Which do you prefer?

Peter Newson

BT

22/1

mk

I am quite of very good
mk

CONFIDENTIAL



Prime Minister *not apply*

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
House of Commons
LONDON SW1A 0AA

22 January 1985

Dear Patrick

with AT?

I have seen your minute of January 16 to The Prime Minister on possible members for the Widdicombe Committee.

I wonder whether the members you propose include anyone who has been sufficiently involved in recent trends to be aware of the extent of the abuses taking place.

It seems to me that there might be scope for someone nearer to the ground.

I have no overwhelmingly suitable proposals but I do have three individuals to suggest of whom admittedly only one is personally known to me -

Excellent

Ian Coultts is a former Norfolk Councillor, penetrating, down-to-earth and very robust. I know him.

Do not know with

Marvyn Moore - Conservative education spokesman in Sheffield, not known to me, but also said by Central Office to be very robust indeed.

Bert Moore - Conservative in Newcastle - said by Central Office to be a fighter.

It seems to me that one of these three might be more suitable than for instance Mrs Brigstocke who is certainly all that you say in your minute but is also slightly above this particular fray.

I am copying this letter to The Prime Minister.

If a woman is requisite I am told that an Anne Cleeham of Lancashire might be more appropriate. Lady Popplewell is perhaps too polite.

Convey to her

22 JAN 1985

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Brigstocke No

Ann Cleeton

Lady Popplewell

Ian Gault A/Com

Marion Moore

Geoff Moore



10 DOWNING STREET

Pune Minister ①

Before taking a final
decision you should
want for comments and
suggestions from colleagues.

But as there any people
you feel strongly about,
one way or the other.

AT

No - but / 21/1

from that P.S.

Brigstocke may not
accept - because of the
time factor.

no

CC MASTER

NOTE FOR THE RECORD

RATE FINANCED PROPAGANDA

The Prime Minister held a meeting on Thursday 17 January to discuss ways of stopping or countering rate financed propaganda. Present were the Lord President, the Secretaries of State for the Environment and Education, the Attorney General, the Minister for Local Government, and the Paymaster General. Also present were Mr. Ingham, Mr. Sherbourne and Mr. Letwin. The meeting has not been formally recorded but I have conveyed to John Ballard (Mr. Jenkin's Office), Mike Bailey (Mr. Baker's Office), Elizabeth Hodgkinson (Sir Keith Joseph's Office) and Alex Galloway (Mr. Gummer's Office) the following points:

(i) DOE should consider as quickly as possible whether the issue of rate financed advertising should be referred to the Widdicombe Inquiry with a request for an early report, or whether the best course would be to delete this issue from the terms of reference and for the Department to develop proposals for legislation. While use of the Widdicombe Inquiry could give independent backing to measures to restrict rate financed advertising, the outcome of the Inquiry was less predictable and might be too far delayed to permit legislation in the next session.

(ii) Mr. Baker, Mr. Gummer and Sir Keith Joseph should consider how an "independent" counter-campaign might be conducted, what amount of publicity it might issue; what organisation would be needed; whether a new organisation should be established; or whether there was an existing organisation, eg Aims of Industry, which could be used. Approaches to possible benefactors to establish whether funds could be raised which would not otherwise be available to the Conservative Party should wait until the proposals had been further developed.

(iii) DOE should consider how publicity might be given to the judgement in the Westminster City Council v. GLC case (assuming the verdict was favourable). Local authority officers could be sent copies of the judgement so that they could warn Councillors in other rebellious authorities of the implications for them of the judgement. DOE should also consider how challenges might be mounted in other authorities on the back of the judgement.

(iv) At the meeting it was pointed out that restrictions had been placed on the number of leaflets on abolition which had been made available to MPs. Mr. Ingham explained that there was a distinction between leaflets which set out the facts relating to legislation which was already on the Statute Book and leaflets which sought to present facts or correct mis-information in relation to bills going through the House. There was no reason to place limits in the case of the former but the Government should exercise restraint in the distribution of the latter.

AT

ANDREW TURNBULL

18 January 1985

Distribution: Mr. Ingham
Mr. Sherbourne
Mr. Letwin

CONFIDENTIAL



NBPM
To await further
ministerial views
AT
18/1

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

18 January 1985

Dear John

**LOCAL AUTHORITY CAPITAL EXPENDITURE IN
ENGLAND AND WALES 1985-86**

The Chief Secretary has seen your Secretary of State's letter of 11 January to the Lord Privy Seal about the timetable for handling regulations to give effect to new "prescribed proportions" of local authority capital receipts.

The Chief Secretary acknowledges that consultations may have a role in defusing opposition to the regulations. But he wonders whether they need be as long drawn out as your Secretary of State suggests or necessarily preclude the Orders being laid immediately. He thinks there is a good case for laying the necessary Orders much earlier so that the debates might be dealt with before the public expenditure White Paper (and Budget) debates. It has been made clear in particular that the Orders are necessary to achieve the figures in the White Paper. The Chief Secretary feels that if the necessary Orders have not been debated in advance, the government may be criticised on the grounds that the House was being asked to approve the overall figures before debating a sensitive component of them.

I am copying this letter to Andrew Turnbull (No.10) Janet Lewis-Jones (Lord President's Office), David Morris (Lord Privy Seal's Office), Elizabeth Hopkinson (Education and Science) Colin Jones (Welsh Office), Steve Godber (Health and Social Security), Dinah Nichols (Transport) and to Murdo Maclean (Chief Whip's Office).

Yours ever
Richard Broadbent

R J BROADBENT
Private Secretary

CONFIDENTIAL

LOCAL GOVT.; Relations: Pt 25.

18 JAN 1961

File
Local Government

Mr. Barclay

For what it is worth Mrs. Bigstocke came to the end of her term of office as a Trustee of the National Gallery in 1982.

Recently we have not re-appointed her as a Trustee of the Kennedy Memorial Trust because her other commitments made it difficult for her to attend Trust meetings.

B. 17-1-85.

CONFIDENTIAL



PRIME MINISTER

Following your approval in principle to the appointment of Mr David Widdicombe as Chairman of the committee of inquiry into local government practices and procedures, I would now like to move as quickly as possible to approach other possible members of the committee.

In my minute to you of 7 December I outlined the advantages of appointing a small but high-powered committee. In the light of your further comments and those of colleagues I would propose to sound out the following as possible members of the committee of inquiry:-

Sir John Boynton. A highly respected former Chief Executive of Cheshire County Council who reputedly carried out a thorough-going modernisation of his authority and brought it to a high peak of efficiency. The first President of SOLACE (Society of Local Authority of Chief Executives), Sir John has a solid reputation in local government. He has also given valuable service on a number of Government Committees, including the Rampton Hospital Inquiry and the North West Economic Planning Council where he was known as an energetic and able member. As you know he served as Election Commissioner in the Southern Rhodesia elections of 1979-80. I have no doubt that he has both the background experience and personal character to make an invaluable contribution to the inquiry.

Sir Alan Smith. Highly recommended by the Scottish Office and the Department of Trade and Industry. As John Graham's letter of 24 December explained, he was the driving force behind the rapid growth of the Dawson Knitwear group and although he has recently retired from active business life he remains a dynamic personality. Both Nigel Lawson and Norman Tebbit have commented that they would look for a member with a business background and experience in dealing with local authorities. Sir Alan fulfills those requirements admirably: in addition to

CONFIDENTIAL

CONFIDENTIAL



his contribution in the private sector, he has been a Conservative member and latterly Treasurer of Tayside Regional Council.

Mrs Heather Brigstocke. High Mistress of St Pauls Girls School. Mrs Brigstocke has a wide and impressive range of interests in the educational and other fields. For the last two years she has been an Executive Director of London Weekend Television. She is also a Trustee of the National Gallery; a member of the Councils of Royal Holloway College, the Middlesex Hospital Medical School and the City University; a Governor of Wellington College and Atlantic College; and President of the Bishop Creighton House Settlement, Fulham. She has a high reputation as a strong and incisive personality who would be well able to deal with the complex and sensitive issues facing the inquiry. She would also of course have a keen interest in those aspects of the inquiry of relevance to the educational service with which Keith Joseph is concerned.

I should mention that our reserve English candidates, should any of these possible members prove acceptable to you, or be unable to serve, would be Sir Peter Newsam and Mr George Russell, Chairman of Alcan UK. Professor Alan Bradley of Edinburgh University, whom George Younger suggested in his letter of 24 December, would seem to me to be an admirable Scottish substitute. If, therefore, any of our first-choice candidates fall for whatever reason, I should also be grateful for your approval in principle to approach these alternative candidates.

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

PJ

P J

16 January 1985

CONFIDENTIAL

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Eav.
Relays

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17 JAN 1985



PRIME MINISTER

GLC PROPAGANDA ON RATECAPPING

We are to discuss with colleagues after Cabinet tomorrow the renewed concern expressed to you by Keith Joseph about what he calls the "black propaganda" on ratecapping issued by the GLC. It may be useful, therefore, if I set out the present position.

For some time now Ministers have found themselves in a dilemma about how to counter the increasingly unscrupulous propaganda campaigns which have been mounted by the GLC, ILEA, the Metropolitan County Councils and the Association of London Authorities against the Government's local government policies. We have been much criticised by our backbenchers and by our supporters in local government for our failure, as they see it, either to produce an adequate Government response to these campaigns or to stop them.

We face two problems. First, the conventions under which successive Governments have operated have prevented us from spending taxpayers' money on advertising other than on factual information about legislation already on the statute book. Backbenchers and others, of course, have difficulty in understanding or accepting these conventions and tend to see us as losing the propaganda battle by default. (Although we feared that we might be straining against those conventions, we successfully mounted our "Protecting the Ratepayer" campaign in October. This involved the delivery of a booklet to every household in the areas affected by ratecapping, as well as national and local press advertising. This material was however strictly factual, and has been criticised as being too low key and no answer to the authorities' emotive propaganda.)



The second difficulty has been the apparently unfettered, and until recently unchallenged, freedom of local authorities to use their powers under Sections 137 and 142 of the Local Government Act 1972 to finance these campaigns. It was our concern about such abuses of the spirit of the existing law that led us to decide to set up the forthcoming inquiry which I announced at the Party Conference in October.

since then, as you will know, Westminster City Council have achieved some success in the Courts and have obtained injunctions against the GLC and ILEA. We are also aware that Councils have been taking Counsel's advice on the use of Sections 137 and 142 for their campaigns on abolition and ratecapping. I have written to the Attorney-General about this and have invited him to consider whether he would be prepared to bring legal proceedings against authorities. A copy of my letter is attached to this minute.

FLAG/A.

In my view, we are precluded in the short term from the most desirable course of action which would be to legislate to stop such advertising. However, the uncertainty about the eventual outcome of the court cases, the fact that we are just about to announce the details of the inquiry into abuses and the lack of legislative time seem to rule out that possibility. In any event, even if other considerations were to allow it, I believe that we would be heavily criticised if we were to attempt to curb such activities on the grounds that we would be accused of silencing our critics - a further charge of 'dictatorship'. Partly for this reason and partly because of the additional problem of definition of political propaganda, I have it in mind to ask the abuses inquiry to look at this whole issue as a matter of urgency and to make an interim report.

One check on the ability of the GLC and the Metropolitan County Councils to engage in fresh campaigns may of course



become available to us on 1 April 1985. The District Auditor for the GLC has given an opinion that Section 142 (which allows for the provision of information) is inappropriate to their present campaigns and has suggested that if they wish to continue, the Council should consider the use of Section 137. The powers which we took under the paving Act will render unlawful any expenditure incurred under Section 137 without my consent, thereby making the councillors liable to surcharge and disqualification.

Since these arguments have so far ruled out early legislation to curb the activities of local authorities, we need to decide whether or not to continue to abide by the conventions which constraint Central Government. Each time we have discussed this question collectively, we have concluded that we must. Unless we change that view, therefore, we must look to other means of countering the campaigns against ratecapping and abolition.

Two options are open to us. First, under the existing conventions, we have the right to carry out further paid publicity to provide purely factual information to the public about the provisions of the Rates Act. It has to be said that such a campaign would only go part of the way towards countering the emotive and highly coloured propaganda of the rate capped authorities. Because such advertising has, of necessity, to be flat and unemotional, it appears pallid by comparison and leaves us open to criticism from some of our own supporters. (Any comparison of the attached anti-ratecapping advertisement with our own advertisement makes the point very clearly).

FLAGB



It is worth adding that last summer when we considered whether to retaliate in kind, I sought professional advice from outside Government. The nub of that advice was that if the Government were to retaliate in kind, it would provoke still further campaigning by local government and would lay us open to the accusation that the Government was spending taxpayers' money on party political propaganda.

Despite these factors, I intend to move to the next phase of the 'Protecting the Ratepayer' campaign in late March/early April to do what we can to counter the increasingly hysterical claims that we shall face from many of the ratecapped authorities. We are entitled to and will take steps to inform the public about the purpose of the Rates Act and their rights under it.

It has been suggested that we might look to Central Office or to other sources of private finance to fund, say, a limited publicity drive possibly through the publication of leaflets. However, I know Central Office funds are severely constrained and that approaches to outsiders for finance would not be welcomed by the Party Treasurer. John Gummer will be able to advise us on that aspect.

What we are left with then is an all out effort on the part of Ministers, backbenchers and our supporters in local government to get across the message that ratecapping is for the protection of ratepayers and that the scaremongering tactics of the affected councils have no substance. In this context, I believe that the role of the backbenchers and of the Conservative leadership in the ratecapped Councils is crucial. They know their local press and must be encouraged to use their knowledge of their Council's finances to refute the accusations of our opponents. This is an obvious area for action by the groups of backbenchers which are being organised by the Committee

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under the chairmanship of Willie Whitelaw. Kenneth Baker and I will gladly provide such speaking notes and background information as is required.

A copy of this minute has gone to Willie Whitelaw, Keith Joseph, Michael Havers, Kenneth Baker, John Gummer, Sir Robert Armstrong and Bernard Ingham.

Atkins
for

P J

16 January 1985

*Approved by the SAS
and signed in his absence*



CONFIDENTIAL 16

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

Note

The letter only would
be circulated: not
the opinion.
7/15/85

cc: Mr Baker
PS: Mr Waldegrave
Mr Heise
Mr Pickers.

My ref:
Your ref:

(without press cutting)

11 January 1985

Dear Michael,

I am becoming increasingly concerned about the "Awareness Campaign" currently being undertaken by the GLC against abolition. The GLC has been advised by Lord Gifford QC as to the legality of this campaign and his most recent advice has involved comments on advice given by Mr Lionel Read QC to the GLC auditor.

Legal advice has also been obtained by the Association of London Authorities (of which the GLC is a member) and by Lambeth Borough Council from Mr Roger Henderson QC and Mr Tabachnik QC in relation to the campaign against rate-capping. The powers used by the authorities concerned are the same.

Copies of Lord Gifford's two opinions and extracts from the opinion of Mr Read are enclosed. The principal powers on which the GLC rely for their campaign are contained in sections 142 and possibly 137 and 111 of the Local Government Act 1972.

Section 142 - This section consolidates and extends the powers formerly contained in sections 134 and 135 of the Local Government Act 1948. So far as material subsection (1) provides that a local authority may make, or assist in the making of, arrangements whereby the public may obtain information concerning the services available within the area of the authority provided either by:-

- (a) the authority
- (b) other authorities
- (c) any government department, or
- (d) any charity or voluntary organisation, and other information as to local government matters affecting the area.

Subsection (2)(a) goes on to provide that a local authority may arrange for the publication within their area of information on matters relating to local government.

The Department's View

The department's lawyers take the view that section 142 confers power on the GLC, inter alia, to publish information relating to local government matters affecting their area. The abolition of the GLC is clearly a matter relating to the local government of Greater London. It will only be possible to challenge expenditure on publicity under this section which cannot properly be described as information relating to local government. Expenditure on the publication of material comprising, or consisting principally of, party political propaganda would not be authorised under the section. However the dividing line between information, political propaganda and slogans or advertisements devoid of informative content is a fine one. The publication of information which is persuasive or exhortatory will not by virtue of that fact alone be ultra vires the section.

Departmental views on Council's opinions

- (I) It is clear that both Lord Gifford and Mr Read accept the distinction between information and party political propaganda.
- (II) Both Counsel appear to have become entangled with the concept of plurality of purposes. This is a legal porcupine. What it amounts to is this.

If the actor has in truth used his power for the purpose for which it was conferred, it is immaterial that he was thus enabled to achieve a subsidiary object. For example, if the Home Secretary was honestly satisfied that a deportation order is valid it would be immaterial that the practical (and perhaps the desired) effect of the order was to secure the extradition of the alien to another country seeking his rendition for a non-extraditable offence. Section 142 empowers an authority to "arrange for the publication ... of information on matters relating to local government." The question for the court therefore is whether, as a matter of fact, any material published is information on matters relating to local government. If the answer to that question is "yes" then it matters not what the dominant or subordinate purpose was. My lawyers consider that Lionel Read QC reads too much into section 142 and that Lord Gifford is right in saying that if what is published is in fact information, it is authorised.

You will wish to consider the implications of the judgement of Mr Justice Glidewell in R v ILEA ex parte Westminster City Council on 19 December. He made a declaration that the ILEA's resolution on 23 July 1984 authorising expenditure of £650,000 on the employment of professional advertising agents to increase public awareness of the effects of the Rates Act 1984 was invalid on the basis that the ILEA had taken into account irrelevant consideration in that a, if not the, major purpose was to persuade these members of the public who disagreed with ILEA's opposition to the Rates Act to change their minds, rather than simply providing information. He granted leave to appeal. I shall provide you with a transcript as soon as it is available.

Section 137

Subsection (1) of this section provides that a local authority may incur expenditure which:-

- (a) they consider to be in the interests of their area or part of it or all or some of the inhabitants of that area, and
- (b) is for a purpose for which they are not either unconditionally or subject to any limitation or the satisfaction of any condition, authorised or required to make any payment by or by virtue of any other enactment.

There appears to be general confusion among Counsel over the scope of an authority's power under this section. We take the following view of this power:-

- (1) if published material in itself amounts to 'information', then whether or not it relates to local government its publication cannot be authorised under the section because of the condition in (b) above.
- (2) if published material is not in itself information, eg party political propaganda or a slogan devoid of informative content, it would not satisfy the benefit test in (a) above. No reasonable local authority acting in accordance with Wednesbury principles could be of the opinion that such a publication was for the benefit of their area or their inhabitants as inhabitants.

Section 111

Like section 137 this section has been a fruitful source of confusion. The section was intended to be no more than a statutory declaration of the well established common law rule that a corporate body could infer a power to act in a manner which was necessarily incidental to or which was conducive to or which would facilitate the discharge of an express function. The rule was given its most comprehensive expression by Lord Selborne in the case of A-G v Great Eastern Railway Company (1880 5 App. Case 473).

The view of the Department is that expenditure will not be regarded as within the scope of "incidental powers" if it relates to a matter in respect of which express powers are given. Thus Lionel Read is right in saying that "section 111 adds nothing to section 142 in authority of this expenditure, the legality of which as he says turns on the subject matter and the purposes of the material published". He is right in saying that if section 142 authorises the publication of this material, section 111 would authorise activities essentially ancillary to the exercise of such a power. However if published material cannot reasonably be described as 'information' eg a slogan or a pictorial advertisement, it is arguable whether the publication could be justified under the section. The GLC is directly affected by the abolition proposals and it is doubtful whether the publication of a reasonable comment on those proposals would be ultra vires the

council, for example the comment (slogan) 'Say No to No Say' and 'Keep the GLC Working for London'.

The Association of London Authorities

I am also concerned at the publicity campaign being undertaken by the newly established Association of London Authorities ("the ALA") against the government's rate capping proposals. As mentioned above the ALA and Lambeth Borough Council on behalf of the constituent member authorities have been careful to take advice from counsel.

The ALA is an unincorporated association the members of which comprise a number of inner London boroughs under Labour control and the GLC. The association was the subject of legal proceedings in 1984 which established that it was an association to which, because of its revised constitution, members were entitled to pay subscriptions under section 143 of the Local Government Act 1972. Under section 143 of the 1972 Act a local authority may pay subscriptions to an association formed for the purposes of consultation on matters of common interest to the member authorities and for the discussion by them of matters relating to local government. The section does not, prima facie, authorise the payment of subscriptions to an association engaged in any sort of public consultation exercise or publicity campaign. The ALA is not a local authority for the purposes of section 142 of the 1972 Act but the question arises whether member authorities can make contributions under that section to the ALA to enable it to conduct a campaign on their behalf.

Departmental view of the position

An association such as the ALA may have two quite separate and legitimate roles: first to conduct consultation and discussion between member authorities - this role can be funded by subscription under section 143 of the 1982 Act; and second to conduct a publicity campaign against rate capping on behalf of its members with funds contributed by them under section 142 of the Local Government Act 1972. A local authority may also consider it can make contributions under sections 137 and 111 referred to above.

I would be very grateful however for your advice on:

(a) whether the powers referred to in pages 1-3 of this letter are adequate to justify the publication by or on behalf of the GLC of advertisements depicting the Secretary of State (a copy of the most recent is enclosed) and containing misleading information; and

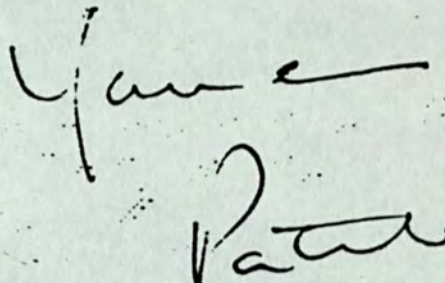
(b) whether the powers referred to in this page are adequate to justify the making of contributions by the GLC and member London borough councils to the ALA to enable it to publish advertisements

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/ on the government's rate capping proposals (a copy of the most recent of 10 January is enclosed); and

(c) if not whether you would be prepared in either or both cases to bring legal proceedings against a constituent borough council, or the GLC, restraining them from incurring such expenditure.

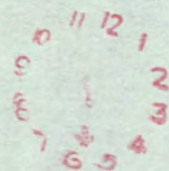
For completeness I should explain that the whole issue of persuasive advertising by local authorities will be one of the important problems to be addressed by the Inquiry into Local Government Practices and Procedures which I hope to set up very shortly. It may be that, as a result of that Inquiry's work, new and tighter legislation in this area will be proposed; but that prospect does not remove the need for us to be as clear as possible about what is permissible under present statute.

A handwritten signature in cursive script, appearing to read 'Patrick Jenkin', is written over the typed name.

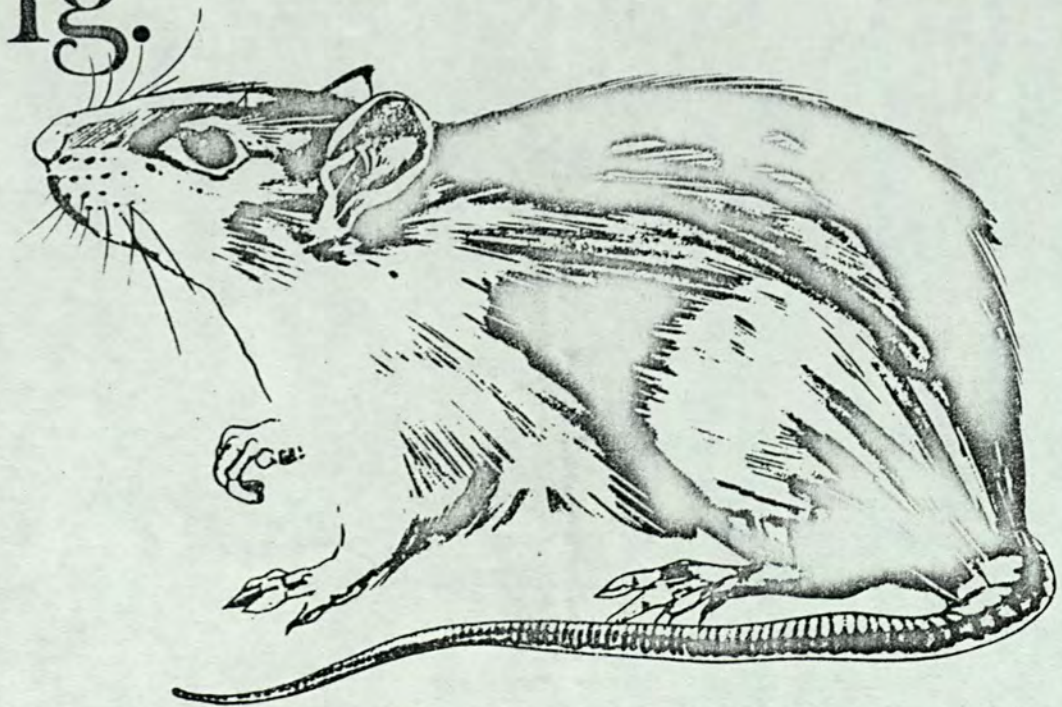
PATRICK JENKIN

The Rt Hon Sir Michael Havers QC

16 JAN 1985



One of the few beneficiaries
of ratecapping.



Ratecapping makes no sense.

THE RATES ACT

Protecting the ratepayer

The Rates Act became law in June. Its purpose is to keep rates down:

Eighteen local councils will have their rates limited by law for the year beginning on 1st April 1985. They are: Basildon, Brent, Camden, Greater London Council, Greenwich, Hackney, Haringey, Inner London Education Authority, Islington, Lambeth, Leicester, Lewisham, Merseyside, Portsmouth, Sheffield, Southwark, South Yorkshire and Thamesdown.

These 18 have been chosen on the basis of objective tests which show that, compared with similar councils, they are the highest spenders in the country.*

The Secretary of State for the Environment has told the 18 councils what he expects them to spend next year,

and he will back this up by setting an upper limit on the rates they can charge.

It will still be up to local councillors to decide what they want to spend their money on. Limiting rates does not mean that the Secretary of State takes over. And if they feel the limit on their spending is unreasonable the law provides a right of appeal.

Rates next year in the areas affected are sure to be lower than they would have been otherwise – and in some cases there may actually be a cut in rates. All business and domestic ratepayers in these areas will benefit.

If you live in an area that is covered by any of these councils, you will be getting a leaflet explaining the new law in detail: its background, its provisions and the way it will affect your rates. If you live outside these areas you can get a leaflet by writing to:

Department of the Environment, PO Box 100,

*They are all planning to spend this year at least 4% more than the target set for them by the Government. They are also planning to spend at least 20% more than the Government has calculated should be necessary to provide a standard level of services.

LOCAL GOVERNMENT: COUNTERING THE FAR LEFT

THE PROBLEM

Local authorities spend some £30 billion annually. As part of its efforts to control this vast bill, the Government has 'rate-capped' the eighteen highest-spenders. These authorities are now legally bound to set rates below the limit prescribed by Patrick Jenkin, and to budget accordingly. Two of them are Conservative-controlled and will obey the law; several more will probably come to heel between now and April (when the rates are set). But there is a severe risk that half a dozen will refuse to comply, and they are likely to be joined by Liverpool which (though not rate-capped) has a history of financial irresponsibility.

The authorities that decide to break the law have three options:

- either they can refuse to set a rate;

- or they can set a rate within the legal limit, but budget to spend more than that rate will raise;

- or they can set an illegally high rate that the Secretary of State is obliged to quash.

Any of these options could lead to the financial collapse of the authority, with the following results:

- i. failure to meet interest charges;

- ii. calling-in of debts by creditors;

- iii. lack of funds to pay for services;

- iv. breakdown of services.

The timing of these stages is uncertain because the councils have many different sources of funds; but there are likely to be financial difficulties by mid-summer, and the first service breakdowns may well occur in early autumn.

The aims of the far-Left councillors who run these authorities are clear, (and in many cases openly announced in the far-Left press). They want:

- to cause disruption in the financial markets;
- to cause dislocation in local services;
- to make the Government appear responsible for such disruption and dislocation.
- to corner the Government, so that it either loses face by repealing the Rates Act, or loses popular support by imposing 'dictatorial' Commissioners.

In pursuit of these aims, the far-Left Councillors have developed a sophisticated system of campaigning. They meet regularly to coordinate their activities, (as we see from the minutes that are occasionally leaked). They fund professional 'Campaign Units' in London and Sheffield, who are paid to foster all forms of opposition to Patrick Jenkin's local Government policies. They spend millions of pounds of public money, (legitimised by various sections of the 1972 Local Government Act), on widespread advertising campaigns. They ensure that all publicity represents them as eminently reasonable, entirely non-revolutionary, fundamentally non-political proponents of 'local democracy': hence, the Campaign Unit is classed as a 'non-political' organisation, and their advertisements remind the public of opposition to rate-capping, not from the Labour Party but from Conservative figures such as Heath and Pym. Above all, they make use of the institutions run by the Council to

carry endless repetitions of their message: town halls, schools, colleges, libraries, public baths etc. are stocked with posters and leaflets; officials are hired on the basis of political affiliation; 'voluntary groups' are given funds to carry on the good work.

The Government has not made any significant response to this campaign. Nor is it in a position to do so. The Department of Environment is prevented by its own probity from spending public funds on anything approaching political propaganda. The Conservative party has insufficient resources. Conservative Opposition Councillors are mainly part-timers (unlike their far-Left counterparts), and do not have access to the money, information, or advice from officials available to councillors from the majority party.

The effects of this one-sided disarmament are predictable: the far-Left will persuade the public that rate-capping is an attack on sensible local democracy; when financial collapse and service breakdown occurs, the public may well conclude that it is the Government's fault; the Government will be forced either to give way or to impose commissioners to run the councils in the face of popular hostility. By themselves, these results will not, of course, generate anything remotely approximating to a revolution. But they will increase the chances both of continued far-Left ascendancy in the Labour Party and of a defeat for the Government at the next election.

THE SOLUTION

The only effective method of countering the far-Left's tactics is to set up a campaign group of our own. This would have to be privately funded, and independent from the Government and the Conservative Party: this alone would give it sufficient freedom and a sufficiently 'non-political' tone. The specifications for such a group might be:

Name: Something memorable and aggressive, but not explicitly Conservative - 'Ratepayers Against Revolution '?

Aim: To reveal the true motives and activities of the far-Left councillors so that the public is prepared for collapse, sees such collapse as the fault of the far-Left, and is ready for the Government to take strong action.

Methods:

- i. Concentrated advertising between February and October, quoting facts and statements from the far-Left, and stressing their revolutionary intentions;
- ii. Opinion-polls, designed both to guide the advertising campaign and to stimulate public awareness - these, like the advertising and the formation of the group itself, should become news items;
- iii. Work with the media to encourage news stories, documentaries etc., revealing the activities of far-Left councillors - this applies to local and national press;
- iv. Coordination with Conservative Councillors in the relevant areas, providing them with effective propaganda, and making use of their expertise and local networks for distributions;
- v. Lobbying of MPs, businessmen etc., to ensure that they are informed about the problem;

- vi. Informal communication with Government and Party, so that propaganda can be coordinated with Party political broadcasts, ministerial speeches, Government actions etc.

Personnel:

A group leader, highly energetic and talented, with political and PR experience, and journalistic contacts - possible names include, B. Anderson, (LWT), M. Dobbs (Saatchi), R. Harris (Leon Brittan's special adviser).

The leader will need three assistants, (one from the media, one from local Government, one with central political expertise), as well as efficient secretarial assistance.

The group will also require a good advertising agency and a good lobbyist; the far-Left have already engaged BMP for advertising and GJW for lobbying (who are the best for these purposes). An effort might be made to outbid their present patrons. Otherwise, Saatchi and Saatchi will probably be the most useful for advertising, and the group will have to search quickly for another lobbyist.

Cost:

It is believed that the rate-capped councils are spending £15 - £30 million (0.5% - 1% of their total budgets) on propaganda either directly or indirectly. Even this may be an under-estimate, given their access to 'free' use of premises etc. An effective counter-attack might, however, be mounted by spending £5 million or less, if the media is skilfully used to provide additional free publicity.

CONFIDENTIAL

To await PA
response
AF 19/1



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

From the Minister for the Arts

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

16 January 1985

Dear Patrick,

I have read Kenneth Baker's letter to you, dated 9 January, asking for the agreement of colleagues to the introduction of a new counter-obstruction clause in the Abolition Bill. *attached*

The consideration of such a clause is, from my point of view, most timely. I have been thinking about a related problem over how we can ensure that the Arts Council will take over the South Bank in a sensible fashion on 1 April 1986. The GLC could make mischief by committing the Halls for some long time into the future to either desirable or undesirable organisations thus tying the hands of the Arts Council and possibly causing them great financial embarrassment. We have not had a substantive reply to our Section 5 request for information on firm and provisional bookings, so my anxiety may prove well-founded.

The sort of counter-obstruction clause which I had in mind to meet this problem would be one which would, from the date of its publication, require the GLC to seek the consent of the Arts Council for any contracts or provisional bookings. Without this consent, the bookings would not be valid and would not have to be honoured by the successor body. The pressure from third parties should be sufficient to secure compliance by the GLC.

The new clause proposed by Kenneth, however, would not meet these requirements. It would seem sensible if we could draft it in such a way that it could cover my more limited concern, rather than have a specific clause dealing with the South Bank.

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What concerns me most about the new clause is that it appears to weaken the existing position. As I understand it, by not imposing sanctions, in the form of the invalidity of arrangements entered into, without the consent of the Secretary of State, any forward financial or contractual obligations would still be valid. I appreciate the position as it applies to long-standing liabilities or contracts, but here we are specifically dealing with new contracts whose intent is entirely different. Surely our supporters will expect any new counter-obstruction clause to have teeth. What this proposal appears to do is perpetuate uncertainty, since a successor body landed with unreasonable liabilities would no doubt try to evade them.

Without a sanction such as the automatic invalidity of any contracts or long-term financial arrangements, I am afraid I could not agree to the new clause suggested by Kenneth. In my area, not only could we have problems with the South Bank, but we could end up with a large financial burden being imposed on the Arts Council should the GLC decide to commit itself at the eleventh hour to future payments of substantial sums of money. For example, they could guarantee to meet the deficits of arts bodies annually, and thereby involve the Arts Council in an open-ended series of payments. Such a policy would be particularly unfortunate when applied to the politically motivated or fringe groups who would not expect funding in future from the Arts Council. Such funding would be highly charged, given the character of such groups, and is quite different from profligate grant-giving in the GLC's final year. While such front loading would be regrettable, not least in its waste of ratepayers' money, it would be a one-off gesture. We must prevent where we can, however, such payments extending beyond 1 April 1986.

There is sufficient scope for such irresponsibility for me to ask you to reconsider the question of sanctions, and strengthen the clause in the way I have suggested.

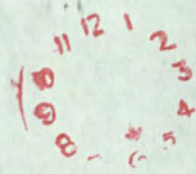
I am copying this to the Lord Chancellor, colleagues on MISC 95, and to Sir Robert Armstrong.

*Yours,
Gowrie*

GOWRIE

CONFIDENTIAL

118 JAN 1985



CC/NO



NBPM
AT 16/1

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

16 January 1985

Patrick Jenkin

NEW BURDENS ON LOCAL GOVERNMENT

see P 24

Thank you for your letter of 21 December.

I am content with what you propose and will be asking my officials to ensure that the agreed principles are strictly applied.

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

Peter Rees

PETER REES

Local Govt-Relations B25

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

10 JAN 1985



10 DOWNING STREET

From the Private Secretary

16 January 1985

cc Lark Pawa
 +
 HO
 DES
 SO
 WO
 DHSS
 DTI
 DIM
 DITrans

RATE SUPPORT GRANT DEBATE: COMMITMENTS FOR 1986/87

The Prime Minister has seen the Lord President's minute of 15 January reporting the outcome of the meeting held with Ministers concerned. She agrees that, in opening the debate, the Secretary of State for the Environment should speak along the lines proposed. She agrees also that, in winding up, the Minister for Local Government may use the line set out under the heading "If Pressed". The Prime Minister would be most reluctant to go as far as the line under the heading "If Further Pressed" and hopes, therefore, that every effort will be made to avoid being drawn this far.

I am copying this letter to John Ballard (Department of the Environment), David Morris (Lord Privy Seal's Office), Richard Broadbent (Chief Secretary's Office), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), Mike Bailey (Office of the Minister for Local Government), to Private Secretaries to other members of E(LA), and to Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

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

CONFIDENTIAL

HP will do Ministerial responses cc 100 BT 17/1



HOUSE OF LORDS,
SW1A 0PW

15 January 1985

*AT
attached
requested
17.1*

Dear Patrick.

Proposed New Clause in the Abolition Bill

will request if required ← yes pl.

In his letter of 9th January 1985 Kenneth Baker seeks agreement to announcing the tabling of an amendment to the Abolition Bill extending the existing controls to provide that consent is required to any enforceable arrangement proposed to be made by the G.L.C. or a M.C.C. under which a liability to make payments to another person or body would pass, on abolition, to successor authorities. This would include commitments to provide loans, grants or financial assistance or undertakings giving rise to contingent liabilities, for example, guarantees.

The existing controls are those which we put into the Local Government (Interim Provisions) Act 1984 with such difficulty last Session. They include the requirement (in section 11(2)) that the G.L.C. or a M.C.C. must consult successor authorities on proposals for expenditure to be incurred in the financial year beginning 1st April 1985 or thereafter.

Kenneth Baker now proposes to strengthen this by substituting the need for actual consent by the successor authority to the creation of any enforceable liability.

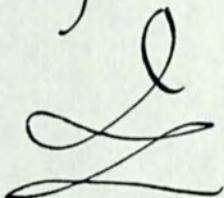
/We have ...

The Right Honourable
Patrick Jenkin, M.P.,
Secretary of State for the Environment.

We have always envisaged the likelihood of non-co-operation, particularly by the G.L.C.

As these steps could have been taken in the Paving Bill last Session and as compliance with the duty to consult can be achieved under the law as we now have it by a successor authority through the Courts if the need arises, I think that we already have enough on our plates, without adding this. *Otherwise I should have had no objection, and even now I wd: accept the decision of the busmen managers.*

I am copying this letter to Kenneth Baker, to the members of M.I.S.C. 95 and to Sir Robert Armstrong.

Yrs:


CONFIDENTIAL

Prime Minister ①

CC/NO



I see no hope of changing the Government's behaviour

Are you content with the agreement hammered out by Lord Whitelaw?

Or do you want a word first (this would probably have to be by phone tomorrow morning?)

PRIME MINISTER

Rate Support Grant Debate 16 January 1985: Commitments for 1986/87 ^{AT} 15/

Let's X focus too far out

Yesterday evening I held a meeting to consider a possible form of words for use in the debate on the Rate Support Grants Reports on Wednesday 16 January, when the problem of the way in which low-spending authorities will be affected by future RSG settlements is certain to be raised.

2. The Secretary of State for the Environment, the Lord Privy Seal, the Chief Secretary, Treasury, the Paymaster General, the acting Chief Whip and the Minister for Local Government were present. We discussed the text attached to the Secretary of State for the Environment's letter to me of 10 January, and the changes to it proposed in the Chief Secretary's letter of 11 January. The textual amendments suggested by the Chief Secretary were agreed.

3. The Secretary of State for the Environment has been told by Government backbenchers that when he opens the debate he will be pressed, particularly on behalf of the Shire counties, to give firm undertakings that in 1986/87 the Government will continue to pass on to low-spending authorities the savings achieved from rate-capping the highest spenders. He expects also to be pressed to say that such authorities will not suffer further real cuts. John Biffen and John Cope consider that it is important to give a reassuring response to that pressure.

Wednesday's debate will not be easy to handle but it will set the atmosphere for the even more difficult forthcoming debate on local authority capital expenditure; if the Government's supporters cannot be reassured to some extent on Wednesday, their dissatisfaction is likely to spill over into the latter debate. On the other hand, all those at my meeting agreed with the Chief Secretary's point that it was essential to keep local authority spending under strict and effective control and not to compromise the aggregate figures which have been

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agreed for 1986/87 and 1987/88. We should therefore say no more than is necessary to give essential reassurance to our supporters.

4. In the light of these considerations, the best measure of agreement that could be reached at the meeting was that in opening the debate Patrick Jenkin should use only the preamble of his proposed text, a copy of which is attached. If pressed, he might add the additional passage about targets for 1986/87.

Patrick is convinced that nothing less will do and that even this is unlikely to satisfy those of our supporters who are concerned. In addition, therefore, the Chief Secretary reluctantly agreed that if, and only if, Government supporters insist on assurances that there will be no cuts in real terms, or that expenditure would be allowed to increase in line with expected inflation, Ministers should say that "that will be our expectation for the very lowest spenders" on the basis that such a statement would in no way jeopardise the aggregate figures agreed for 1986/87. (We define the very lowest spenders as at the most those who in 1985/86 spend below their targets and below GRE.)

This is a narrower category than that covered by the Pym commitment last year.) In winding up the debate, Kenneth Baker should in no circumstances allow himself to be drawn any further.

5. I am reluctantly persuaded that nothing less will do. You may wish to have a word with me about this.

6. I am sending copies of this minute to those who attended the meeting, to other members of E(LA) and to Sir Robert Armstrong.

Privy Council Office
15 January 1985

hs/w

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Note - Mr Jenkin spoke
more or less exactly in these
terms. AT 17/1

RSG DEBATE 16 JANUARY: DRAFT PASSAGE ON 1986/87

PREAMBLE

I recognise the force of the point put to me by a number of low-spending authorities that, whereas they can with difficulty live with their targets for 1985/86, they nevertheless face real difficulties for 1986/87. The House will understand that I cannot at this stage give any detailed figures for individual authorities in 1986/87. But I hope the following remarks are helpful.

First, I should like to be able to abandon targets and holdback altogether. But much depends, first, on the level of local authorities' expenditure in 1985/86; and second, on the alternative pressures I can bring to bear to achieve delivery of the Government's public expenditure plans. I am considering this urgently, but there is nothing ^{more} I can say to the House today. In what follows I am assuming that targets have to be retained for 1986/87.

The more favourable targets which I have given low-spending authorities for 1985/86 have been made possible by the savings achieved by rate-capping the highest spenders. Rate-capping will produce further savings in 1986/87 and thereafter, as we continue to bring down the excessive spending levels of authorities selected each year under the Rates Act.

I can say now that, again, low-spending authorities will benefit from rate-capping.

Mr Baker did not, in the
event, need to use X.

AT
17/1

IF PRESSED

For authorities which budget in the coming year 1985/86 to spend at or below both target and GRE, targets for the following year, 1986/87, will take account of these further savings to be achieved from capping the highest spenders.

These low-spenders' targets in 1986/87 will therefore be both more favourable than they would have been but for rate-capping, and more favourable than for authorities who budget this year to spend above either target or GRE.

~~X~~ IF FURTHER PRESSED to say if expenditure will be allowed to increase in line with expected inflation:

"That will be our expectation for the very lowest spenders."



NORM
AT 15/1
CC NO
OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

The Rt Hon Patrick Jenkin MP
Secretary of State for the
Environment
2 Marsham Street
London SW1

14 January 1985

Dear Patrick,

1985-86 RATE SUPPORT GRANT DEBATE

Thank you for sending me a copy of your letter of 10 January to Willie Whitelaw. I have seen the response of 11 January from Peter Rees.

I am inclined to agree with Peter that it would be best not to volunteer any commitments about 1986-87 - or at least to keep them to the minimum needed for defensive purposes in winding up the debate - until we have collectively considered future arrangements for targets and their relationship with GREs. I also join him in preferring in any case the more general indication in your Alternative A to the firmer guarantee in your B. It would be particularly unfortunate to promise complete inflation-proofing - and more - for some local authorities in 1986-87 when, for instance, as next week's Public Expenditure White Paper will indicate, the level of my arts and libraries programme will mean below-inflation increases for most of my centrally-funded arts bodies.

While I sympathise with your wish, as long as targets remain in operation, to continue to apply more generous ones to low spending authorities than to others, I am concerned at your intention to narrow the definition of "low spenders". Applying the double criteria of spending below both target and GRE would unfairly penalise those authorities which spend below GRE but even only slightly above target. It would cast further doubt on the credibility of GREs as objective measures of authorities' need to spend, at a time when we are trying to refine and improve them.

All this reinforces the view I have expressed before that we should do all we can to move towards the early elimination of the system of targets overlapping GREs.

I am copying this letter to the Lord President, Chief Secretary, Chief Whip, Lord Privy Seal, the Prime Minister, other E(LA) members, Paymaster General and Sir Robert Armstrong.

Y
L
e/re(s)

GOWRIE

Local Govt : Relations A 25.

15 JAN 1985

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Note - Spoke to David Morris
on address of No 10 preference. Agreed
to delay meeting until LPS had
considered matter



AT

15/11

B/E with LPS response

10 DOWNING STREET

Prime Minutes

Laying the Orders in Feb
with the Debate after the Budget
has the following advantage

- (i) If there are significant
tax cuts, restraint of
local authority expenditure
will be shown to be worthwhile
- (ii) If budget has to go for
austerity, restraint will
also be called for.

A debate before the Budget may
turn into a lobbying session
to exert pressure on the Chancellor.

Agree to Jenkin's line
subject to ~~news~~ views from business
managers.

To note the briefing line.

Yes not

AT

14/11



B/2

10 DOWNING STREET

Prime Minister:

Attached is the
report of the
successful application
by Westminster Council
for an interim injunction against
the EC's physical propaganda.
A little good news in a
charge!

Jr

MS

The Standard, 11 January 1985



BANNED: Ads like this.

Judge's No to 'No Say' adverts

Standard Reporter

A JUDGE today stopped the GLC's £10 million publicity campaign to save itself from being abolished.

Westminster City Council has been granted a High Court injunction halting the campaign.

The move follows last night's decision by the GLC finance committee to continue the campaign despite an earlier ultimatum from Tory-controlled Westminster.

Just before Christmas Westminster got a ruling that ILEA's publicity campaign, including the slogan "Educations cuts never heal," was illegal. It gave the GLC until this week to conform to the spirit of the High Court ruling.

Since then the GLC has received counsel's opinion that its campaign can continue providing it seeks to inform and not persuade.

County Hall was due to spend about £500,000 over the next few weeks on publicity concerned mainly with pavement parking, fire precautions

and the effect of abolition on its services.

Today's injunction, granted in the Queen's Bench Division by Sir Douglas Frank, halts the GLC's campaign for seven days. This means the two sides will probably go to the High Court for a further hearing next week.

ILEA has lodged an appeal in the High Court against Westminster.

Westminster's injunction restrains the GLC from any further expenditure on advertising as part of its "awareness" campaign abolition. The campaign, spread over three

years, has so far cost £5,000,000 and a similar amount is earmarked for future spending.

A GLC spokesman said the injunction had not yet been received at County Hall. Its contents would have to be studied before any public comment could be made.

GLC Tory opposition leader Mr Alan Greengross said: "I warned the GLC not to do anything silly like plunging ahead with its campaign.

"We will continue to oppose and expose this sort of conduct at every turn."

● GLC Bill attack—Page 12.



NBP 7

AT

14/1

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

14 January 1985

Mr Patrick,

NEW BURDENS ON LOCAL GOVERNMENT

Thank you for sending me a copy of your letter of 21 December to Peter Rees.

I agree with much of what you say. The correspondence has promoted a common understanding of the importance of identifying as accurately as possible the cost of new responsibilities in close consultation with the local authority associations; and the need to consider each proposal on its merits against the background of overall restraint on public expenditure.

It will also be important that we continue to consider carefully the implications for value for money of new proposals and their effect on the delivery of our policies for services. We must be flexible enough to be ready to make changes by putting new requirements on local authorities when we are persuaded that they would improve efficiency and effectiveness. The alternative is just to let our policies ossify.

Both George Younger and I have emphasised that it is not realistic to presume that there can be a PES transfer into local authority current expenditure in respect of any new responsibility. Each proposal has to be considered on its merits with clearly Peter Rees having an important part to play in identifying where resources can be found when there is common agreement that a policy change should be implemented.

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

Eric - Jenkin

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

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NOTE FOR THE RECORD

LORD ROTHSCHILD'S NOTE ON LOCAL GOVERNMENT STUDIES

I spoke to William Waldegrave about Lord Rothschild's note of 1 January. He agreed that it showed signs of frustration, and commented that Lord Rothschild was finding it difficult operating on a diffuse mass of material and working with a large team. William remarked, however, that Leonard Hoffman and Christopher Foster were more enthusiastic. Nevertheless, Lord Rothschild was proving useful in pushing the discussions towards clearer conclusions.

William accepted some of the points Lord Rothschild had made - the complexity of the financial arrangements and the atmosphere of trench warfare in the local authority world. (Terry Heiser thought it was unfair to attach so much blame to the Department which frequently sought to defend local authority interests against the Treasury.)

The reference to blocking Lord Rothschild's attempt to improve relations is probably to the letter which he wanted to send to local authority Chief Executives asking them to put suggestions to him for improvements in the system. DOE officials objected to this idea on the grounds that there should be no consultations with the local authorities at this stage. They feared that the local authority associations would protest that Lord Rothschild's initiative was intended to cut them out of proper consultation. Lord Rothschild wrote to FERB at the end of November appealing against the view of DOE officials. In Robin's absence abroad I took the matter up with William Waldegrave and we agreed that a personal letter from Lord Rothschild could be sufficiently distinguished from consultations. William therefore told him he could go ahead but Lord Rothschild then said the moment had passed and the proposal lapsed.

A seminar for DOE Ministers and officials is being arranged for 3 February to discuss the options. It would be

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useful if Lord Rothschild came to see the Prime Minister shortly afterwards to give a personal account of progress.

William Waldegrave added that he thought interesting and radical proposals would emerge but there would be difficulty in selling them to the rest of Whitehall.

AT

(ANDREW TURNBULL)

11 January 1985

VC3ABD

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PP 27

Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

CCNO
CCSS

My ref:

Your ref:

Dear John,

see p 24

11 January 1985

LOCAL AUTHORITY CAPITAL EXPENDITURE IN ENGLAND AND WALES, 1985/86

Following the statements which Nick Edwards and I made on 18 December, and the emergency debate the following day, we now have to consider the timetable for handling the regulations to give effect to the reductions, from 1 April this year, in the "prescribed proportion" of their capital receipts which local authorities may use for capital expenditure. We have already sent you a "holding" line to take in answer to business questions.

In the past, none of the four sets of regulations dealing with capital expenditure under the Local Government Planning and Land Act 1980 have been prayed against, although they are subject to negative resolution in either House. But since these regulations are so controversial, we can be sure that they will be prayed against, at least in the Commons, during the 40 day period and will need to be debated. Subject to your views, we shall need to offer more than a 90-minute debate from 10pm. I suggest that we might consider a debate running from 7pm to 11.30pm.

On the timetable, we have in the past found it sufficient to lay the regulations during the second week in March, so that the 40 day period during which they lie before Parliament overlapped with the date on which they came into effect. Again, that would not be appropriate on this occasion. We must in my view lay the regulations in time for the 40 day period and the debate to take place before 1 April. But equally, we do not want to be rushed into laying or debating the orders.

Before the regulations are laid, you and the Chief Whip will wish to assess the views of our supporters following the Christmas recess. Whilst that is being done, I will want to consult the English local authority associations about the precise terms of the regulations. Nick Edwards will no doubt consider separately the position in Wales, to which the regulations will also apply. In the course of consultation, I shall make it clear that the Government stands firmly by the 18 December statements; the consultations will be concerned only with the fine print. Such consultations are very necessary in view of the great hostility shown already by local government to our proposals. I intend to meet the local authority associations shortly to give them an opportunity to express their concern.

This consultation will take up to four weeks. I would therefore propose to lay the orders by mid-February.

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The debate could procedurally follow at any time after the regulations are prayed against. No doubt you and John Cope will want to consider the precise timing. One possibility might be to delay the debate until after the Budget to demonstrate to our supporters the benefits of restricting public expenditure. But we should clearly need to have the debate before the end of March.

Meanwhile it may be helpful if you see the line we are taking in reply to correspondence, from MPs, local authorities and others on capital expenditure. This is set out in the enclosed note.

I am copying this letter to Willie Whitelaw, Nigel Lawson, Keith Joseph, Nick Edwards, Norman Fowler, Nicholas Ridley, Peter Rees, John Cope and Bertie Denham, and to the Prime Minister.

You ever
Pat

PATRICK JENKIN

The Rt Hon John Biffen MP

CONFIDENTIAL

In addition to putting tight limits on the total amount being allocated nationally across all services, we have had to reduce the proportion of capital receipts which authorities may add to their allocations at local discretion.

These are certainly tough steps and I well understand why they are unwelcome to local authorities, but they are no more than is necessary to deliver the level of capital spending by local authorities as a whole next year provided for in the public expenditure plans announced in the Chancellor's Autumn Statement. Those plans allow for authorities in England to spend £4bn on capital next year - a very considerable sum by any standards. ^{Autumn} ~~The~~ Statement was expressly approved by the House of Commons on 6 December, and the 18 December announcements imply no further cut.

It is vitally important that we keep the total of public expenditure within the figures provided - that is central to the Government's economic strategy. If public expenditure is allowed to rise significantly above those figures, the public sector will absorb too big a share of available finance, interest rates will rise and growth and investment in the private sector will be impeded. Investment in economic recovery is proceeding apace and is expected to gather further momentum in the year ahead. In the long run, it will help no-one if this recovery is interrupted.

It has been argued that local authority capital spending can take place without affecting the economic recovery where it is simply an authority spending its own resources from capital receipts and elsewhere. But this argument ignores the financial effects. Authorities do not have money sitting idle to be turned into capital spending. Capital receipts which are not spent immediately are mostly used to reduce borrowing, so that in the year in which they arise these receipts diminish public borrowing. But when the receipts come to be spent they must be replaced by fresh borrowing. The external debt of English local authorities is already about £30bn; without the £5bn of accumulated receipts it would have been much higher. We are not in any sense depriving authorities of their receipts, but simply requiring their use to be spread over time to reduce the economic impact.

Our proposals for 1985/86 are therefore essential in order to ensure that capital spending does not exceed the public expenditure plans, and that the level of public sector borrowing is kept on track. For the longer term; we clearly need to look again at the system and at possible improvements; we want to achieve a better match between the Government's duty to control the overall level of capital spending and borrowing in the national economy and the need at local level for a firm basis for future planning. We have already started consultations with the local authority associations on this.

LOCAL
FOR
RELAYS
MS

JAN 1985

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~~cc TF~~
VOL
61

~~AT~~



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

file

Your ref:

11 January 1985

Dear Andrew,

PUBLICITY ON OBSTRUCTION AND ILLEGAL ACTION BY LOCAL AUTHORITIES

My Secretary of State has suggested that you may find it helpful to have a copy of the enclosed draft speaking notes in case a suitable opportunity should arise for an appropriate reference to be included in a future speech by the Prime Minister.

Copies of this letter go to the Private Secretaries of other members of MISC 109 with a request that they be drawn upon by colleagues when the opportunity arises.

Yours sincerely
John Ballard

JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

DRAFT SPEAKING NOTES ON OBSTRUCTION/ILLEGAL ACTION BY LOCAL AUTHORITIES

1. Many of the Labour-controlled local authorities selected for rate limitation have been threatening to break the law by refusing to comply with the Rates Act. Some say no rate or precept will be made; others that it will be made at too low a level to support spending. Some other local authorities such as Liverpool are threatening illegal action even though they are not rate capped.

2. These councils claim their action would be taken in defence of local services. Indeed some of the rate capped authorities have gone so far as to suggest that they have no choice but to break the law if they are not to fail in their statutory duty to provide local services. This must of course be nonsense given the high levels at which these councils are spending compared with other councils.

3. Since some of these local services are ones for which I am responsible, I feel I should say something on this subject. Because the threat to local services comes not from the Rates Act, but from the kind of irresponsible behaviour which these councils are threatening. [Material on specific service.]

4. The rate and precept limits we have set for these councils are based on expenditure levels set in July last year. The Government believes that those levels are reasonable. If councils had thought otherwise, and if they believed services would suffer, they could have sought a higher spending level, as was their statutory right. None did so. Instead they are brandishing bleeding stumps and threatening (their word) "non-compliance". I wonder who they think they are kidding?

5. Let us be clear about what that euphemism "non-compliance" means. It means breaking the law. It's easy to say quickly. But have those who mouth the slogans thought through the full implications, for themselves and for others, of law-breaking? Let's spell them out.

6. For the councillors themselves, it could mean surcharge and disqualification from office. Long-standing local government legislation gives the auditor a clear remit in cases where he finds that unlawful expenditure or wilful misconduct has taken place. If a loss or deficiency occurred which the auditor considered resulted from wilful misconduct, the councillors concerned could be subject to proceedings for surcharge and disqualification. A surcharge of £2,000 or more per councillor would automatically imply disqualification for five years in these circumstances under the existing law.

7. For the council it could mean Court challenge, either seeking a direction that the council make a rate or to quash a rate which was above the limit set by the Secretary of State.

8. But frankly, I'm not too worried about the effects on those who are themselves responsible for the law-breaking. After all, they are bringing the consequences upon themselves. What worries me much more is the effect on innocent people who depend on the services these councillors claim to be defending; and the effect on the council's employees who are paid to deliver them. I am sure many of these people want nothing to do with the politically motivated campaigns of their councillors. But the effect on them could be catastrophic.

9. Because all these so-called "strategies of non-compliance" boil down to one thing in the end. Sooner or later, the money runs out.

10. When that happens, the first to suffer will be the council's own employees, because there will be no money to pay them. The councils claim to have the backing of their employees - and their trade unions - for what they are threatening. But whatever their politics, those workers and unions will surely find it hard to understand why they should be laid off, or asked to work for nothing, so that their employees can try to score political points. It seems rather an odd way of protecting jobs.

11. Just as importantly, I am sure the people who use council services will feel equally perplexed as those services grind to a halt [examples as appropriate]. Wasn't this, they will say, the council who claimed to be protecting services?

12. The councillors themselves must know that this is what will happen, and must be well aware that those least able to defend themselves will suffer most. I can only hope that commonsense will prevail in the end. If not, no-one should doubt that I and my colleagues will regard it as our responsibility to protect the services for which we are responsible. We will not let local people suffer as a result of politically motivated action which is neither of their making nor in their interests.

11 JAN 1985

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CONFIDENTIAL

NBPM at this stage

AT
14/1



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

11 January 1985

Patrick Jenkin

RSG DEBATE

Thank you for sending me a copy of your letter of 10 January to Willie Whitelaw.

You rightly said on 11 December that "the targets for low spending authorities [in 1985-86] fulfil to the letter the undertakings that I gave to the House last January" (Col 910). I do not think that it is necessary for you to suggest or give any undertakings about the future of targets or their nature in 1986-87 in your opening speech in order to get a good majority on Wednesday.

Certainly your Alternative B goes much too far. Our plans for local authority expenditure in 1986-87 imply a reduction in cost terms; and it cannot be right to promise now to some authorities a standstill and to others an increase compared with 1985-86 when, as the Prime Minister said in Cabinet yesterday, it will be essential to keep spending under strict and effective control.

If however you judge, as the debate progresses, that something must be said to pacify our own benches, I would reluctantly agree to Kenneth Baker's using the substance of your Alternative A when he winds up. You will find on the attached sheet a very few small amendments which I would like to see made.

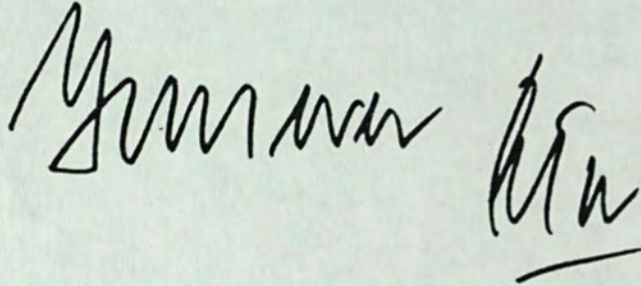
I hope you and other colleagues will accept this as a reasonable way forward. If so, perhaps we do not need to trouble Willie with a meeting on Monday.

CONFIDENTIAL

*will
revert
if nec.*

CONFIDENTIAL

I am copying this letter to the Prime Minister, Willie Whitelaw, other members of E(LA), the Lord Privy Seal, the Paymaster General, the Chief Whip and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Rees', written in a cursive style. The signature is positioned above the printed name.

PETER REES

CONFIDENTIAL

Paragraph 1, first sentence

Delete "unless I can offer them some reassurance". [This will only incite them to ask for more!]

Paragraph 1, second sentence

Substitute "individual authorities" for "public expenditure". [We shall be publishing the detailed public expenditure plans in the following week.]

Paragraph 2, first sentence

Delete "for 1986-87." [I would prefer not to be specific.]

Paragraph 6

Insert "these" before "low spenders." [For the avoidance of doubt.]

LOCAL GOVT: Relations,

112 JAN 1985

112 JAN 1985



10 DOWNING STREET

From the Private Secretary

11 January 1985

INQUIRY INTO LOCAL GOVERNMENT PRACTICE AND PROCEDURES

The Prime Minister has seen your Secretary of State's minute of 31 December recommending that Mr David Widdicombe QC be appointed as Chairman of the Inquiry. She has noted that both the Attorney General and the Solicitor General endorse this proposal and she therefore agrees to it.

She has noted also the responses to the points made in my letter to you of 12 December.

I am copying this letter to Private Secretaries to members of Cabinet, to Henry Steel (Law Officers' Department) and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

John Ballard, Esq.,
Department of the Environment.

PRIME MINISTER

Inquiry into Local Government Practice and Procedures

Patrick Jenkin has recommended the appointment of Mr. David Widdicombe, Q.C., as Chairman of the Inquiry. The Law Officers were consulted, and endorsed his recommendation. The Chancellor raised doubts about Mr. Widdicombe on the grounds that he "had reason to believe that he remains far from sympathetic to the present Government".

I have tracked down the source of these doubts. Hartley Booth spoke to a senior bencher who claimed to know Mr. Widdicombe well and who expressed the view that he was unsympathetic to the Government. This was relayed to Peter Cropper and thence to the Chancellor. We therefore have conflicting sources of advice.

To resolve this issue, I have gone back to the Law Officers and the message I have received from both the Attorney General and the Solicitor General is that they have known Mr. Widdicombe for twenty years and they stand by their original endorsement without qualification. They have consulted members of the Planning Bar, including people who are closely in tune with Government thinking.

If Mr. Widdicombe is to be appointed, Patrick Jenkin would like to approach him tomorrow before he leaves for two weeks in the United States.

In these circumstances, agree that Mr. Widdicombe be approached?

AT

Yes not.

ANDREW TURNBULL

10 January, 1985



NDPM

To await outcome
of CST meeting a Monday

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

10 January 1985

Dear Lord President

RSG DEBATE 1986/87: COMMITMENTS FOR 1986/87

The House of Commons is to debate the RSG Settlement for 1985/86 next Wednesday, 16th January. As I mentioned briefly at Cabinet today, a large number of our backbench supporters are pressing me, mainly on behalf of low-spending shire counties, to say how low-spenders are to be treated in 1986/87. I am writing to seek agreement to my proposed response to these pressures.

In the debate last year, I was able to secure the passage of the 1984/85 RSG Settlement by undertaking to set "fairer targets" in 1985/86 for low-spending authorities spending below GRE. With a few exceptions, my impression is that our back-benchers acknowledge that we have fulfilled that undertaking. Many of our colleagues have criticised the significant cut in the grant percentage for 1985/86 and the consequent high rate increases even for spending at target, and I expect plenty of complaints about that in the debate. But most of them accept that targets for low-spending authorities which imply no further real terms cuts next year are reasonable.

It has, however, been made quite clear in all the representations we have received since the Settlement, from shire counties in particular, that whereas they can live with their 1985/86 targets, they foresee real problems for 1986/87. Jim Prior and Suffolk have said just that; as have Emily Blatch and Francis Pym on Cambridgeshire. They, and others, have said that unless we can give concrete undertakings to continue to pass on to the low-spenders the savings we achieve from rate-capping the highest spenders, they will find it difficult to support us.

Ideally I should like to be able to undertake to abandon targets and holdback altogether for 1986/87. But although my officials have begun discussions with other Departments on that topic, the issues are difficult and I can say nothing new next week. I hope to bring proposals to E(LA) next month.

Meanwhile, therefore, I am bound to have to say something about the construction of targets for 1986/87, on the assumption that they are retained. It seems to me that it will be very difficult, if not impossible, to avoid undertaking to set targets for 1986/87 which are no less favourable than targets for 1985/86. I do not think our colleagues would stomach a return to the demands for continuing real terms cuts for the low spenders which we deliberately eschewed for 1985/86.

In one important respect, however, I think we can be a lot less forthcoming than we were last year. For 1985/86 we undertook to set higher targets for all authorities spending below GRE in 1984/85. I propose to define low-spenders much less generously for 1986/87: I propose to make it clear that authorities will only get favourable target treatment for 1986/87 if they budget in 1985/86 to spend at or below both target and GRE. Within that group of defined low-spenders, I think we should also offer a slightly improved prospect for the lowest spenders, ie those at target and furthest below GRE.

I of course accept that I cannot give detailed figures at this stage. But I am in no doubt at all that I shall be closely questioned. In my view there is no question whatever of declining to say anything about 1986/87 targets; I shall certainly be pressed to say whether these low-spenders' targets for 1986/87 are to be more or less favourable than their targets for 1985/86; and if I cannot give a pretty clear assurance, I must warn colleagues that we may well face a substantial number of abstentions. The political question to which we must address ourselves is whether - and if so how far - we should offer assurances to avoid this outcome.

/ I attach a draft of a passage which I might use in my speech next Wednesday. I have included alternative versions at paragraph 4 in the light of our discussion after Cabinet. But even if in my opening speech I only use the vague form of words at alternative A, Kenneth Baker will almost certainly be obliged to go further than that in his wind-up speech. I hope therefore that he can be allowed to use the version at alternative B if necessary.

We are to meet to discuss with the Chief Secretary, the Chief Whip and the Lord Privy Seal on Monday. Copies of this letter go to them and to the Prime Minister, members of E(LA), the Paymaster General and Sir Robert Armstrong.

Your sincerely

Patrick Jenkin

f PATRICK JENKIN

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

RSG DEBATE 16th JANUARY: DRAFT PASSAGE ON 1986/87

I recognise the force of the point put to me by a number of low-spending authorities that, whereas they can with difficulty live with their targets for 1985/86, they nevertheless face real difficulties for 1986/87 unless I can offer them some reassurance. The House will understand that I cannot at this stage give any detailed figures for public expenditure in 1986/87. But I hope the following remarks are helpful.

First, I should like to be able to abandon targets and holdback altogether for 1986/87. But much depends, first, on the level of local authorities' expenditure in 1985/86; and second, on the alternative pressures I can bring to bear to achieve delivery of the Government's public expenditure plans. I am considering this urgently, but there is nothing I can say to the House today. In what follows I am assuming that targets have to be retained for 1986/87.

The more favourable targets which I have given low-spending authorities for 1985/86 have been made possible by the savings achieved by rate-capping the highest spenders. Rate-capping will produce further savings in 1986/87 and thereafter, as we continue to bring down the excessive spending levels of authorities selected each year under the Rates Act.

I can say now that, again, low-spending authorities will benefit from rate capping.

ALTERNATIVE A

For authorities which budget in the coming year 1985/86, to spend at or below both target and GRE targets for the following year, 1986/87, will take account of these further savings to be achieved from capping the highest spenders.

Low spenders' targets in 1986/87 will therefore be both more favourable than they would have been but for rate-capping, and more favourable than for authorities who budget this year to spend above either target or GRE.

ALTERNATIVE B

For authorities which budget in the coming year 1985/86, to spend at or below both target and GRE targets for the following year, 1986/87, will take account of these further savings to be achieved from capping the highest spenders.

For those low-spenders, targets for 1986/87 will allow their expenditure to increase at least in line with expected inflation; for the lowest spenders within this category, I hope to allow a slightly higher increase.

I can go no further than that at this stage. But I hope it goes some way towards providing the reassurances which responsible low-spending local authorities are seeking.

Local Govt. Relations:
Pt 25

110 JAN 1995

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CONFIDENTIAL

9 January 1985

Jim Pabmets

I am writing to seek the agreement of colleagues to my announcing, at an early juncture, the introduction of a new clause in the Abolition Bill to supplement the controls over activities of the GLC and Metropolitan County Councils that are obstructive to abolition.

The Local Government Bill as introduced provides for the continuity of activities of the abolition authorities. Except in certain specified areas, no rights or liabilities of the abolished authorities existing at the abolition date will be extinguished. The Bill therefore protects the interests of third parties to whom the GLC or MCC have made a commitment by providing for the continuity of that commitment.

I have however come under pressure from our supporters in the boroughs and districts to restrict the scope for the creation of new commitments which they will inherit. Their concern is twofold: such commitments will reduce the savings which they anticipate from abolition, with the consequence of increased rate poundages for 1986 and beyond; and they are not being consulted by the GLC and MCCs about proposals which involve expenditure after 1 April 1986, despite the consultation requirement in the Paving Act.

There is no doubt that some of the abolition authorities will seek to exploit the continuity provisions in the Bill by creating long term liabilities without consultation with the aim of perpetuating their policies. Such commitments for successor authorities would not necessarily constitute contracts within the scope of the controls in the Paving Act. The most notable example concerns legally enforceable undertakings to make grants, loans or guarantees to a third party. Colleagues will, for example, be aware of recent press reports about the establishment of a 'GLC in Exile' through the financing of a compliant third party.

Now that the Bill has received its second reading in the Commons I consider that we would be justified in taking steps at least to constrain the abolition authorities' ability to secure 'life after death' by the means I have described. I propose that as an immediate and first step this should be achieved by extending the existing controls to provide that consent is required to any enforceable arrangement proposed to be made by the GLC or an MCC under which a liability to make payments to another person or body would pass, on abolition, to successor authorities. This would include commitments to provide loans, grants or financial assistance or undertaking giving rise to contingent liabilities, for example, guarantees.

CONFIDENTIAL

During the period immediately preceding Royal Assent on the Paving Bill, certain of the abolition authorities went to great lengths to rush transactions through before the controls took effect. In the light of this damaging experience, I do not think that we can risk the consequences of bringing the arrangements into effect some time after the date of announcement. I therefore propose that they shall have retrospective effect to the date that they are announced and tabled.

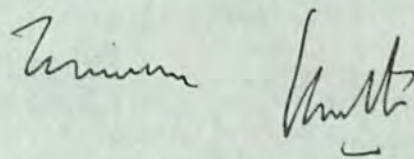
Specific exclusions from the proposed new controls would include payments to staff, where separate provisions apply, and repayments of principle and payments of interest to lenders. I do not consider that the administrative consequences of operating the controls will be burdensome but these can be eased by the issue of general consents for deserving categories of commitment. It would be helpful to have the views of colleagues on possible candidates for such general consents so that some, at least, could be announced at the outset.

As with the Paving Act controls, I propose that the sanction for failure to comply should be a liability to disqualification on application to the High Court by an elector, successor council, or additionally by a person or body to whom liability would be transferred. I also propose that, as before, the third parties involved would not be affected: commitments entered into would not be void simply because consent had not been obtained. I have ruled out for the time being a sanction which hinges on some form of limitation of third party rights. Such an approach would not sit well with the provisions in the Bill that preserve the rights of third parties existing at abolition; it would inevitably lead to an outcry from the voluntary sector; and would create uncertainty which could prejudice the passage of the measure.

Some of our supporters in the Boroughs and Districts have also pressed me to strengthen the sanctions for non-compliance by including either some form of surcharge or a financial penalty, as appropriate. The scope for surcharge as such would be very limited. There will rarely be an obvious and identifiable loss to be recovered and no clear role for the auditor to initiate loss recovery. The only effective deterrent would be to introduce a criminal sanction - that is, a fine rather than a repayment. I would be reluctant to strengthen the sanctions in this way because of the controversy it would trigger, but colleagues may feel that disqualification alone may not be a sufficient deterrent to ensure that irresponsible decisions will be avoided by the more militant abolition authorities, not least the GLC. For the moment, however, I would not propose to include any strengthened sanction in the amendment.

If colleagues agree, I should like to announce the tabling of the necessary amendment to the Bill at an early point in the Committee proceedings. I should therefore be grateful for a reply, if possible by 22 January.

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



CONFIDENTIAL

KENNETH BAKER

The Rt Hon Patrick Jenkin MP

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

9 January 1985

John Biffen

I have to advise you that there was a small technical error in the calculation of the expenditure targets set out in the Welsh Rate Support Grant Report for 1985/86 which was laid in the House on 12 December. As a consequence there were also errors in the grant related poundage schedules and in the safety net multipliers.

I propose to correct these errors by laying a short amendment report later this week which can be considered by the Joint Committee on Statutory Instruments at their meeting on 15 January. The way will then be clear to debate the amendment report together with the main report. I understand that Patrick will be debating the English RSG Report on Wednesday 16 January and I would be content as in the past to follow him with a 1½ hour debate after 10.00 pm.

Perhaps you would let me know if this can be so arranged. Copies go to E(LA) members and to the Chief Whip's Office.

John Biffen
Nir

The Rt Hon John Biffen MP
Lord Privy Seal

-9 JAN 1985

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Prime Minister (4)
To note AG 7/1

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

9 January 1985

Dear Andrew

ABOLITION OF THE GLC AND METROPOLITAN COUNTY
COUNCILS

My Secretary of State has asked me to let
the Prime Minister and his Cabinet
colleagues have copies of the two leaflets
on abolition which the Department has just
published. These are enclosed.

I am sending copies of this letter and the
leaflets to the Private Secretaries to
Cabinet Ministers and also to Murdo MacLean
and Alex Galloway.

Yours ever
Ala Davis

A H DAVIS
Private Secretary

Andrew Turnbull Esq

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-9 JAN 1985

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Envir CO
Min for Local Gvt

10 DOWNING STREET

7 January, 1985

From the Private Secretary

RATE LIMITATION IMPLEMENTATION

The Prime Minister has seen and noted your Secretary of State's minute of 3 January setting out his response to those rate capped authorities who seek details of the assumptions made about their financial reserves.

I am sending a copy of this letter to the Private Secretaries to members of MISC 109 and to Richard Hatfield (Cabinet Office).

(A. Turnbull)

J. Ballard, Esq.,
Department of the Environment

CONFIDENTIAL



MPPH

AT 8/1

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

7 January 1985

Dear John

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

Thank you for your letter of 20 December.

The Chief Secretary is content with the approach you propose. He is glad to note that major public comments by Ministers on rate limitation are being cleared with the Treasury.

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 Hodgkinson (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 ever

Richard

R J BROADBENT
 Private Secretary

LOCAL GOVT : Pels

Pt 24.



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File

TARGETS

Q1. How do these targets discharge the commitment to set fairer targets for low-spending authorities?

A1. All authorities budgeting this year to spend $\frac{1}{2}\%$ or more below GRE are getting targets for next year which allow spending to increase in line with inflation, by $4\frac{1}{2}\%$. Even the lowest spenders' targets this year implied real terms cuts of about 2%. That comparison shows clearly how I have been able to discharge to the letter my undertaking to the House last January. On top of that we have given a modest extra improvement to targets to those authorities spending at or very close to target as well as below GRE. These are allowed up to a 4.625% increase in spending.

Q2. But won't low-spending authorities' targets next year be even further below GRE than they are this year? How does that square with the commitment to take greater account of GREs in setting targets?

A2. In proposing next year's targets last July, I took greater account of authorities spending against GRE in the current year. All those more than $\frac{1}{2}\%$ below GRE get a more generous target than ever before, which allows spending to increase in line with inflation. If an authority's GRE has gone up by more than 4.5%, that is a bonus since it gets more grant for spending at target than it would otherwise have got. It does not follow that its expenditure needs to go up faster than inflation.

If pressed: GREs change between years for a number of reasons, including changes in GRE assessment, methodology. As we try to improve GREs they are bound to fluctuate. But if an authority gains from a change in GRE methodology, it gets more grant but it does not follow that its year-on-year spending increase should reflect that assessment change. 7

Q3. How do you justify the discrimination of this year's methodology between those above target but below GRE, many of whom get virtually the maximum increase allowed (eg Cambridgeshire) with those like Nottinghamshire, who have overspent target by little more but because of overspending GRE have lost some £7m from their 1985/86 target?

A3. With scarce resources, I must make difficult choices about their distribution. The general principles adopted for 1985/86 targets have the effect of distributing resources towards those spending below GRE. Those like Nottinghamshire whose budgets in 1984/85 are above both target and GRE inevitably lose out.

Q4. Why does the GLC get a target 64% higher than this year's when Norfolk only gets 4.6%?

A4. The aim for 1985/86 is to set realistic targets. The GLC's 1985/86 target implies a 6% real terms cut on their 1984/85 budgeted expenditure. I do not think it would be sensible to expect greater cuts in a single year. Most low spenders' targets, by contrast, allow spending to increase broadly in line with expected inflation. That in the true measure of the relative severity of the targets I am proposing for next year.

Q5. Why is Basingstoke's reward for spending 5% below target this year a cash cut in target for next year? Is not this an incentive to increase spending?

A5. Basingstoke's 1985/86 target represents an effective increase of 4.625% on their 1984/85 budget, the maximum permitted under this year's methodology, and allows them to increase their spending broadly in line with inflation. Their target is therefore the most generous permitted under the methodology, and given the resource constraints, represents the largest increase in spending we were able to allow.

Q6. How can responsible authorities just over target but above GRE, like Hillingdon, manage next year with a target less than 3½% above this year's budget?

A6. [Hillingdon] is budgeting to spend over [10%] above their GRE in 1984/85 and like all authorities spending above target and GRE its target next year is a 3.75% increase over its target this year. This is more generous than the 1984/85 methodology, under which [Hillingdon] would have got only a 2½% increase over this year's target.

Q7. Isn't the adjustment to targets to reflect the change to a capital-only TSG unfair to responsible transport authorities with low subsidies to public transport?

A7. We have merely altered all transport authorities' targets by the amount of TSG which they budgeted to take to revenue this year. In that way we have sought to ensure that the change to a capital-only TSG does not mean that the targets for next year are tougher than they would otherwise have been. No authority gets a lower target next year as a result of this adjustment.

HOLDBACK

Q1. The holdback tariff is far too harsh on authorities who only overspend by a small amount?

A1. Holdback is certainly tougher than this year. But the targets are more generous. With more generous targets it does not seem unreasonable to impose stiffer penalties for exceeding them.

Q2. Why not disregard X category of expenditure?

A2. I shall consider all representations for disregards before implementing holdback in the summer.

Q3. Would it not be reasonable to have less severe holdback penalties for authorities over target but well below GRE?

A3. All authorities well below GRE this year are getting targets for next year allowing their spending to increase broadly in line with inflation. I am not yet convinced that their spending needs to increase at a faster rate. But before I implement holdback in the summer I undertake to consider all requests for alterations to the scheme I am proposing today.

Q4. Won't you operate the existing disregards for Urban Programme/joint finance community care schemes more generously?

A4. I am proposing to disregard year on year increases in expenditure in the same way as in the current year. But I undertake to consider alternatives.

GRANT QUANTUM

Q1. The cut from 51.9% to 48.7% in the grant percentage means massive rate rises. Why do you not restore grant to the level (61%) you inherited, as requested by 30 local authorities under the auspices of the Local Government Campaign Unit?

A1. Each year when we have cut the grant percentage there are alarmist predictions of massive rate increases. But the average rate increase has fallen in each of the last 4 years. In 1983/84 for example we reduced the percentage by just over 3%, as we are doing for next year, and the average rate increase was 6½% lower than in 1982/83.

Many in local government want Central Government to finance a smaller proportion of local authority spending, because that increases local authorities accountability to their local electorate.

Aggregate Exchequer Grant next year is about the same in cash as it is for the current year. I hope that as in all recent years local authorities will budget sensibly and confound the alarmist predictions of the RH Members.

Addition to Flag D

Q2. Why are you cutting the grant percentage again?

A2. In each year since 1979 when we have reduced the grant percentage, the average rate increase has in fact been lower than it was in the previous year, when the grant percentage was higher. The key point of course is that cutting the grant percentage adds to the grant pressure which we can put on authorities to find economies in their spending, and reduced spending leads to lower rate increases.

[Examples can be drawn from the table below.]

Year	Grant percentage (settlement)	Average domestic rate poundage	Average domestic rate increase on previous year
1980/81	61.0%	100.1p	27.4%
1981/82	59.1%	122.3p	22.2%
1982/83	56.1%	140.4p	14.7%
1983/84	52.8%	150.2p	7.0%
1984/85	51.9%	159.9p	6.4%
1985/86	48.7%	-	-

CURRENT EXPENDITURE PROVISION

Q1. Surely the expenditure groups told you in July that a £1.7bn uplift on the PES provision is required?

A1. The expenditure groups estimated the cost of continuing authorities present policies, and the projections were based on the local authority associations estimates of likely inflation. After the necessary classification changes and using the Government's inflation estimate, the local authority bid of £1.7bn is equivalent to £1.4bn. The uplift of over £800m which I have announced today goes more than half way to meet them. We all know that there is ample scope for savings in local government. It is surely not unreasonable to ask local government to come the rest of the way to meet us.

Q2. Cuts of even £600m are unrealistic and would cause major disruptions to services. Will not the Government accept that their public expenditure plans are unrealistic?

A2. The plans are more difficult now because authorities in aggregate have failed to meet our targets up till now. Moderation in wage settlements is a crucial factor. If average wage settlements in local government had been only 1% lower than they were in each of the financial years 1981/82 to 1983/84, current expenditure for the same volume of services would have been about 2½% less than it was in 1983/84. That is an overspend of around £300m or 1.5% on settlement rather than the £760m or 3.9% that actually occurred. If in those years local authority employees had settled in accordance with the Government's public sector pay guidelines current expenditure would have been within the Government's plans. The more that is spent on pay the less there is available for services.

Q3. What will be the implications on the police/fire/education service?

A3. It is for local authorities to decide how much to spend and on what services, within the realistic targets I have set them.

BLOCK GRANT DISTRIBUTION 1985/86

Grant Related Expenditure Assessments (GRES)

Q. What changes have you made to GRES for 1985/86?

A. There are completely new GRES for passenger transport subsidies and for highway maintenance. These are an essential part of the shift from supporting these costs through TSG to supporting them through block grant, and I believe they represent a real advance for the GRE system. There are also important improvements in GRES for rate fund support to council housing and for recreation, and in the allowance for higher labour costs in and around London.

Q. Do you accept that the move to capital-only TSG is premature, and that the new transport GRES are far too weak?

A. No. The move to capital-only TSG reduces the proportion of local authority costs supported by specific and supplementary grants, and increases the proportion supported by the more general block grant. I know that will be welcomed by many people in local government because it increases their freedom to set their own priorities. I believe the new transport GRES are fully equal to the task.

Q. Don't the changes in housing GRES this year show that a number of inner city authorities have been massively disadvantaged in previous years?

A. Support for council housing is a particularly difficult service to assess in GRES - not least because the level of support needed is only the residual of very large expenditure and income items. I fully accept that the old method of assessment had reached the end of its useful life. The new method is more refined and makes much more use of up-to-date information on each authority's housing revenue account. I believe it is a real improvement. Any losses as a result of the new method are of course safety netted in the usual way.

Block Grant Mechanisms

Q. Why have you increased the slope of the block grant poundage schedule?

A. Raising the slope of the schedule increases the importance of spending in relation to GRE in the distribution of grant. It therefore helps meet my general aim of helping those authorities which have always pursued prudent spending policies.

Q. Isn't this a device to shift grant to the shire counties at the expense of many inner city authorities?

A. No. I felt that it was right to increase the weight given to GREs in grant distribution. But this benefits all authorities whose spending is at or below GRE. I do not think inner city authorities as a group have cause for complaint. Many of them do well out of the GRE changes in this year's settlement.

Q. Doesn't the move to capital-only TSG mean heavy losses for authorities whose passenger transport and highway maintenance spending was supported by TSG in the past?

A. No. These costs are now supported through block grant, and there are new GREs for these services. Any losses as a result of the transition have been safety netted in the usual way.

Q. Why have you made a special offset from the London poundage schedule for London Regional Transport?

A. From 1985/86, LRT will be funded by the Exchequer. Part of the cost will be offset by a specific levy on ratepayers in the capital. This levy has to be taken into account in the block grant arrangements, and that is what I have done. I believe that the result is a fair deal for London ratepayers - it puts them in a similar position to ratepayers elsewhere who pay for public transport subsidies through the rates.

Q. Doesn't the introduction of rate-capping mean that capped authorities will get more grant in 1985/86, at the expense of shire authorities?

A. In recent years the shire authorities have benefitted from a windfall gain at the beginning of each financial year, because a few extravagant authorities have budgetted at such a high level that they have forfeited all their grant. In 1985/86 rate limitation will prevent them budgetting in this irresponsible way, and present windfall gains for other authorities. But the shire authorities should not lose out in any other sense.

RSG SETTLEMENT BRIEFING

RSG Supplementary Reports

Q. Why a further Supplementary Report for 1984/85 now? Why have you not allowed a disregard for _____? How do you justify a Report just for Liverpool?

A. The main purpose of this Supplementary Report is to put Liverpool City Council on the same footing as every other local authority in England. Liverpool's budget was received too late to be incorporated in the first Supplementary Report last July. Now that we have their budget, this Report implements £3m holdback for Liverpool, after disregarding £2.6m of the City Council's expenditure. It would not have been fair to those other authorities to defer this Report. I will consider all requests for disregards before making the next Supplementary Report for 1984/85.

Q. Why a further Supplementary Report for 1983/84 now?

A. We are making this Report now in response to a request from local government representatives. They share my aim that, wherever possible, we should minimise the number of Supplementary Reports for any year and should make them as early as practicable after the end of the year. (The Report will be implemented in April 1985, to enable local authorities to take account of its effects when setting their rates for 1985/86).

Q. Why do Islington receive £9.3m extra grant for 1983/84?

A. The Council's reported outturn expenditure is £6.5 million below their budget for 1983/84. This lower level of spending entitles Islington to £4.1 million more grant before holdback, and also reduces their holdback liability by £5.2 million.

LOCAL AUTHORITY EXPENDITURE IN ENGLAND 1984/85 AND 1985/86

£m Cash

1984/85 SETTLEMENT AND BUDGETS (unadjusted)

		Current Expenditure	Total Expenditure
Settlement provision		20,389	20,542
Increase over PEWP provision	£m	540	-
	%	2.8%	-
LA 1984/85 budgets		21,446	21,390
Overspend on settlement provision	£m	1,057	848
	%	5.2%	4.1%

1985/86 PROPOSED SETTLEMENT

		Current Expenditure	Total Expenditure
PEWP Provision (Cmnd 9143) February 1984 (a)		20,493	-
Settlement provision		21,314	21,815
Increase over PEWP provision(a)	£m	821	-
	%	4.0%	-
Increase over 1984/85 provision	£m	1,246(b)	1,309(d)
		6.2%	6.4%
Comparison with LA 1984/85 budgets	£m	+ 267(c)	+ 538(c) (d)
	%	+ 1.27%	+ 2.5%

For comparison : rate of inflation (GDP) expected to be 4½%, 1984/85 to 1985/86

- (a) Adjusted for NIS abolition and classification changes
(-£132m for LRT and -£62m for NAFE)
- (b) Adjusted for NIS abolition and classification changes
(-£125m for LRT and -£60m for NAFE)
- (c) 1984/85 budgets adjusted for NIS abolition and classification changes
(-£196m for LRT and, -£60m for NAFE)
- (d) After capital only TSG adjustment (+ £268m on 1984/85)

NB LRT adjustment to provision - £125M in 1984/85 and - £132m in 1985/86, but GLC budgeted to spend £196m on LRT in 1984/85.

AGGREGATE EXCHEQUER GRANT

£m

	1984/85	1985/86
Relevant Expenditure at settlement	22,883	24,161
Budgeted relevant expenditure	23,801	-
Grant at settlement	11,872	11,764
% of settlement relevant expenditure	51.9%	48.7%
Grant after holdback	11,417	-
% of settlement relevant expenditure	49.9%	-
Grant at 2nd supplementary report ^(a)	11,497	-
% of <u>budgeted</u> relevant expenditure	48.3%	-

(a) Aggregate Exchequer grant is reduced by holdback of £455m but increased because of increased specific grant in respect of the excess of budgeted expenditure on police etc over settlement.

LIVERPOOL CITY COUNCIL

Q1. Why have you set Liverpool a target which totally ignores the problems they face?

A1. Liverpool's target has been set according to the same principles as every other authority. I have repeatedly made clear that there will be no special treatment for Liverpool.

Q2. But against the budget the Council say they need this target could lead to Liverpool losing all their grant, and so to either massive rate increases or massive cuts in jobs and services?

A2. Liverpool's problem is not its expenditure target but the deliberate failure of its Labour Leaders to run the City's finances properly. Their target is tough, but it is the Council who are acting irresponsibly; they have ignored the breathing space offered by the settlement of this year's budget in the Summer. Far from putting their house in order they are allowing a deficit to build up and are threatening to plunge their City into chaos.

Q3 How do you justify a Report just for Liverpool?

A3 The main purpose of this Supplementary Report is to put Liverpool City Council on the same footing as every other local authority in England. Liverpool's budget was received too late to be incorporated in the first Supplementary Report last July. Now that we have their budget, this Report implements £3m holdback for Liverpool, after disregarding £2.6m of the City Council's expenditure. It would not have been fair to those other authorities to defer this Report. I will consider all requests for disregards before making the next Supplementary Report for 1984/85.

Q4 Will the Secretary of State for the Environment meet the City Council, as they have demanded?

A4 The City Council must put their own financial house in order. They know what they have to do. There is no case for a meeting especially given the peremptory terms of the demand, *but I should be happy to consider carefully any written representations*

Q5 Will the Government return the money 'stolen' from Liverpool/provide extra funds for the City?

A5 The Government already spends huge sums of money on Merseyside - over £1000m in 1984-85. There have been and will be no special extra funds for Liverpool. We did not submit to the Council's blackmail this year. We will not do so next year. The rest of the country is fed up with the raucous special pleading of the Militant Tendency who run the Council.

- Q6. Are you seriously suggesting that the Council should cut 6,000 jobs?
- A6. Far more jobs will be at risk if the Council fail to act responsibly and balance their budget.
- Q7. Why have you failed to keep your promise to provide the City with £130m in capital allocations for 1985/86?
- A7. That allegation is a flat lie. I made no such promise. The Council must be living in cloudcuckooland if they ever thought such sums were possible.
- Q8. Will the Government simply allow the City Council to collapse.
- A8. It is the City Council which has the duty to run Liverpool. They must pull themselves together and act responsibly. If they fail to do so it is the people of Liverpool and the Council's own staff who will suffer.

CAPITAL EXPENDITURE

Q1. When will local authorities' capital allocations for 1985/86 be announced? What will the capital control regime be for 1985/86?

A1. I appreciate that authorities are anxious to know where they stand on capital so that they can make their plans for next year. I am sorry that we have not managed to make announcements coincide with the RSG settlement as usual. I cannot give a precise date or any details at present: we are still sorting out the position following the final decisions on public expenditure. But I hope that we shall be able to make an announcement very shortly.

Q2. Will the rate limits set for the rate-capped authorities make it difficult for them to service outstanding debt?

A2. No. The rate limits we have set reflect the expenditure levels announced earlier, which in turn make reasonable allowance for the expenditure which the authority will be properly required to incur next year, taking account among other things of the level of their outstanding debt and their need for new borrowing in the year. The servicing of loan debt is in any case the first charge on an authority's revenues. It is inconceivable - as we have made clear all along - that rate limitation should in itself force any authority into default on debt.

Q3. What if rate-capped authorities deliberately default on debt?

A3. That would of course be illegal. I am aware of the noises which some councillors have made. It is not for me to try to guess whether any of them will be so misguided as to propose such action formally to their authorities. But there are severe penalties on elected members for financial misconduct, including surcharge and disqualification. Anyone considering an act of deliberate illegality should remember that fact.

LOCAL GOVERNMENT FINANCE STUDIES : KEY POINTS

The local government finance studies:

- i. will be taking a fresh look at the whole field of local government finance;
- ii. will be conducted internally under the guidance of Ministers; there is already a great deal of published evidence and analysis on this subject;
- iii. when proposals have been formulated (unlikely to be in less than a year) there will be widespread consultation before any question of legislation arises.

Q&A BRIEFING FOR RSG STATEMENT: RATE LIMITATION

- Q1. What information have you taken into account in the absence of applications for redetermination of ELs?
- A1. I have taken into account all relevant information available to me, including that furnished by the designated authorities. I have had regard to the extent to which I judge information to be accurate and complete.
- Q2. How have you set about reducing reserves (eg Leicester)?
- A2. I have compared the reserves estimated to be held by each designated authority (to the best of my knowledge) with a reasonable level for authorities of that class, and have in general assumed use of reserves above that level to support expenditure in 1985/86; though with a constraint on the maximum possible reduction in a single year.
- Q3. Why have you made allowance for authorities who have used special funds this year?
- A3. It appears from information available to me that some authorities are planning to offset special fund money against spending this year, and might not have adequate reserves next year to avoid getting into difficulty if no allowance is made in the rate limit. I have made some allowance where this effect appears substantial.
- Q4. Isn't this a backdoor way of redetermining the EL?
- A4. No. I have no power to redetermine ELs in the absence of an application for redetermination. I have not received any. All I am doing is taking a judgement on the availability of reserves to the selected authorities.
- Q5. Aren't you interpreting your power to "take account of financial reserves" very widely?
- A5. No, I think that is precisely what I am doing.

- Q6. Isn't Merseyside's precept limit extraordinarily high?
- A6. Merseyside is affected by the adjustment I have made for special fund use. Their precept limit would have been lower if they had not budgetted to use special funds this year. Without rate capping their precept would certainly be even higher, so we are still protecting their ratepayers.
- Q7. How will the GLC achieve a precept freeze when they have said they need at least a 9% increase?
- A7. How the GLC obey the rate limitation law is a matter for them. The GLC is a profligate authority which is well able to make savings if it sets its mind to it. Its publicity budget alone is greater than the total spending of Durham. A precept freeze is a great Christmas present for Londoners.
- Q8. ILEA have already declared a precept of 83.1p. Doesn't that mean that your precept limit is far too low?
- A8. I am proposing a precept limit for ILEA of 74.2p. If that were confirmed, then ILEA would not be able to levy its so-called precept. But their announcement was just a publicity stunt. They are well able to make the savings necessary to bring their spending down to their expenditure level of £900m, and to bring their precept down to the level I am proposing. There are many areas in which they spend far more than other education authorities, and where they could make savings without damaging services. They have financial reserves. Of course, if they genuinely think they cannot meet my proposed limit, it is open to them to come and say so.
- Q9. What can authorities do if they don't think their limit is practicable?
- A9. They have until 15 January - over a month - to make a case to me for a higher limit. I shall take fully into account the arguments they put to me, and any other information available. I hope that, if they are genuinely concerned, they will put cases forward. It is not in their interests, or in the interests

of their ratepayers, to carry on the senseless boycott which has operated in respect of applications for redeterminations of ELs. It is far better if we all cooperate to make the law work.

Q10. Some ratepayers won't feel protected where rate limits are an increase?

A10. 13 out of 18 of the limits represent a reduction from last year's rate. Some authorities set artificially low rates for this year by using balances; it would be difficult to get further reductions from so low a base. But even these authorities are now having their spending curbed, and so will be rating less in 1985/86 than they would have been without rate limitation. That is how we are protecting the ratepayer.

Q11. Some of the rate capped authorities are among poorest and most deprived in the country. Ought you really to be taking further money from them?

A11. I agree that some of these authorities (eg Hackney) have special needs. That is already recognised in their GREs (the cost of providing a standard level of services). For example, Hackney's GRE per head for personal social services is the highest in the country and three times the national average.

However these same authorities have been consistent overspenders, and indeed their overspending meant that other authorities had to live within tighter targets. Rate limitation has meant that I have been able to set more generous targets for the lower spenders. For by rate limitation I can save about £400m that these high spenders would otherwise have spent.

All these authorities are spending way over GRE. There are undoubtedly ways in which they can cut waste and reduce spending without damaging services. If others can do it, why not them? For example, many of the so-called "poor" boroughs spend heavily on advertising that borders on political propaganda. I hope they will now set to and look for savings, thus protecting their ratepayers, rather than waste time, money and effort in spurious complaints about being hard done by.

Addition to Flag F (or Flag A)

- Q. Don't the 1985/86 GRE changes falsify the basis of selection of the 18 authorities for rate-capping? If the new GRE's had applied in 1984/85 (after the E7 change in particular) surely some of the 18 would have come below the GRE + 20% criterion?
- A. No. In selecting authorities for rate-capping next year in July, I used the best information available to me at the time. I selected them on the basis of the comparison of their budgeted expenditure for the current year with both their target and their GRE. That was a wholly reasonable basis. GREs for 1985/86 were of course not available then. And anyway it would not be sensible to compare 1984/85 budgets with 1985/86 GREs, since they take no account of inflation. If their 1984/85 budgets are uprated for inflation, 17 out of the 18 selected authorities would be spending over 20% above their 1985/86 GRE. GREs will of course vary as we strive to improve the methodology in the light of comments from local government and others. [But I remain convinced that our criteria for selection of the 18 authorities for capping next year on the grounds of excessive spending were right and were the best available to us at the time.]

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	£ 113.558m	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%



PRIME MINISTER

②

AS+11

MT

RATE LIMITATION IMPLEMENTATION

At the meeting of MISC 109 on 12 December, we discussed the strategy of the implementation of rate limitation up to April this year. We agreed that the preferred stance was to operate strictly the prescribed rate limitation procedures, without any bending of arrangements or timetables.

Since my announcement in December of proposed rate or precept limits for designated authorities, my Department has received a number of requests from authorities (notably GLC and ILEA) for details of the assumptions I have made - in particular about financial reserves - in calculating the proposed limits. Colleagues may wish to be aware of the response being given to such requests.

In the light of legal advice, and of the conclusions reached by MISC 109 in December, we are refusing to supply details of such assumptions other than in the context of the statutory negotiations about limits which are provided for under the Rates Act. This stance leaves the onus firmly with authorities to illustrate to me, as provided by the Act, that the limit I have proposed is inappropriate; and to make their alternative proposals. Unless authorities are encouraged to come to the negotiating table in this way, they will undoubtedly indulge in lengthy - though ultimately pointless - attacks on the assumptions made in the calculations, while coming no closer to agreement on the limits proposed or on alternative limits.

/ I enclose for information a copy of the standard response



we are sending to authorities.

/ I am copying this minute to members of MISC 109 and to Sir Robert Armstrong.

Andrew Hyslop
for P J

3 January 1985

Agreed by the Secretary of
State and signed in his absence

PROPOSED DRAFT REPLY TO DESIGNATED AUTHORITIES SEEKING FURTHER INFORMATION ABOUT ASSUMPTIONS USED IN SETTING RATE LIMITS

1. Thank you for your letter of [] / seeking further information about the assumptions used by the Secretary of State in his calculation of the proposed rate/precept limit for your authority.

2. The procedures for setting rate limits as prescribed in Part I of the Rates Act 1984 (section 4) make it clear that, once a designated authority has been notified of the maximum which the Secretary of State proposes to prescribe for the rate made, or precept issued, by it in the coming year, it is for that authority to decide whether it accepts or does not accept the proposed maximum limit in the light of its own local circumstances. If an authority decides not to accept the proposed limit and, in accordance with the Act, wishes to seek agreement with the Secretary of State on determining a different limit, it is for that authority to submit its own proposals supported by such information as is necessary.

3. In the context of statutory negotiations about the limit proposed, the Secretary of State would be happy to respond to proposals made by the authority, and to discuss the assumptions he has made in calculating the proposed limit, in considering the case for a higher limit.

4. The statutory deadline by which a response to the proposed limit has been requested (15 January) is now fast approaching. I can only repeat that it is for your authority to decide as soon as possible whether to accept the proposed limit, or if not, to put forward alternative proposals to the Secretary of State as the basis for discussion with him.



10 DOWNING STREET

From the Private Secretary

2 January 1985

The Prime Minister has seen and noted Mr. Baker's letter of 20 December, about the effects on Barnett of the 1985/86 RSG settlement. Mrs. Thatcher was most grateful for this detailed and useful report.

David Barclay

Mike Bailey Esq
Department of the Environment.

PRIME MINISTER

Mr. Jenkin has considered the points you wished to be put to him.

- (i) He does not feel Harry Jordan is suitable.
- (ii) He agrees that the Inquiry needs to be given a clear picture of the ground it must cover, whether in the terms of reference or in the statement, or by briefing.
- (iii) He recognises the need to publicise the work of the Inquiry, though some parts of its work will be better conducted in private.
- (iv) He accepts the need for a timetable.

As you requested, he has expanded a bit further on the merits of David Widdicombe. The fact that he once stood as a Labour candidate is seen as no impediment and perhaps even an advantage as one of the aims of the Inquiry will be to mobilise the "responsible" left. His other qualities seem well suited to the appointment. I consulted the Home Secretary informally. He did not know Mr. Widdicombe well but had a generally favourable impression of him.

Agree?

- I will ask N-L further in view of his comments
ms

Both the Chancellor and Mr. Tebbit urge the appointment of at least one member of the group with an understanding of business.

Agree Mr. Jenkin be asked to respond to this in producing names for the other members?

2
2 January 1985



10 DOWNING STREET

Prime Minister (2)

Lord Rothschild has sent
this in before leaving for three
weeks holiday. The intention
has been for him and Mr Hoffmann
to come and see you sometime
after he returns.

The note seems to reflect
a feeling of frustration on
Lord Rothschild's part. I will
try to establish with William
Waldegrave and Tony Heiser
what lies behind this.

AT

4/1

LORD ROTHSCHILD

Telephone: 01-280 5000

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N.M. Rothschild & Sons Ltd.
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London EC4P 4DU



1 January, 1985

Dear Prime Minister,

You wrote to me on 30 October 1984 requesting a sharp look at local authority finance and function. My first sharp look, for your personal information, is enclosed. In addition, I have made a preliminary study of single tier local government. Attractive as this may be on organizational and managerial grounds, it is, I believe, politically unacceptable.

I shall continue the work, so far as Ken Baker and William Waldegrave wish, until mid-April which I believe to be the target date for completion of the study.*

With best wishes for 1985 et seq.

*Yours
Victor*

* which will, I think, contain some useful stuff.

Personal and Confidential

THE LOCAL AUTHORITY PROBLEM VIEWED BY AN OUTSIDER, 1.1.1985

(1) When viewing, for the first time, the Local Authority problem, the outsider is most forcibly struck by the lack of harmony and ill-feeling among those concerned. The Department of the Environment is contemptuous of the Local Authorities. The Local Authorities dislike intensely the Department of the Environment. The Audit Commission criticised the Department of the Environment in print, in what some people thought was intemperate language. The Department of the Environment, while approving of some Audit Commission studies in a lukewarm way, denigrates the Commission as often as possible, itself publicly picking holes in its work. Ministers, unfortunately, have followed suit. Since the Baker-Waldegrave Enquiry started, officials in the Department of the Environment have successfully blocked an attempt, by the outsider, to improve relationships with the Local Authorities.

(1.1) A major effort should be made to attenuate, if not eliminate, this disharmony. The effort will need a special, carefully designed operation.

(2) The most serious misapprehension to be countered is the Local Authority cry "It's our money; what's it got to do with the Government?". Local Authorities do not understand the need for overall control of public sector borrowing and expenditure and, during the elimination of the existing disharmony, a special effort should also be made to explain the economic basis for this necessity.

(3) A further matter requiring urgent attention concerns the incredible complexity of the arrangements which the Government has allowed to develop. To quote one of the outsider's mentors:

The grant system is at the root of the financing problem. Its Byzantine complexity (GREs, targets, expenditure limits, and rate-capping, all wrapped up in more than 60 equations) is far from the slimline RSG originally sought by Michael Heseltine.

Local authorities cannot know for certain what they are getting (the close ending problem) and the thrifty are often penalised. There is widespread hatred of the system right across the political spectrum.

This is an example of the current mess which is incomprehensible to an outsider. There follows, however, another example which is incomprehensible to all outsiders and to 99.9% of insiders, for which Ministers must take responsibility.

PERSONAL SOCIAL SERVICES

Children under 5 at risk (XI) is calculated as indicator A4 multiplied by the sum of the proportions of children under 5 in the area of an authority who

- (i) live in households lacking exclusive use of a bath or inside WC or live in households at a density of occupation greater than 1.5 persons per room, multiplied by 0.047661;
- (ii) live in households that contain a lone-parent family, multiplied by 0.45864;
- (iii) live in households whose head was born in the New Commonwealth or Pakistan, multiplied by 0.029293;

all as estimated by the Secretary of State on the basis of the 1981 Census

How can Ministers permit such mumbo-jumbo to be inflicted on Local Authority officials ? Has the time not come for the Prime Minister to say "Stop it."?

(4) The malaise underlying these symptoms will not be cured by a small group of Officials and Consultants supervised, part-time, by a Minister or Ministers, with the odd Oxbridge seminar thrown in for good measure.

(4.1) A new and ruthless broom is needed. It seems doubtful whether an outsider can provide the broom, let alone wield it.

k.

PART 24 ends:-

SS/Enw to Pm 31/12/84

PART 25 begins:-

AT to Pm 2/1/85

