

Local Govt

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Prime Minister (2)

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To: MR SCHOLAR
From: JOHN SPARROW

11 June 1982

MISC 79: Local Government

1. The Secretariat will be providing the Prime Minister with summaries of all the reports on the various aspects of local government, including the CPRS paper, before they are considered by MISC 79.
2. However, the CPRS paper seeks to develop a framework for the future of local government and is therefore rather different from the other more specific papers; further, the Prime Minister herself asked that the work should be undertaken (in response to Robin Ibbs's note of 24 December 1981).
3. I therefore attach a copy of the full paper (which is itself summarised at paragraphs 77-94 on pages 25-29).
4. I am sending a copy of this minute to Sir Robert Armstrong.

PS.

Att

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A FRAMEWORK FOR LOCAL GOVERNMENT

Paper by the Central Policy Review Staff

1. Relations between central and local government are poor. There is a great deal of uncertainty and dispute about the basis of the relationship, its future direction and the resources to be deployed. Confrontation arises because local government believes it has a right to an existence independent of Government, while Government believes it has a right to intervene in local government on matters which it considers of national importance.

2. Against this background Ministers are facing a series of decisions about various inter-related local government issues: alternatives to domestic rates; methods of financing education; arrangements for transport in the conurbations; and the future of the Metropolitan counties and the GLC. These issues raise broad questions about:

- the functions of local government;
- how these functions are to be delivered and in what structure;
- how they are to be financed.

In effect Ministers are being asked to form a view on how they want local government to develop over the next decade.

3. Given the combination of circumstances, the CPRS believes that the Government needs to be clear about the role of local government, both in order to set a steady path for the future and to provide a sound basis for decisions on the shorter term issues. This paper outlines a set of Government objectives for local government, identifies where the present system fails to meet these objectives and then discusses what changes, including those implied by the immediate issues, would improve the position.

The report is summarised in the concluding section (paragraphs 77 to 94, pages 25-29).

Objectives of Local Government

4. The Royal Commission on Local Government (Redcliffe-Maud) considered that local government, as the only representative political institution outside Parliament, "forms an essential part of democratic government It is only by the combination of local representative institutions with the central institutions of Parliament, Ministers and Departments, that a genuine national democracy can be sustained."

5. We believe that Ministers share this view.

6. The key function of local government, within the limits set for it by statute, is to enable individuals to take part in the government of the area in which they live; ie to decide their priorities about the type, the extent and the balance of local services they wish to see collectively provided, and then to pay for them. The system of local government should also act as a two way channel: enabling Government to deliver national services sensitively at the local level; and developing local initiatives which provide signals to Government about the need to develop new national policies to meet local needs. Government needs to be sure that the system of local government can perform these functions effectively and efficiently.

7. Hence the CPRS considers that a system of local government must be based on three fundamental principles:-

i. **democracy:** the local electoral system should allow the expression of local preferences; those elected should be responsive to the wishes of their electors, and there should be sufficient flexibility to allow the degree of local initiative necessary to respond to new needs and problems;

ii. **accountability:** the method by which local authorities raise their revenue should ensure that electors and elected, in making choices, take account of the financial implications of their choices;

iii. **efficiency:** the system should provide pressures to ensure that services are delivered efficiently (eg through making information available to the electorate) and to counter pressures in the opposite direction (eg from the public sector unions).

In addition there are a further three objectives which Government has in its dealings with local government -

iv. **restraint:** there should be some means of restraining spending in the light of economic realities;

v. **national priorities:** Government should have adequate instruments to ensure that its own priorities are observed (eg on minimum standards) when it is in the national interest to override what might be alternative local priorities;

vi. **equalisation:** the mechanism for exchequer support should seek to equalise the local taxation burden for equivalent levels of service provision.

8. These principles and objectives are not wholly consistent. On occasions Government pressure to develop particular services has conflicted with a broader Government desire to see local spending restrained. At other times Government uses instruments to influence local priorities (objective v.) for example circulars, inspectorates and special grants (eg for the police), and ultimately legislation, to impose national priorities; each of these implies some diminution of local democracy. Conflict stems, in these cases, from differences of view about what should count as an issue of sufficient national importance to justify overriding local preferences. Such tensions are an inherent part of central/local government relations. Conflicts on particular policies will always occur between two independently elected levels of government - they can even lead to a healthy questioning of policies.

9. But the current conflict centring on local government spending is of a more fundamental nature, in that it raises questions about the degree of independence of local government and hence about its proper role. Government considers that the response of local government to present economic realities has been inadequate (as seen, for example, in its failure to meet centrally imposed expenditure targets). Many people in local

government, on the other hand, consider these targets unrealistic, not least because they think they are based on unreal assumptions; some also question whether Government need set such targets at all. The extent to which local government expenditure matters in the context of the Government's macro-economic policy is discussed in Annex A; which concludes that under any foreseeable system there are likely to be some grounds for continuing Government concern.

Failure and the basis for change

10. Government is responsible for the system of local government. If the system is failing to meet the objectives, the onus is on Government, to modify it - or to abandon, or modify, one or more of the objectives. The present conflict relates to objective iv. restraint. But the nature of local government as currently arranged means that local authorities do have the right to set their own spending levels. Government does not have direct control over local government spending; it must rely on influence.

11. Government could seek powers to impose financial targets on local government by some form of cash limit, as is done at present for the health service. To calculate a limit for each of the 400 or so local authorities would be administratively extremely difficult, if not impossible, and would be fraught with legal problems. There would be risks of direct political confrontation and martyrdom; it might well require appointed local authorities rather than elected ones. It would thus fundamentally alter the concept of local government in Britain, in effect giving overriding priority to the objective of restraining expenditure (iv. of paragraph 7) at the expense of some of the others (notably i. - local democracy, and ii. - local accountability).

12. But such powers would be the only way of ensuring delivery of the government's spending targets. Ministers have hitherto decided, rightly in the CPRS view, that the price for such a change is too high. **But in rejecting this option, Ministers must reconcile themselves to the fact that, while other changes might bring spending closer to the government's targets, no other can guarantee it.**

13. Having rejected direct control, Ministers must look elsewhere for ways of delivering the restraint objective. The only alternative is to strengthen the mechanism of self-restraint by increasing the heavy accountability of local government. This would require changes to make the electors and the elected more aware of the full costs of their preferences and decisions by increasing their share of those costs. The local democratic process would then act as a surrogate for the discipline of the market: the electorate would choose the level of services to be provided on their behalf by the local authority, in the knowledge that, collectively, they would bear the cost. The outcome might not be consistent with targets set by central government, but in a properly accountable system, this would be the essence of local democracy. If such an outcome were still unacceptable to Government, direct control would be the only answer.

14. The system fails to work at present because **local government raises only about one fifth of its current expenditure from its electorate.** The CPRS believes that this lack of balance between local expenditure and local taxation is a major reason why the system fails on objective ii: accountability, and on objective iv: restraint -

- **political accountability is undermined** as local authorities are not accountable either to their electorate or to Parliament for the resources they receive from Government;
- **economic efficiency is undermined** because both central grant and non-domestic rates lower the price of local authority services to the electorate, resulting in excess demand for these services and hence higher expenditure.

15. Both problems would be exacerbated by any move to reduce the rate burden by increasing the size of exchequer grant. It would lessen the need for local self-restraint and would thereby encourage further spending. There is evidence that, other things being equal, the higher the proportion of grant, the greater the propensity for a local authority to spend. To prevent this undesirable effect would require imposing direct control on spending (paragraph 11).

16. The CPRS believes that **it is vital to increase accountability by bringing into closer balance the amount of money which local authorities spend and the amount which they raise from their local electorates.** There are two ways of increasing the proportion of costs borne by the electorate -

- by reducing the functions for which local authorities are responsible;
or
- by increasing the tax take of local authorities.

17. In either case local authorities would still have discretion to set their own level of spending, and there would still be a wide variation in the degree of central support for local authorities. There would thus be no guarantee that central government spending targets would be met. But such changes would undoubtedly increase the downward pressures on, and hence reduce the aggregate of, local government spending. Furthermore, the increased amountability would mean that the resulting allocation of resources would more closely represent the true preferences of the local electorate.

18. But neither course would be easy. To remove an entire service from local government (education is the most obvious candidate) would still be represented as 'centralist'. It could however be defended as providing a sharper division of responsibilities between central and local government, enabling a 'local' solution to apply to the remaining services. To raise a higher proportion of the revenue from the electorate would require an increase in the level of local taxation. This would also be difficult presentationally, and would probably require a change in the way in which revenue is raised locally. However, there would be the advantage that the increase in local taxation could be balanced by a reduction in national taxation.

19. Either path is fraught with difficulties; there are no easy options. But an attempt to steer a middle way by not addressing this basic issue will result - as it already has done - in the worst of both worlds (vociferous complaints about central 'control' without the benefits of actual control). The two courses of action are considered below.

20. Apart from the lack of balance between tax and spending, there are other weaknesses in the present system. In particular, the domestic rating system means that the burden of rates does not fall on all electors. The perception of the electorate is distorted by the precepting arrangements of one tier on another. It is not always clear to the electorate how far policies and their spending consequences are in the hands of their local authority or are influenced by central government actions. There is usually a low turn-out in local government elections, and national political considerations have a strong influence on voting patterns. These factors are also considered below.

Local Government Functions

21. It would seem, at first sight, that it would be easier politically to reduce the range of functions for which local government is responsible, than it would be to increase locally raised revenue. We have briefly reviewed the existing functions of local authorities in this light, and examine the arguments for education and transport below. We think that, if the constitutional worries could be overcome, the main Home Office functions (police and fire) would also be candidates worth considering; we have not done so here.

a. Education

22. Education is a national service administered locally. The benefits of the service extend well outside the local area in which it is provided. Although the amount of local discretion in the provision of the service is limited compared with many other local services, the Secretary of State for Education and Science considers that, in England, parts of the education service are falling seriously short on a number of national educational objectives. This reinforces the need to consider education on a national basis.

23. As a result of the "Financing of Education" exercise, the Secretary of State for Education and Science has concluded that an Education Block Grant (EBG), for possible introduction in 1984-85, is the best course to follow to the objectives of raising educational standards, improving the partnership between central and local government in education, and reducing the rate burden. The CPRS thinks that the effect that such a grant would have on the Government's educational objectives would be small - the Secretary of State would have no more direct leverage than at present; it might encourage more standardisation of local education expenditure, but not necessarily more standardisation of levels of service. There may be more effective ways of achieving the education objectives, for example the limited use of specific grants, greater use and publication of HMI's reports, more advice and perhaps guidance from the centre - possibly including more setting of minimum standards (minimum staffing ratios are set in Scotland). As far as reducing the rate burden is concerned, it has already been stressed above (paragraph 15) that such a move would conflict with the objectives of accountability and restraint on spending. Even if an objective were to reduce rates, a straight increase in grant percentage would probably achieve the purpose equally well.

24. A separate EBG at a higher percentage than the present level of grant, coupled with a lower block grant for the remaining local government services, would not increase the overall exchequer contribution to local government. It would have the same, rather nebulous, effect on the educational objectives. There would be increased pressure on education overspending (though not on ILEA as it receives no grant). But there would also be a greater incentive for underspenders to increase their expenditure, which is the usual aim of specific grants. The extent to which the balance of the various different tapers would act as further pressure on general expenditure would depend on the grant mechanisms chosen. Two separate block grants would compound the complexity of a system which is already little understood in government - both local and central - and thereby weaken the effectiveness of the pressures on expenditure.

25. The main advantage would be to increase dramatically (to around 75 per cent) the local contribution to non-education spending, without needing to increase the overall rate burden. But the regime for education might prove an unstable half-way house along the road to central control.

26. The only functional change which would avoid these complexities and uncertainties, while taking a major step toward the objective of balancing the levels of local spending local taxation, would be to transfer the responsibility for financing education from local to central government, and simultaneously to reduce grant on the remaining services. Expenditure by local government on education roughly matches, in total, the current level of central government grant. Thus the remainder of local authority services could have a much higher (than present) proportion of their costs raised locally - although this would reduce the equalisation facility that grant provides.

27. There are two ways of arranging central control. One option would be to remove the power of local authorities to raise revenue for education, while leaving them with their present administrative responsibilities for the service. However this would blur responsibility. The local authorities would not be responsible for deciding how much to spend on education - this would be determined centrally, but they would be responsible for how it is spent. They might seek to cover any failings in the latter function by claiming that central government had failed on the former. This would run a serious risk of continued conflict, and could even encourage political martyrdom (eg on the lines of Clay Cross).

28. Alternatively, education could be run on lines such as those for the National Health Service (NHS). This would mean setting up separate education authorities appointed by, and answerable to, the Secretary of State. It would provide a clear division of responsibilities between central and local government. It would require an increase in the number of civil servants. It would probably also require appointed regional and local tiers (as in the NHS) both to take the mass of administrative decisions needed, and to provide barriers similar to those in the NHS which would shield the Secretary of State from direct responsibility for matters of local detail. It would be at least as important as in health to ensure an adequate local input, perhaps via the lower tier, and particularly at the level of the individual school.

29. Local government would of course be fundamentally altered - at least in those authorities which are at present responsible for education. However the ex-education authorities would still be responsible for more services than the

present non-education authorities are, and although the case for a major reorganisation of local government structure would be much strengthened (paragraphs 63-70), it would still not be overriding. The change might, perhaps, weaken some of the links between education and the personal social services; but it would enable much stronger links to be formed with the MSC - facilitating merged arrangements for education and training at the local level - and, at least for public sector higher education, with the Universities.

30. There can be no doubt that if education were reorganised on such a centralised basis it would provide the Secretary of State with more leverage to ensure that the Government's educational policies were implemented. But the key question is whether the loss of local accountability, and shift to central control, would yield a net gain in efficiency and effectiveness.

b. Transport

31. Transport needs a high degree of stability in policy and planning, because of the long lead times for much new investment and because it takes a population a long time to adjust to new service patterns (of both roads and public transport). In most of the major conurbations such stability has been rare; there is therefore an a priori case for removing transport from local government - at least in the conurbations.

32. Officials in MISC 70 have been considering alternative arrangements for public transport in the conurbations. They have concluded that, outside London -

- policy on public transport should be controlled by the same body as controls other transport policies (roads, traffic, parking);
- the controlling body should be locally elected as transport policies have a major impact on the day-to-day lives of the individuals who live locally;
- the Metropolitan districts are not large enough for most aspects of transport in the conurbations.

33. The CPRS agrees with the conclusion that transport should remain a local authority function in the Metropolitan counties outside London; the same arguments and conclusion apply outside the conurbations. MISC 70 has proposed that new legislation should provide a more precise formulation of the statutory duties for local authorities as a means of providing restraint on levels of subsidy. Within the limits provided by the proposed legislation, the Metropolitan counties would be seen by their electorates as responsible for raising and spending finance for subsidising public transport.

34. In London the case is different, primarily because of the existence of the extensive and separate British Rail commuter network, but also because of the size of the conurbation. The Secretary of State for Transport endorses the MISC 70 proposal for a statutory Passenger Transport Authority for London and the South East. Annex B discusses this proposal and variations of it. Central government would take full financial responsibility for public transport. This would virtually eliminate any element of local accountability, and responsibility for public transport would be detached from the remaining transport responsibilities; there would also be management problems.

35. If Ministers were attracted by the idea of a new Authority, the CPRS would favour a variant of the scheme in which the role of subsidising London Transport bus services remained a local authority function with the new Authority acting as contractor and the local authority as customer raising funds locally to pay for services. We suggest that these options need further detailed examination.

Revenue raising and financing

36. The section above examined how accountability could be improved by reducing the functions for which local authorities are responsible and requiring them to pay for most of the remainder. The other route for improving accountability is to increase the proportion of the expenditure that local authorities raise from their local electorate. It too is not politically appealing. The object would be to find ways of enabling local authorities to raise directly some of the money currently raised on their behalf by the

Government, rather than to increase total taxation: national taxation could fall in line with the increase in local taxation. In principle increased charging for services could make a contribution. But the scope without radical change is likely to be limited; no proposals for radical change are in prospect at present, and any such proposals would need substantial work.

37. Redcliffe-Maud considered that if a country desired local government it should "first decide what it wants local government to do and then equip it with an adequate tax system. Such a system must rest on a tax or taxes, locally fixed, for which the representative authority accounts to the local electors." The present system does not rest on such a tax; it is bolstered by a contribution of over 50 per cent from Government and over 25 per cent from industrial, commercial, and other non-domestic ratepayers (who do not form part of the electorate). We consider how this might be changed.

a. Grant

38. Central government grant to local government has increased throughout most of this century; in 1930 grants formed about 25 per cent of revenue account expenditure as opposed to about 50 per cent now. There have been three reasons for this -

- to encourage spending to meet central government priorities: usually on specific services; for example, the police;
- to cushion ratepayers against the consequences of choosing higher levels of local authority services: there is international evidence that, in times of economic growth, individuals wish to spend more on services such as education, welfare, transport and the environment; it was often considered easier to pay for these through the national as opposed to the local tax system;
- to protect particular classes of ratepayers: for example agriculture (since 1929) and domestic ratepayers (since 1966); this has had distorting effects by penalising industrial and commercial investment.

A major rationale for grant has been to equalise rate burdens in the light of uneven resources and needs between local authorities - the principle was originally suggested by Lord Balfour in 1901.

39. The current arrangements for, and the size of, central government grant reflect this history. The system is very complex, unintelligible to most of government (both local and central) and capricious in that the effects of changes, both in themselves and in the impact they have on behaviour, can be unpredictable. The level of grant rose mainly in times of economic growth and is not readily adaptable to form an instrument of control.

40. The present block grant system is based on a wish to equalise rate poundages for equivalent levels of service. Because a few authorities have very high rateable values, grant only achieves partial equalisation. Choosing rate poundages as the variable on which to base equalisation means that ratepayers in very similar houses but in different parts of the country may be paying very different amounts for equivalent levels of services; this is due to the wide geographical variation in rateable values. An alternative view of equity could suggest that equalisation might be based on rate bills rather than rate poundages. If it is an important criticism of rates that they do not adequately take account of ability-to-pay, then it would be appropriate to construct a grant system which could take account of regional differences in income.

41. Problems also arise because the grant system incorporates the idea that equalisation should apply at all levels of local authority spending. For some authorities, particularly those with low rateable values, this means that grant continues to increase for marginal increases in spending at any level (for some others it decreases). Such increases in grant must be balanced by reductions in grant in other authorities, because the total grant is cash limited. A different concept of equalisation might provide a basis for a lump sum grant for each authority so that additional spending above some level would have to be 100 per cent funded (£ for £) from local revenue. Any of the changes in the basis of equalisation (in this or the preceding paragraph) would require legislation. Nevertheless, we think they should be examined.

42. The minimum level to which grant could be reduced while still producing an 'acceptable' level of equalisation would depend on the kind of equalisation sought. Even on the present basis, and to produce roughly the current degree of equalisation, the exchequer grant needs to be only about 40 per cent of total relevant expenditure rather than the present 56 per cent - a reduction of about £3bn. The extra grant amounts to a transfer of part of the cost of providing local authority services to the national tax system. This reduces costs locally and so acts as a stimulus to local spending.

43. The simplest way of increasing local accountability would therefore be to reduce the total grant to its equalising level, and to allow the resulting extra tax burden to fall on the local electors. Clearly in political terms the change would need to be spread over a number of years, (interim measures to restrain expenditure are discussed later in paragraphs 58-60). But the present rating system has a number of shortcomings which preclude it from offering a sufficiently equitable basis for such a markedly higher tax yield. This means that any attempt to improve accountability by increasing the proportion of revenue raised locally must go hand in hand with either a reform of the rating system or the identification of other sources of local revenue, or both (see paras 49-57).

b. Non-domestic rates

44. Over half the burden of local taxation falls on non-domestic ratepayers. Although they have no voice in local elections, they may sometimes influence spending decisions, not least because of the impact of high rates on employment prospects. However, like exchequer grants, non-domestic rates cushion the electorate against bearing the true costs of their preferences as expressed in elections; this is particularly marked at the margin in those authorities which take advantage of their high non-domestic rateable values to spend high (eg Camden or ILEA).

45. Non-domestic ratepayers benefit both directly (eg street lighting) and indirectly (eg by the provision of an educated workforce) from the services of local government, and not only from services provided by the local authority

in whose area they are situated (eg education again, and roads). As they do not form part of the local electorate, fairness would suggest they should be charged for the local government services they receive. But for all except a few services this would not be feasible; some form of tax levy is inevitable. To some extent the burden of non-domestic rates falls on those who buy the goods and services produced by the non-domestic ratepayers. But the impact of rating decisions on the costs of the goods and services is invisible to the individual, and furthermore many will live outside the area in which the rates are paid. The effect is to enable local authorities to raise a high proportion of their revenue from a source to which they are not directly accountable.

46. For all these reasons non-domestic rates are more suitable as a national tax than as a local one. As a national tax, central government could set each year the non-domestic rate poundage, either at a single national rate, or varied regionally as part of a regional policy, or varied by industrial sector to encourage investment, as at present (eg agriculture receives preferential treatment by being de-rated; in Scotland, industry is 50 per cent derated). The rate levels would be decided in the context of the Government's overall fiscal strategy towards industry and commerce.

47. The Secretary of State for the Environment suggests an examination of some shorter term options for limiting increases in non-domestic rates, but we suggest that this will need to be widened to examine how they might be converted into a national tax. One option would be for local authorities to collect the tax on an assigned revenue basis. Alternatively, central government could collect the tax and redistribute it as part of the grant mechanism. As non-domestic rateable values show a wider variation between areas than domestic ones do, this change would enable an equalisation grant to be lower. If the total tax take were returned to local authorities, the cost of services to the electorate would be unchanged, but, because the non-domestic amount would be fixed, the cost to the domestic ratepayer of any marginal increase would be higher.

48. The Government could achieve a similar effect at the margin by limiting the increase in non-domestic rates above their present levels. Such a move would not relieve those non-domestic ratepayers who are currently suffering

under excessively high spending authorities, nor would it yield the other benefits outlined immediately above. However it would be a good first step towards converting non-domestic rates to a national tax.

c. Local sources of Revenue

49. Rates are unpopular even though they produce only 6 per cent of the total tax yield. In contrast with most taxes they are highly visible and not buoyant. Their unpopularity is one of the factors which has led Ministers to consider ways in which rates might be reduced. But their unpopularity is also one of their strengths as a tax, in that accountability is encouraged in so far as the electorate can see the connection between rates and service levels. As we have argued above, if Ministers seek to protect the ratepayer by increasing the exchequer grant, this is likely to result in even higher local spending and to conflict with the main objectives of increasing accountability and restraint.

50. For a local tax to encourage local accountability and hence greater self-restraint, it must be perceptible to the local electorate and be borne by them. The 'Alternative to Rates' Green Paper identified a number of other criteria that any tax should satisfy (eg fairness, predictability, cheapness to collect, difficulty of evasion). Both the Green paper and the present paper 'Alternatives to Domestic Rates' by the Secretary of State for Environment, only considered options in the context of finding alternatives which could produce a yield similar to that currently raised by rates. For the reasons given by the Secretary of State for the Environment we agree that local sales tax and assigned revenues fail to meet these criteria adequately and should not be considered further.

51. In his paper on 'Alternatives to Domestic Rates', the Secretary of State points out that domestic rates meet most of these criteria rather well; the main criticism is that they are not 'fair' because they are not related to ability to pay (both on an individual basis and because earners who are not householders do not directly contribute). He suggests changes that could be made to the domestic rating system which would address some of the 'fairness' points (eg discounts for single earner households, capital valuation). The resulting system would stand up well on most of the criteria as compared with the major alternative forms of taxation.

52. The Secretary of State also discusses whether a poll tax could provide a suitable replacement for rates. Its major merit is that it would significantly increase the number of people liable to pay the tax and thus increase local accountability. It would have two main disadvantages. First it would require the setting up of a compulsory register covering the whole adult population which would be administratively difficult and would arouse political criticism. Second, and particularly if it were set at more than a modest level it would be highly regressive. On an individual basis, it would take no more account of 'ability to pay' than domestic rates do, and so would not be any 'fairer' in that sense. A rebate system would be essential - as it is for rates - but it would have to handle very much larger numbers (perhaps an extra 4 million people), and would have implications for the unemployment and poverty traps. The larger the poll tax the more sophisticated the rebate system would need to be, and hence the more the machinery would resemble that for a local income tax.

53. A poll tax high enough to replace domestic rates completely might come close to being a local income tax. By comparison it would have no advantages and some disadvantages (eg the compulsory register). The difference between a poll tax and LIT would be even less if the yield had to be large enough to meet the much higher proportion of local spending that we suggest is essential for accountability and restraint. In summary the CPRS does not consider that a poll tax could, on its own, serve as the the only source of local revenue; it could however be a supplement to another tax.

54. A local income tax, suitably administered, would satisfy very well almost all the criteria for a local tax. In particular it would bear on all earning non-householders and would be 'fair' in the sense of being linked to ability to pay. As such, LIT would provide a sound enough basis for a significantly higher tax yield than domestic rates. Although it would be more expensive to collect it separately from PAYE, there would be major advantages from an accountability perspective in doing so. The CPRS thinks therefore that LIT should continue to be considered as an option.

55. If Ministers consider that, even for the longer term, local government should have only one local tax, then, in order to produce the higher yield needed, LIT is the only long term option. It could not be introduced until the end of the decade, but a commitment now to its introduction in, say, 1990, if this proves feasible, would be a positive step forward. In the meantime, the CPRS thinks that it would still be worth making some reforms of domestic rates as soon as possible, unless Ministers decide in favour of introducing a poll tax on a bridging basis, in which case a rebating scheme could be developed over the decade which would facilitate the switch to LIT.

56. If local government were to be given two local taxes, it would significantly widen the tax base. The arguments against having two local taxes are not clear cut - in fact Britain is unique in Europe in having only one local tax. Together, any two of the three (reformed domestic rates, poll tax, LIT) would provide a wide enough basis to yield the higher taxation needed for accountability. There might be merits in having a separate tax for each tier. In any two tax system it would seem sensible to retain a reformed rating system, with the scope to reduce rate bills when another tax is introduced on a wider tax base.

57. As noted above, the 'alternative to rates' exercise was conducted in the context of replacing domestic rates at their present yield. Further work may be needed on the options if Ministers accept our prescription of needing to switch a higher proportion of local spending on to the local elector, and away from the national taxpayer.

d. Interim changes

58. Any new tax would take a number of years to introduce. Hence, in the context of seeking ways to restrain expenditure, it is worth considering the scope for more limited shorter-term changes in England and Wales - in Scotland the Secretary of State has more direct powers of control. Such changes should be designed to have a restraining effect on local spending by increasing the proportion of spending at the margin which falls to be met from the local electorate. The impact of marginal spending changes should influence the decisions of elected members when setting budgets, though it may be less clear to the electorate at large.

59. We have already suggested one change in that direction, namely limiting non-domestic rates from the centre (paragraph 48). A similar mechanism exists within the grant system too. The "grant-related expenditure" (GRE) assessment is intended to show what an individual authority needs to spend, as a basis for grant distribution. The grant arrangements already incorporate a "taper", the effect of which is to withdraw grant from authorities which spend more than 10 per cent above this level. Various proposals have been made to give the taper a sharper effect (eg bring it in earlier above GRE, make it steeper, kinked or curved in shape). A change in the basis for equalisation (paragraphs 40-41) could make this simpler and more effective.

60. Ministers have, however, been reluctant to put so much weight on GREs, given that actual spending by authorities is widely distributed around this level. The data base and assessments are not very reliable for all services, and there could be a "levelling up" effect if actual spending levels are ignored. Hence the present mixed system of GREs on the one hand, plus targets and penalties based on past spending on the other. The penalties could be made sharper, or applied to more authorities, but with diminishing confidence that "rough justice" would stay within acceptable limits. Such a move would be controversial and would raise political difficulties; it would also be difficult to defend as a step towards increased local accountability.

Other improvements to accountability

61. Even if acceptable ways can be found of bringing expenditure and locally raised revenue into better balance, there are other factors which act to reduce the accountability of local authorities and hence lessen the chances of self-restraint. A key factor is that the electorate should be able to see where the balance of responsibility lies (for the levels of services and for their costs) as between central and local government - hence the options discussed in the previous sections. But the more central government intervenes in local authority affairs the easier it is for an authority to evade blame for its own shortcomings. Nevertheless central government does intervene in order to ensure that its own priorities are observed. We

suggest that if local authorities can be made more accountable to their electorates, in the ways described above, then central government could afford to intervene less often, or in more limited ways. It could put more faith in the ability of local electorates wisely to influence the behaviour of their authorities. Such reduction in central intervention would in turn strengthen local accountability.

62. Accountability is made less effective because of the existence of the two tier system, in that the electorate is often unclear about which authority is responsible for which services. For some services there is an overlap of responsibilities between the tiers (eg aspects of planning and of transport, industrial promotion), which may be worth straightening out - as has recently been considered in Scotland. Obscurity is compounded by the precepting arrangements, as a result of which the consequences of decisions of the precepting authority are hardly visible to the electorate, doubly so when rates are collected along with rents for tenants. It is also worth considering whether the election of councillors could be improved in this respect. Each of these factors is considered below.

a. Unitary authorities

63. There is no evidence that any of the present services are being provided at a universally inappropriate geographical level. But as Redcliffe-Maud found, apart from minimum and maximum sizes of authority (different for different services), size (as measured by population or area) has not been shown to affect either the effectiveness or the efficiency with which services are provided. Because of this, and for reasons of accountability and co-ordination of local services, Redcliffe-Maud recommended unitary authorities in England and Wales wherever possible; he thought they were not feasible only in the very largest of the conurbations. The CPRS considers that there is still a case for unitary authorities, although we differ from Redcliffe-Maud in putting put more weight on the need for accountability and less on the need for co-ordination.

64. Outside the conurbations the lower tier (the district) is responsible for little more than housing. Most districts are too small to run education or many transport functions. Hence unitary authorities, which could not therefore be based on districts, would result in the responsibility for housing policy being more remote from the local electorate than now. But, on the other hand, two of the main upper tier functions (education and personal social services) are often organised and managed in a decentralised way; there is no reason why housing could not be similarly arranged. Unitary authorities based on the existing Shire counties, or at least merged groups of Shire districts, would therefore result in only slight loss of effectiveness for housing, while achieving the extra accountability brought by a single tier.

65. For the conurbations the case is less clear cut. Here the upper tier (the Metropolitan counties) has responsibility for little more than transport and police. The official group on Metropolitan counties has considered the feasibility (and is currently considering the merits) of establishing unitary authorities in the conurbations based on the districts (ie abolishing the Metropolitan counties). Its main conclusions so far are that there would be little difficulty in transferring most of the (relatively minor) functions to the lower tier, but, not surprisingly, there would be difficulties with both the major functions (transport and police) even if some districts were merged.

66. MISC 70 has concluded, and we agree, that much of transport policy needs to be considered over an area at least the size of the present Metropolitan counties; the same arguments apply to the police service. The 'least worst' alternative (for both) if Metropolitan counties were abolished would be statutory joint boards consisting mainly of elected members nominated by the districts, and with precepting powers. MISC 70 considered this would not be very satisfactory from a transport point of view; such boards would be likely to experience difficulty in carrying through policies which would create local controversy. We believe that such an arrangement would lead also to less accountability, as at present the authority is at least directly elected. The arrangement would have some unhappy parallels with the ILEA. This conclusion means that, on transport grounds, the balance of argument is in favour of retaining the Metropolitan counties. As transport is the major local government function of the Metropolitan counties, the case for abolition would have to be made on other grounds - we are not convinced that such grounds exist.

67. London presents a different problem. Here the upper tier authority (the GLC) is not responsible for police; its only major service is transport. Even for transport its functional responsibility is only partial, due to the British Rail commuter network and to the Metropolitan Police responsibility for parking and traffic control. The size of the commuting area for London means that the GLC's transport responsibility is also partial in geographical terms. The case for abolition of the GLC is therefore stronger than for the metropolitan counties, provided arrangements for transport could be made at least as satisfactory as the present rather unsatisfactory ones.

68. The CPRS considers that the MISC 70 proposals for a new Passenger Transport Authority for London are worth exploring further (see paragraphs 34-35 and Annex B). If Ministers are attracted by this idea in some form, then the case for abolishing the GLC would be strengthened and should be examined in detail. If, however, Ministers wish to leave transport as a local government function in London, we think that - as for the Metropolitan counties - the case for abolishing the GLC is very much weaker, because any joint arrangements among the boroughs are likely to be unsatisfactory.

69. All changes have transitional costs. History suggests not only that the process of change would give rise to significant costs in itself, but that the resulting arrangements would be unlikely to produce any significant net savings in financial terms. Change therefore is likely to be justified only if there are major gains in effectiveness of service delivery or accountability to the electorate.

70. The CPRS does not consider that the changes discussed above would increase the effectiveness of service delivery, except, perhaps, in London. Accountability would be improved by the establishment of unitary authorities in the Shires. But accountability would be little altered, and perhaps even reduced, in the conurbations because of the need for joint arrangements for both major services. We conclude, therefore that while the case for unitary authorities is stronger outside the conurbations than it is within them - a conclusion also reached by Redcliffe-Maud - in neither case would the advantage be likely to justify the upheaval involved.

b. Precepting

71. At present, the top tier does not send out its own rate bills; it precepts on the lower tier (vice versa in Scotland). As the Secretary of State points out, separate rate demands would increase the visibility of the actions of authorities and would enable electors to identify the authority responsible for high rate bills. Similarly, it would also be worth considering whether Council tenants should not receive rate demands separate from rent demands. (The water authorities already use rating lists for their billing separate from local authorities, which shows that it is administratively feasible.) There would of course be administrative costs associated with such changes, but they might be worth it for the increased accountability, and would certainly be small in comparison with the transitional costs of major structural change.

c. The election of councillors

72. Any changes will only improve local accountability to the extent that the electoral system is effective enough to force local councillors to be responsive to the wishes of their constituents. At present, local elections have low turn-outs and appear to be influenced by national political considerations. The changes discussed above are proposed with a view to making the electorate more aware of the local issues on which they are voting, and particularly of their financial consequences. Those changes should help to secure a higher turn-out at local elections, and should focus the voters' attentions more on substantive local issues.

73. In order to give electors more opportunity to make their views about local services known, all councils should be required to elect one third of their members every year. (This is already mandatory for Metropolitan district councils.) It is sometimes argued that annual elections inhibit officers and members from planning on more than a short time horizon, but there is little evidence that it does so, with a few notable exceptions (eg Liverpool). Nor do annual elections appear to lead to lower turnouts or to more frequent changes of control. There is some evidence, however, that majority parties tend to

believe that elections by thirds make them more vulnerable and that they therefore tend to behave with more restraint. An alternative course, which would make less demands on public expenditure, would be to require those councils which do not have elections by thirds to hold full council elections every three or perhaps every two years, rather than at four year intervals as at present.

74. To increase accountability further, it may be worth separating the days on which the two tiers are elected in order to minimise confusion in the minds of voters (this is already the case in Scotland). Staggering elections by region might also help to reduce the influence of national political issues.

75. There is also a problem, particularly in London, of employees of one local authority being members of another, and therefore perhaps less single-mindedly responsive to the wishes of the electorate. Just as civil servants may not be Members of Parliament, so it may be worth considering whether this practice should be allowed to continue.

76. Finally, increases in local accountability could bring further benefit to local government: individuals with good management ability might consider the role of councillor more attractive than at present and might be more ready to offer themselves as candidates at local elections. The presence of more such people on councils might stimulate desirable improvements in the level of management ability of local authority officials.

SUMMARY

a. The Problem (paragraphs 4-9)

77. Local government has a vital role to play in our democracy. But the present system is not working because it fails to satisfy a number of key principles. The Government is responsible for the system of local government; if the system is failing the onus is on the Government to change it.

78. The CPRS argues that the fundamental cause of failure is the lack of accountability in local government. Just as the Government is accountable, through Parliament, to the electorate for the money it spends, so should local government be accountable to its electorate for its expenditure.

79. It is not.

80. Local government raises only about one-fifth of its expenditure from its own electorate. This undermines political accountability - local authorities are not directly accountable for the four-fifths which come from national taxation, and from local industry and commerce. It also undermines economic efficiency - heavy subsidies to the electorate for local services lead to excess demand for them. The most obvious consequence is the inadequate response of local government to economic realities (as seen, for example, in the failure to meet Government expenditure targets).

b. Approach to Solutions (paragraphs 10-20)

81. There are only two ways in which the Government can address this problem. It could take direct control from the centre, of at least the spending of local government. But Ministers, and Parliament, have already rejected this option even though it is the only way of guaranteeing that Government spending targets are met.

82. The alternative is to improve the mechanism of self-restraint. Successive Governments has struggled to find a middle way between direct control of local government spending and increasing the accountability of local government. Such attempts have resulted in the worst of both worlds - vociferous complaints about central "control" without the benefits of actual control.

83. The mechanism of self-restraint is only likely to be effective if local government is accountable to its electors: the higher the proportion of the cost of providing the services that the electorate have to pay, the more likely are electors and elected to act with restraint. Thus the CPRS considers that the aim must be to bring into closer balance the amount of money which local authorities spend and the amount that they raise from their local electorates.

84. This has uncomfortable implications for Government policy. Any move to increase the Exchequer contribution to local government, in order to reduce rates, is in the opposite direction from what is needed. Any change to the system of local government should be judged by whether it is likely to increase accountability and hence reinforce the mechanisms of self-restraint.

85. There are two main ways of achieving a better balance between expenditure and revenue: to reduce the functions for which local authorities are responsible, or to arrange for a higher proportion of the costs to be raised from the electorate. Either path is fraught with political difficulties, and would take a long time; but for a problem that has built up gradually over most of this century, this is hardly surprising.

c. Reducing Functions (paragraphs 21-35)

86. At first sight, to reduce the range of local government functions seems the easier option. But having reviewed the range of services, our view is that education is the only serious candidate for greater central control. The Education Block Grant proposed by the Secretary of State for Education and Science falls some way short of assuming central control, though it could exert some additional pressure at the margin on the expenditure decisions of

education authorities, and could be used to shift the balance towards local finance of non-education spending (paragraphs 23-25). To change the overall imbalance between spending and revenue, central Government would have to determine the level of education spending in each area, and finance the whole of it. This would of course be a radical and controversial change, taking control away from local authorities into a central organisation analogous to the NHS; the effects on efficiency are debatable (paragraphs 26-30).

87. We also considered the option of removing the responsibility for transport from local government. Officials in MISC 70 concluded that transport should remain a local government function in the Metropolitan counties. We agree and think the same conclusion holds outside the conurbations (paragraphs 31-35). For London, in contrast, we think it may be worth exploring further the idea of a separate Passenger Transport Authority for London and the South East, as suggested by MISC 70 - although if Ministers were attracted by this we would suggest a variant in which local government retained responsibility for subsidising the bus services (paragraphs 34-35 and Annex B).

d. Increasing Local Revenue (paragraphs 36-60)

88. The route of increasing locally raised revenue is also not politically appealing. But what is needed is not an increase in the total tax burden, rather a switch from central to local taxation which, by increasing local accountability, would increase the downward pressure on spending. Ideally, industrial and commercial rates should be converted into a national tax, (paragraphs 44-48), and the Exchequer grant should be limited to the amount needed to equalise resources relative to need (about two-thirds of its present level). It is doubtful whether any system of grant which continues to subsidise additional spending at the margin can achieve the necessary degree of accountability (paragraphs 40-41).

89. This approach calls for a system of local taxation which is capable of yielding substantially increased revenues from the local electorate (paragraphs 49-57). Our view is that, if local government is to have a single

tax for this purpose, only local income tax is equitable enough, but it could not be introduced much before 1990. Although neither a reformed domestic rating system nor a poll tax would be sufficient on their own, both have their strengths. Any two of these three would form a sound basis for financing a progressively higher proportion of local government spending. Accountability might be further improved if different taxes applied to different tiers.

90. The first step to increase accountability by this route would be to reduce progressively the proportion of Exchequer support, to impose some form of central limit on industrial and commercial rates, and to reform domestic rates or to introduce a poll tax. (paragraphs 58-60) If a poll tax were preferred, a sophisticated rebate system might be developed over time which would make the poll tax more akin to an LIT, and thus facilitate the transition to an LIT if desired at a later date.

e. Structure and Accountability (paragraphs 61-78)

91. Whatever the arrangements for financing, the two-tier structure itself undoubtedly weakens accountability (paragraphs 65-72). But to create unitary authorities would involve large transitional costs. There would need to be significant gains in effectiveness and efficiency, and in accountability to justify such a change. But abolishing the Metropolitan counties would create major problems for transport and lesser problems for the police service. As these are the only significant functions the Metropolitan counties perform, the case for abolition is weak and should be rejected. There is a stronger case for unitary authorities outside the conurbations - by abolition of the Shire districts. However the CPRS does not consider that the system is crying out for any significant structural change in the short or medium term. A much cheaper way of improving accountability would be to replace precepting by separate rate demands (paragraph 73).

92. London, however, presents a unique problem (paragraphs 69-70), Transport is the only major function performed by the GLC, and its responsibility is already only partial. We think the case for its abolition is sufficiently strong to merit further detailed examination, particularly if Ministers are attracted by the idea of a Passenger Transport Authority for London and the South East.

93. Effective local accountability requires an electorate willing and able to make its view known. There are a number of changes to present electoral arrangements which would encourage this, including making elections by thirds mandatory or at least reducing the interval between full council elections. Giving local councillors clearer responsibilities should help attract individuals with good management ability to offer themselves for election.

Conclusion

94. In summary, the CPRS recommends -

- i. No change on education (unless Ministers were prepared to go a long way towards central control). (paragraphs 22-30)
- ii. Leave transport with local government, but further examination of a Passenger Transport Authority in London. (paragraphs 31-35)
- iii. Progressive reduction of the RSG percentage. (paragraphs 44-45)
- iv. Further examination of different bases for grant equalisation, to reduce still further any incentives to high spenders. (paragraphs 40-41)
- v. Some limitation on non-domestic rates, together with an examination of how they might be converted into a national tax. (paragraphs 44-48)
- vi. Reform of the domestic rating system, plus investigation of a poll tax to supplement it (preferably for different tiers), and of a local income tax which might replace one or both in the longer term. (paragraphs 49-57)
- vii. No change in structure apart from further examination of the case for abolishing the GLC (paragraphs 67-72); but replacement of precepting by separate rate demands. (paragraph 73)
- viii. Examination of changes to the electoral system to improve local accountability. (paragraph 74-80)

Cabinet Office

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CENTRAL GOVERNMENT CONCERN ABOUT LOCAL GOVERNMENT SPENDING

A1. No-one questions that central Government must be concerned about the total of its own contribution to local authority spending, through rate support grant (that is why it is pre-determined and cash-limited each year). But why does the Government need to concern itself about the element of local government spending which is locally financed? At present this total is included in public expenditure (unlike the spending of nationalised industries and water authorities, where only the element funded from external sources counts towards total public spending). There are a number of distinct arguments for this -

A2. **Political** The present system makes it hard to disentangle the element of local spending which is locally financed. Central Government on average funds about half the expenditure total, with the percentage for individual authorities varying with their circumstances and spending decisions according to complex rules. Hence it is easy for authorities to treat central Government as partly responsible for rate increases. So long as central Government provides a sizeable share of local authorities' finance, it must be doubtful whether Ministers could avoid being seen as taking part of the responsibility for the level of local taxation.

A3. **Economic** Aside from this political motive for concern, it is often argued that the Government must restrain local authority spending on economic grounds. In the CPRS' view the economic arguments are not all of equal weight, and a number apply equally to expenditure by nationalised industries, which is not treated in the same way -

a. **Claim on limited resources.** Whether this is seen in real terms, as a limit on the resources available for consumption/investment, or in financial terms as a limit on total money expenditure (hence "crowding out"), it is not obvious why the Government should seek to restrain local authority claims on these resources more directly or treat them differently in accounting terms, than claims generated in other parts of the public sector outside central Government.

b. **RPI.** Rates feed directly into the RPI, so that if a disproportionate increase in rates adds to inflationary pressures Ministers must be concerned about it. But this is equally true of nationalised industry price increases.

c. **Pay.** Similarly, local authority pay increases can affect pay settlements elsewhere in the economy - but so can settlements in nationalised industries.

d. **Borrowing.** Local authority borrowing, again like nationalised industry borrowing, counts as part of the public sector borrowing requirement, with an importance for monetary control reflecting its Government-guaranteed status. In principle this could be controlled by a system of external financing limits (EFLs) as for nationalised industries. But historically local authority borrowing has been controlled by a complicated set of rules relating to capital expenditure consents. It would not be easy to move to a system of EFLs set individually to reflect the Government-approved borrowing needs of each authority.

e. **Efficiency.** Under the present system central Government may well question how far local authorities' spending decisions match the real preferences of their electorates, and whether there is enough local pressure on them to deliver services efficiently. The best answer to this would be to improve local accountability and awareness as the main report suggests; steps are being taken to provide better comparative information, and the system of local elections might be made more responsive. But unless and until this can be relied on, the Government has an interest in imposing a measure of restraint from the centre.

f. **Taxable Capacity.** The essential difference between local authorities and nationalised industries, in this respect, is that local authority spending is financed by some form of taxation (in cases where it is financed by charges, eg housing rents or transport fares, these are generally netted off in calculating public expenditure). Taxes, by

definition, cannot be avoided in the same way as charges by choosing not to consume the services. They reduce the proportion of people's income which is available for spending or saving - and in this sense central and local taxes are cumulative. Then it can be argued that any increase in tax makes inroads on "taxable capacity". This notion of a limit on total taxation may reflect the view that a higher burden of taxation reduces people's incentive to work and earn. This is most obvious where marginal rates of overall taxation are very high - notably at the bottom on the scale, where the need to protect those near poverty levels (eg by rate rebates) gives rise to high marginal rates with increasing income. It may also be argued that any increase in tax will lead to some reduction in personal savings, which makes it harder to finance borrowing and control the money supply. Both these effects are difficult to prove and to quantify, and may vary with different kinds of taxes. But to the extent that they are thought to occur, they impose an "external" economic cost on increases in local taxation, and therefore provide legitimate grounds for central Government concern.

Conclusion

A4. In CPRS's view, under the present system there is some force in the economic arguments at d. **borrowing**, and e. **efficiency**; and under any tax-based system of local finance there would be some force in f. **taxable capacity** though its importance cannot be established objectively and is a matter for political debate. And the political argument, that under the present system Ministers cannot avoid being held responsible for the local tax burden to some extent, also seems inescapable.

LONDON AND ITS TRANSPORT

B1. The option of legislation along the lines proposed for the Metropolitan counties (paragraph 33) would work much less well in London, primarily because of the separate British Rail (BR) commuter network, and because of London's size. The alternative is for structural change. Officials in MISC 70 suggest a statutory Passenger Transport Authority which would take over from the GLC the control of London Transport (LT) and would become responsible for the co-ordination and finance of all rail services in London and the South East and for bus services in London. Public transport in London would be financed wholly by central government. The Authority, whose members would be appointed by the Secretary of State, would have a relationship with BR London and South East similar in some respects to that which the Secretary of State has with the whole of BR now. The Authority would be able, and required, to put through measures to rationalise and co-ordinate the now separate rail systems in London of BR and LT.

B2. In the view of the CPRS there are a number of unsatisfactory features about the proposed Authority. First it would provide little local accountability since none of the finance would be locally raised. (The presence of some local authority representation on the Authority provides only a weak accountability mechanism). Second, the Authority would be something of a hybrid, being the owner and subsidiser of LT, but having a rather different relationship with BR London and South East, for which it would have the subsidising role but would share the owner role with the British Railways Board (BRB). The management of BR London and South East would report to the Authority on some matters and to the BRB on others; serious problems would arise unless a clear demarcation could be made. MISC 70 acknowledged that much would depend upon the Authority developing good relations with the BRB. Third, the responsibility for public transport would be detached from the remaining transport responsibilities (planning, roads, traffic control), most of which would remain with the GLC, (or with the London Boroughs and the Secretary of State if the GLC were abolished); there is significant merit in all these transport responsibilities lying with a single body.

B3. If Ministers do wish to consider the option of a new Authority the CPRS believes that more work needs to be done to clarify how it would work, particularly in relation to the BRB. Also the CPRS would favour a variant of the scheme, mentioned by MISC 70, in which the role of subsidising LT bus services remains with the GLC (or the local government arrangements which might replace it). In this way the GLC would act as a customer for non-commercial bus services and the Authority would act as contractor. Thus the GLC would retain an appropriate degree of influence over bus services, which would sit well with its other responsibilities for roads and road traffic; but the GLC would lose the role of owner and operator of public transport. This variant would also mitigate one problem with the Authority as proposed by MISC 70, namely that London ratepayers would lose the whole of the financial burden of subsidising LT, and that a compensating reduction in central grants to London would lead to some boroughs gaining at the expense of others.

B4. If Ministers wished public transport to continue as a local government function in London, then there is little case for abolishing the GLC; transport is the GLC's only major function and any alternative local government based arrangement would be even more unsatisfactory. We believe that, in these circumstances, legislation of the type proposed by MISC 70 for the Metropolitan counties, together with the moves to improve local authority accountability advocated in the main paper, could provide sufficient restraint on the GLC's spending.

B5. But if Ministers wished to pursue the idea of a Passenger Transport Authority to take over public transport, the case for abolishing the GLC becomes much stronger. MISC 70 concluded that even with the PTA it could not recommend the GLC's abolition on transport grounds, but the residual transport functions that would be retained by the GLC would no longer be of overriding importance compared with the plethora of minor functions. The case for abolition would no longer hinge so critically on transport considerations and hence, in these circumstances, we think it would be worth further examination.