



10 DOWNING STREET

MISC 95

Lord Pres	Scot	LPS
LCO	Wales	S.S.
HO	✓ Environ	DTI
✓ DES	✓ Bellwin	CDL

16 April 1984

From the Private Secretary

Emp  
MAFF  
Chief  
Sec  
Trans  
A.G.  
C.Whip  
Gowrie  
CO

Note: This letter and the Policy Unit paper was circulated more widely than intended (to all those receiving MISC 95 papers not just members). I reconsidered the wisdom of circulating the Policy Unit paper at all. As a result this letter and the paper were recalled from all except SS/Envir Office. I have sent a replacement letter of 16 May. John Ballard had already responded to the letter but with a reply which was read as response to second letter. *with no mention of Policy Unit paper though it was behind the cover*

The Prime Minister is extremely grateful for the immense amount of effort that your Secretary of State and the Department of the Environment have been devoting to preparing legislation for the abolition of the GLC and the MCCs. She is now concerned to ensure that this work bears fruit in the form of reduced bureaucracy and the promised financial savings of £120 million, which she regards as the keys to the success of the policy.

I am therefore attaching a note by the Policy Unit suggesting ways in which these savings might be achieved. The Prime Minister would be particularly interested to hear your Secretary of State's views on whether:

- (i) The Abolition Bill should give the relevant Secretaries of State clear powers enabling them to avoid the transfer of any except essential staff and property to successor bodies.
- (ii) Departments should now be drawing up detailed lists of essential staff and property, and should be drafting orders requiring necessary information from the GLC and MCCs, to be issued on the day that the Paving Bill receives Royal Assent.
- (iii) Plans for selling County Hall in London should be rapidly devised.
- (iv) A clause should be added to the Abolition Bill, giving successor bodies the duty to put specified services out to tender.

The Prime Minister would be grateful if your Secretary of State could keep her periodically informed of progress in pursuing these ideas.

/ She also

BF

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BF | She also believes that, to help win the public debate, the DoE should design, well before the summer recess, a method of explaining in simple popular terms how the new structure of local government is going to work and how it will bring savings.

I am copying this letter to Private Secretaries to Members of MISC 95 and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

John Ballard Esq  
Department of the Environment



DRAFT LETTER FROM ANDREW TURNBULL TO:

John Ballard Esq

The Prime Minister is extremely grateful for the immense amount of effort that your Secretary of State <sup>and the Department of Environment have</sup> has been devoting to preparing legislation for the abolition of the GLC and the MCCs. She is now concerned to ensure that this work bears fruit in the form of reduced bureaucracy and the promised financial savings of £120 million, which she regards as the keys to the success of the policy.

I am therefore attaching a note by the Policy Unit, <sup>suggesting</sup> ~~describing~~ <sup>ways in which these savings might be achieved</sup> some of the main points ~~to be considered~~. <sup>would be</sup> The Prime Minister <sup>to be your Secretary of State's view on whether</sup> is particularly interested in ~~the paper's~~ suggestions that, ~~to achieve the promised savings:~~

- (i) The Abolition Bill should give the relevant Secretaries of State ~~absolute~~ clear powers enabling them to avoid the transfer of any except essential staff and property to successor bodies.
- (ii) Departments should now be drawing up detailed lists of essential staff and property, and should be drafting orders requiring necessary information from the GLC and MCCs, to be issued on the day that the Paving Bill receives Royal Assent.
- (iii) Plans for selling County Hall in London should be rapidly devised.



- (iv) A clause should be added to the Abolition Bill, giving successor bodies the duty to put specified services out to tender.

The Prime Minister would <sup>be grateful</sup> welcome your Secretary of State's views on these points, and would also be interested to hear how such matters will be pursued. She hopes that she will be periodically informed of progress in <sup>Pursuing</sup> ~~securing~~ these ideas. <sup>Could keep her</sup>

She also believes that, to help win the public debate, the DoE should design, well before the summer recess, a method of explaining in simple popular terms how the new structure of local government is going to work and how it will bring savings.

I am copying this letter to Private Secretaries to Members of MISC 95 and to Richard Hattfield (Cabinet Office)



GLC/MCC  
Abolition file

10 DOWNING STREET

From the Private Secretary

Prime Minister ①

Policy Unit have prepared the attached paper emphasising the importance of achieving cost savings from abolition of the GLC/MCC's; and suggesting ways it could be done.

One way forward would be a Private Secretary letter to members of MISC 95 stating your interest in securing cost savings. To it could be attached the Policy Unit paper, (slightly edited). Mr Jenkins, as Chairman of MISC 95, could be asked to report progress.

Agree?

Excellent - we must AT  
push ahead vigorously. 13/4

But we must be careful of the circulation of this paper - even an edited version no



PRIME MINISTERREFORMING LOCAL GOVERNMENT

Abolishing the GLC and the Metropolitan Counties could be both popular and successful.

✓ But, to vindicate the policy, we must have savings which are seen and believed by ratepayers; and there must also be visible outward signs that some functions and bureaucracy have ceased to exist.

We have been watching the debates blow by blow and think you should be brought up to date with progress so far. This paper flags the important decisions that have to go the right way in order to deliver the savings.

CAN WE DELIVER £120 MILLION OF SAVINGS?

During the election, we promised savings of £120 million.

It should not be a superhuman task. The Metropolitan Counties and the GLC together will spend about £3,500 million in 1984/85. Savings of £120 million therefore represent only 3.5% of their total budgets - less than their 5% administrative overhead.

Concessions already made to the Arts, Sports and Historic Buildings will lead to an increase in public expenditure of roughly £35 million. The Home Office have argued successfully that the police should not be cut. The Fire Service has not been questioned, although there would be scope for efficiency improvements particularly in London where it is a large spending item. This means that savings of £155 million have to be found from the remaining functions.



The big savings have to come from:

- (i) ILEA;
- (ii) London Transport;
- (iii) Metropolitan Transport;
- (iv) Elimination of unnecessary functions.

(i) ILEA

ILEA Tories have talked of saving £120 million pa by the second year; but their 'budget' does not stand up to serious scrutiny. The Policy Unit has gone discreetly through the ILEA accounts with help from sympathetic London treasurers' departments, and has identified roughly £55 million per annum that could be saved by the third year without damaging the education service. This would involve making roughly 2,500 staff redundant. Of these, about 2,000 would be non-teaching staff, (including administrators, media resources officers, education welfare officers, etc); and the remainder would be teachers in excess of ILEA's own planned staffing ratios. (See Annex A for breakdown of figures).

(ii) London Transport

In 1982, London Transport lost £155 million on buses and £74 million on the Underground. It has failed to trim its costs in line with declining demand. Over the five years 1978-82, bus passenger mileage fell by nearly 17%, but bus staff by less than 4%. On the tubes, passenger mileage fell by nearly 19% but operating staff numbers rose by 2%, despite automation within capital expenditure of £360 million over the five years.

LT employes 58,000 people. We see no difficulty in finding staff reductions of 5,000 quickly, which would yield annual savings of around £50 million. We would prefer to see an early target of 8,000. Such a reduction would only bring productivity (the ratio of employees to passenger-miles) back to its 1978 level, which was not a vintage year.



(iii) Metropolitan Transport

The Metropolitan Passenger Transport Executives absorbed bus subsidy of roughly £300 million in 1982/83. In recent years, the PTEs have been more efficient than London Transport, but have fallen far short of the performance of the small municipal operators, the National Bus Company and the Scottish Bus Group. And the Mets have appalling records of overspending against budget.

Abolition and deregulation will together give us an opportunity to squeeze subsidy. We should achieve staff reductions of at least 5,000 in the Metropolitan bus operations. The annual value of savings would be upwards of £50 million.

We do not see likely savings in PTE subsidy to British Rail, which amounted to £73 million in 1982. Cost performance is entirely in the hands of BR, no deregulation is planned, and abolition by itself seems unlikely to have any effect.

(iv) Eliminating Unnecessary Functions

Most of the GLC and MCC central financial and planning services will be unnecessary after abolition. It should also be possible to eliminate waste from functions transferred to the boroughs. And the residuary boards should be able to sell off surplus land and buildings.

Neither DoE nor the Treasury can put any firm figure on these savings. But £50 million pa by the third year would be a very reasonable estimate.

HOW CAN ALL THIS BE DELIVERED?

The method of abolition causes difficulties in delivering savings.

The creation of London Regional Transport puts the Secretary of State in a strong position to make reductions because he appoints



the board, sets objectives, and can check on its performance. And abolition together with deregulation should achieve cuts in subsidy to Metropolitan PTEs.

But the functions going to the boroughs present a problem. Some Labour boroughs will be rate-capped; this will prevent their expenditure from rising, but will probably not lead to savings. Other Labour and no-control boroughs will probably increase spending; and even Conservative boroughs are unlikely to make large reductions. In short, the boroughs will not contribute much to the £155 million that we need.

The functions passing <sup>to</sup> the Joint Boards are in principle controllable by Secretaries of State, who will have power to impose manpower and expenditure limits. But attempts to impose substantial reductions on these boards once they are set up may prove politically hazardous. ILEA poses a special problem because it will be composed of directly elected representatives who may well have a mandate for spending more money.

We conclude that, apart from Transport, the main reductions must come at the moment when staff and resources are transferred to their new authorities. The mechanisms for this are as follows.

i. Staff

Core staff will be transferred by the order of the relevant Secretary of State direct to the boroughs and boards that are taking on the new functions. The rest of the staff will be on the books of the Staff Commission and will have to await appointment by one or other of the new bodies. Those failing to gain appointment will be redundant.

It is therefore vital to transfer only the essential people for the delivery of the basic service to the successor bodies. We must ensure that central administration staff and those in functions that are being abolished are not redeployed. The Boards will need rigid manpower controls to prevent them taking on extra staff at the beginning. The chances of preventing the boroughs from doing so are more limited: we shall have to win the public argument.



## Property

Abolition provides a great chance to clean out much of the surplus property. Only essential property should be transferred to the new Boards and the boroughs. This can be done by order of the Secretary of State. As much property as possible should pass to the Residuary Boards which will have powers, and should be given the obligation, to dispose of it.

The Paving Bill gives Ministers powers to inspect lists of land holdings. Departments should now be drafting orders requiring these lists, and should be approaching suitable estate agents to find out what properties the GLC and MCCs own, and what proportion is not needed. The orders should be sent out on the day that the Paving Bill receives Royal Assent.

In London, County Hall should be sold to the private sector. This could become the visible and outward sign of the policy's success.

### iii. Privatisation of Functions

Abolition is also an opportunity to give privatisation of council services another push. There are those who argue that any greater encumbrance will make it too difficult to get the Bill through Parliament. But we believe that the addition of one clause to the present 150 clauses is unlikely to impede progress, since the Bill will doubtless have to be guillotined in any case. The new clause should give successor authorities the duty to put specified services out to tender.

### RECOMMENDATIONS

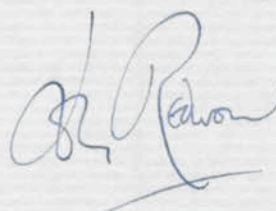
We recommend that:

1. You should remind colleagues that saving money and being seen to save money are the keys to the success of the policy.



2. The abolition Bill should give the relevant Secretaries of State powers enabling them to transfer only the staff and property essential to the new functions.
3. Departments should now identify essential and unnecessary staff and property.
4. The DoE should design a method of explaining in simple terms how the new structure of local government is going to work.
5. You might request progress papers from MISC 95 to Cabinet or to a Cabinet Committee you chair. You could ask for a Policy Unit member to sit with officials on MISC 95, to report on key decisions.

I think it is for the Chairman of MISC 95 to report decisions of the Committee to you. AT



JOHN REDWOOD

Enc Annex A: ILEA Savings  
Annex B: Timetable  
Annex C: GLC/MCC Budgets



ILEA SAVINGS

fm p.a. revenue savings

	1986/7	1987/8	1988/9
1. <u>Capital Sales</u>	0	1	2
<p>(£20m of surplus assets - a total of roughly £1.5b - disposed over two years, to reduce debt charges by the amounts shown.)</p>			
2. <u>Redundancies</u>			
<p>(2,000 non-teaching staff removed: this represents under 10% of total non-teaching staff (27,500) and still leaves ILEA with higher ratio of such staff to total expenditure than Leeds or Sheffield. Estimated average redundancy of 1 yr's pay, amortised over 1 yr, following normal LA practice. Reductions would occur in:</p> <ul style="list-style-type: none"> <li>- County Hall administration</li> <li>- Media Resources Officers</li> <li>- Education Welfare Officers</li> <li>- Youth Centre Leaders</li> <li>- Play Centre Leaders</li> <li>- Printers</li> <li>- Creche Assistants</li> <li>- Casual Assistants</li> <li>- Catering staff</li> <li>- Resident Domestic Staff</li> <li>- Bus attendants</li> </ul>			
3. <u>Sensible reductions proposed by ILEA itself</u>	6	6	6
<p>(The ILEA 1984/5 Budget consultation papers lists options for savings, amounting to £41 million. We have selected only the sensible items, subtracting any savings under heading (2) above. The selected items include reductions in:</p> <ul style="list-style-type: none"> <li>- Architect's Maintenance</li> <li>- Maintenance of Playing Fields</li> <li>- Premises running costs</li> <li>- Capitation Allowances</li> <li>- Alternative Use of Resources Allocations Scheme</li> <li>- Allowances for Materials in FE</li> <li>- Furniture and Equipment</li> <li>- Grants to Voluntary Bodies</li> </ul>			
4. <u>Reduction of Discretionary Student Awards to 1983/4 levels</u>	7	7	7



5. <u>Removal of 50% of other increases made since 1983/4</u>	0	3	3
(The ILEA 1984/5 Budget lists large numbers of increases. We assume - pessimistically - that all reductions in these areas will be offset fully in year 1 by redundancy costs).			
6. <u>Movement of nursery classes into primary schools</u>	0	1.5	3
(ILEA should follow other LEAs in economising by using surplus primary places to accommodate under-5s now in separate nursery schools; capital receipts and staff savings would accrue, over 2 years, allowing for redundancy payments of 1 year's salary).			
7. <u>Charges of 25% of cost for Adult Education</u>	5	5	5
8. <u>10% Reduction in In-Service Training</u>	0.75	1.5	1.5
(ILEA's provision for In-Service Training is exorbitant by national standards.)			
9. <u>Removal of teachers in excess of ILEA planned staffing ratios</u>	0	2.5	5
(500 redundancies, payments as above)			
10. <u>Abolition of County Hall Creche</u>	0.25	0.25	0.25
	—	—	—
TOTAL	19.00	47.75	52.75
	====	====	====



## THE TIMETABLE FOR ABOLITION

All major decisions on the strategy for abolition have now been taken by Misc 95, subject to queries on points of detail by individual Ministers. Drafting of the 150-clause Abolition Bill is under way and general agreement on the form of the Bill has been reached, although it is not yet ready for its first printing.

The exact dates on which legislation will pass through Parliament are uncertain, but the dates given below are the current best approximation:

## 1984

26 Apr-8 May:	Rates Bill Lords Committee Stage.
30 April:	Paving Bill Commons Cttee on Floor of House.
14 May:	Paving Bill Commons Report and Third Reading.
28 May:	Paving Bill Lords Second Reading.
May-June:	Prelim. work on Staff Commission appointment.
11 June;	Rates Bill Lords Report Stage.
12 June:	Paving Bill Lords Committee Stage.
28 June:	Paving Bill Lords Report Stage.
25 June:	Rates Bill Lords Third Reading.
29 June:	Rates Bill Royal Assent.
7 July:	Paving Bill Lords Third Reading.
12 July:	Paving Bill Royal Assent.
July:	Staff Commission begins work.
October:	Abolition Bill published.
November:	Abolition Bill Commons Second Reading.

## 1985

March:	Boroughs nominate to transitional councils.
To Easter:	Abolition Bill Commons stages.
April:	Transitional councils replace GLC and Mets.
Easter-July:	Abolition Bill Lords stages.
Spring:	Drafting of Orders for Joint Boards.
July:	Abolition Bill Royal Assent.
To September:	Enactment of Joint Boards orders.
September:	Joint Boards & residuary bodies set up.
September:	Joint Boards plan for takeover.
October:	Election of ILEA.

## 1986

April:	Joint Boards take over. Abolition complete.
April onwards:	Redundancy for staff no longer needed. Staff Commission and residuary bodies continue as long as needed.



GLC/MCC SPENDING

	£bn	Spending in each Expenditure Category	%	£bn
	1982/83			1984/85 (Estimate)
<u>MCCs</u>	1.4	Highways	22	1.6
		Waste disposal	4	
		Planning	1	
		Trading standards	1	
		Other	<u>6</u>	
		TOTAL TRANSFERABLE TO DISTRICTS	34 —	
		Police	31	
		Fire	8	
		Transport	<u>27</u>	
		TOTAL TRANSFERABLE TO BOARDS	66 —	
<u>GLC</u>	0.5	Housing	14	1.1
		Highways	9	
		Waste disposal	9	
		Planning	3	
		Other	<u>21</u>	
		TOTAL TRANSFERABLE TO BOROUGHs	56 —	
		Fire	15	
		Transport	29	
		TOTAL TRANSFERABLE TO BOARDS ETC	44 —	
<u>ILEA</u>	0.8	Education	100	0.85
	—			—
	2.7			3.55
	—			—