



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

24 July 1984

Dear Janet

ABOLITION: COUNTER OBSTRUCTION

My Secretary of State had intended to write to the Lord President following reports over the weekend, from various sources, which appeared to suggest that the GLC intended to circumvent the provisions in the Paving Bill, to act in a profligate manner and to divest itself of assets and resources prior to abolition. He did however take the opportunity of a meeting already arranged for yesterday evening, with the Lord President, to refer to these issues and they agreed that, subject to the views of other members of Misc 95 and No 10, a statement should be made today, of action to be taken in the main Abolition Bill, that action to take effect from today.

I enclose a copy of the question and answer arising out of that agreement. I also enclose for background for the other recipients of this letter, a copy of the letter my Secretary of State had intended to send.

It is imperative that if action of this kind is to be taken that it is taken immediately. Consequently my Secretary of State will be grateful if other recipients of this letter could confirm by 1 pm that their Ministers are content with what is proposed.

Copy of this letter goes to: Hugh Taylor (Home Office), Elizabeth Hodkinson (DES), John Taylor (Scottish Office), Colin Jones (Welsh Office), David Morris (Lord Privy Seal's Office), Steve Godber (DHSS), Callum McCarthy (DTI), John Gieve (Chief Secretary's Office), Dinah Nichols (Dept. of Tspt), Mary Brown (OAL), Mike Bailey (DOE), Andrew Turnbull (NO 10) and Michael Buckley (Cabinet Office)

*John Ballard*  
J F BALLARD  
Private Secretary

Janet Lewis Jones  
Lord President's Office

Q. To ask the Secretary of State whether he intends to take further measures to prevent the GLC and MCCs from disposing of their resources in advance of the abolition of those authorities?

A. In the main Abolition Bill this autumn I will seek Parliament's restrospective approval to a measure whereby all provision of financial assistance by the GLC and the Metropolitan County Councils to the London Boroughs, to Metropolitan District Councils or to any other local authority will require my specific consent. Similarly any means whereby the GLC and Metropolitan County Councils propose to finance activities undertaken by other local authorities under agency arrangements will also require my consent. This control will apply to all such transactions or arrangements entered into with effect from today, 24 July 1984, other than payments made under Section 137 of the Local Government Act 1972 which were dealt with in my earlier statement of 28 June 1984.

In the event of any such transactions or arrangements being entered into by the GLC or MCCs without my consent in advance of the main Abolition Bill passing into law, that Bill will contain proposals enabling the Secretary of State to reserve the right to require the authorities which benefitted from these arrangements or transactions to repay the money, with interest, to the donor authority before 1 April 1986.

Measures already in the Local Government (Interim Provisions) Bill will require that any proposals by the GLC and MCCs to dispose of land, and to enter into contracts above a certain value, after the date of Royal Assent to the Bill must have my consent. Consent will also be required to expenditure under S.137 of the Local Government Act 1972 (the "2p rate") incurred after 1 April 1985.

I have decided to use the existing powers available to me under S.230 of the 1972 Act to require the authorities to supply me with full information about such activities with effect from the date

of announcement of the new measures, 12 July 1984. This will enable me to make available information about activities that might be seen by ratepayers to be contrary to their interests. In addition, ~~I am suspending with immediate effect, the present general consent to the disposal by the GLC of certain types of housing land.~~

I will continue to monitor the activities of the GLC and MCCs and will not hesitate to take whatever further steps are necessary to prevent irresponsible uses of ratepayer's resources.

\* I am withdrawing with immediate effect the present general consents which commit the GLC to dispose of housing land + vacant property for improvement + a-sale. Right to buy sales + other sales to sitting tenants + intending owner-occupiers are not affected.

LETTER FROM SECRETARY OF STATE TO LORD PRESIDENT.

## LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL

You will be aware that, as a consequence of our fears that the GLC and the Metropolitan County Councils may use their remaining time in office to indulge in activities that are designed to frustrate abolition, the Bill now contains provisions that will require my consent to disposals of land and entering into major contracts with effect from the date of Royal Assent, and to expenditure under S.137, Local Government Act 1972 after 1 April 1985.

We have recently heard that the GLC are pressing ahead with a major programme of disposals and expenditure before the Bill's provisions came into effect. It must be assumed that such actions are of a nature that would cause me to refuse consent for them, and that might, therefore, be open to challenge as being prejudicial to ratepayers' interests. While recognising that it would not be possible to bring forward the date of effect of the new controls, I am now writing to suggest that our supporters would expect us to take such action as we can within the scope of the present law, to prevent or <sup>Such activities</sup> delay, or otherwise to give the GLC cause to reconsider. I am therefore proposing to require the GLC and the Metropolitan County Councils under S. 230 of the 1972 Act to send me details of their activities since 12 July under the following headings:

- major contracts entered into;
- land disposals;
- S.137 expenditure ("2p rate")
  
- S. 142 expenditure ("publicity")

My intention in doing so would be to enable such information to be made available to ratepayers who might wish to challenge, through the <sup>District Auditor</sup> and ultimately the courts, the GLC's and MCC's actions on the grounds that they were contrary to ratepayers' interests. A

successful challenge would of course leave councillors open to sur-charge in the normal fashion.

In addition I am proposing to use immediately my existing powers under the 1957 Housing Act partially to withdraw the GLC's exemption from the need for my specific consent to the disposal of certain kinds of housing land. Disposals under Right to Buy and to individual sitting tenants and owner occupiers would continue unfettered under the existing general consent. // There have also been reports that the GLC are planning to transfer large amounts of money to selected London Boroughs in the current financial year, possibly representing a major proportion of their accumulated revenue balances. It would also be open to them under S.101 of the Local Government Act 1972 to enter into agency arrangements whereby their functions (including contracts entered into as a result) would be delegated to one or more sympathetic authorities. I have been forced, reluctantly, to the conclusion that we could not stand by and let proceed activities which were so clearly designed to frustrate abolition. Accordingly I propose, at the same time as announcing the new steps set out above, to announce my intention to seek Parliament's authority in the main Abolition Bill to require any such payments to be reimbursed to the GLC by Abolition Day, in the event that they proceed without my consent. <sup>This</sup> would have the effect of requiring my consent with immediate effect, but subject to sanctions which Parliament would be asked to agree before they took effect.

With colleagues' agreement I would propose to issue the attached statement on [~~Tuesday 24 July~~].

I am copying this to [MISC 95 + BUSINESS MANAGERS]

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Prime Minister (1)

CONFIDENTIAL

Prime Minister

LOCAL GOVERNMENT (INTERIM PROVISIONS) BILL - COUNTER-OBSTRUCTION MEASURES

Lord President shared your concerns about making package too draconian but he has reached agreement with Mr Jenkin on what should be introduced in the Lords. Policy Unit feel controls on advertising and movement of money into special funds may still need to be considered - see attached papers.

AT 11/7  
ms

You asked me to settle with the Lord President the outstanding issues arising on the amendments to the above-named Bill that are to be tabled to morrow. We reached agreement last night about the appropriate way to proceed. I am writing to let you know the outcome.

On penalties, we decided that in the interests of ensuring a speedy passage of the Bill, we should accept the risk of abandoning the monetary sanctions we originally had in mind. Instead we will rely for a sanction solely on the threat of disqualification. Clearly for most politically-ambitious councillors disqualification will be a sufficient deterrent. But there are others - councillors with no future in local government, coopted members and politically motivated officers - for whom a disqualification will hold no terrors. Equally, however, I accept that we cannot be certain in advance that such individuals would act in irresponsible ways, and that it would be difficult to persuade Parliament that we expected them so to act. Therefore, we agreed that - should our own supporters press us on the adequacy of the proposed penalty - I should indicate that the Government would keep the situation closely under review and would not hesitate to strengthen the sanctions should experience show this to be necessary.

On the question of the thresholds at which the contract controls should begin to apply, we agreed that the figure proposed for works of new construction - £250,000 - is both realistic and necessary. We know from published information required by EEC legislation that a construction threshold of £590,000 would have caught only very few GLC and MCC contracts over the last year. We need to have a tighter mesh than that if the control is to be seen to be biting - as it must be seen. Letters now reaching us daily from our supporters in the lower-tier authorities are expressing very great anxiety about the

steps which the abolition authorities are contemplating. However we agreed that we could relax the thresholds for the four other types of contract to £100,000 instead of the £50,000 we originally had in mind.           

Amendments incorporating these changes will be tabled at 5.30 today. We decided that, apart from an explanatory letter to the local authorities concerned (which will issue on Thursday at official level) we should take no further steps to draw attention to the amendments.

Copies of this minute have been sent to Willie Whitelaw, Leon Brittan, Keith Joseph, Peter Rees, John Biffen, John Wakeham, Bertie Denham, Irwin Bellwin and Sir Robert Armstrong.

PS

11. P J  
July 1984

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# CONFIDENTIAL

MR TURNBULL

11 July 1984

## PAVING BILL: COUNTER-OBSTRUCTION MEASURES

At present, Patrick Jenkin proposes to counter obstruction from the GLC and MCCs by taking powers to control:

- i. expenditure under section 137 of the Local Government Act 1972 - (the 'twopenny rate');
- ii. disposal of property;
- iii. new contracts for building (above £250,000) and other services (above £100,000).

The first of these was already in the Bill; (ii) and (iii) are in amendments tabled today.

Such amendments will not be sufficient to prevent a huge explosion of anti-abolition propaganda funded by the ratepayer. The GLC alone has millions of pounds salted away in the GLEB and special funds of various sorts. This money will not come within the scope of rate-capping; it can be used to mount a propaganda campaign on an unprecedented scale, by making a plethora of grants and small contracts that will not be caught by Patrick Jenkin's net.

The DoE have promised to provide a minute on other means of controlling rate-funded propaganda. We understand that this minute is likely to arrive on Friday. That is probably too late to be of any use. The last opportunity for introducing amendments in the House of Lords is at 3rd Reading on 23 July; and any changes introduced at that stage would probably have to be signalled during the Report Stage next Monday. Decisions would therefore have to be made on Monday morning at the latest.

Two further amendments to the Paving Bill might also help to control the explosion:

- i. a clause, giving the Secretary of State power to require the GLC and the MCCs to submit any item of information or proposed entertainment for vetting before commitment of cash.
- ii. a more restricted clause, giving the Secretary of State power to control any transfer into or out of special funds, or into GLEB.

*This may be going too far. Can we target more accurately on abolition advertising*

AT



In addition it would be sensible for the DoE to investigate the possibility of imposing controls on GLEB expenditure in the Paving Bill.

Could Patrick Jenkin also make an order under Section 137 of the 1972 Act, reducing the "twopenny rate" for the GLC and the MCCs to a "halfpenny rate"? Such an order would help to make the other controls more effective by limiting the amounts of money left at the councils' discretion. It would be subject only to negative resolution.

DoE still appear to be operating on a fairly relaxed time-scale, and we have not yet been able to discover what technical difficulties would have to be overcome in making such changes.

We do know that Lord Whitelaw and others believe it would be perilous to introduce such changes at Report or 3rd Reading. No doubt they are right. But it would also be perilous not to do so. Our contacts at Boase, Massimi and Pollitt (Ken Livingstone's advertising agency) tell us that 'we have seen nothing yet'.

The government should expect a campaign of almost daily television advertisements, funded by obscure bodies who have no ostensible connection with the GLC and MCCs - save that they receive funds from GLEB and other such sources. Activity in the press, at schools and colleges, and on bill-boards will be stepped up. And efforts to isolate Patrick Jenkin and to destroy his reputation will be intensified.

A campaign on these lines may well undermine the faith of the government's supporters so far that the Abolition Bill itself is called into question. And there is no evidence that the DoE is able or willing to defend itself in public against such threats.

We recommend that the Prime Minister should urgently reconsider whether the Abolition policy will be jeopardised by the failure to take additional powers beyond those at present proposed.

*Oliver Letwin*

OLIVER LETWIN

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JMHAAG

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ccor

PRIME MINISTER

Mr. Jenkin has put forward his proposals for anti-obstruction measures. I understand that the package has been agreed with the Lord President who has given an undertaking to table them in the Lords on Wednesday.

Subject to the views of colleagues, do you agree:-

(i) with the proposed scope of the controls? (paragraph 2.d should cover advertising).  
*Yes*

(ii) With the tough penalties, i.e. surcharges based on the whole of the amount of an unauthorised transaction not just the loss involved? *I think they are too high. We shall have managers.*

(iii) With the Lord President's view that the control should take effect from Royal Assent rather than from the tabling of the amendment despite the extra three weeks this gives for monkey business?  
*Yes*

Departmental Ministers may be concerned over the size of the limits which Lord Bellwin is still considering. They may feel the limits are so low as to impede the normal operation of services for which they have responsibility - one cannot get much of a fire engine for £50,000. DOE hope to deal with this problem by issuing general consents for many categories of transaction.

*I think £50,000 too low. mt*

*Andy Clerk*

p.p. ANDREW TURNBULL

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Local Gov: Relat.

File

Ref. No: TPT(84)14

pt 21

Date: 29/6/84

Actions of  
GLC Nominees on  
London Transport Board

Conservative Research Department,  
32 Smith Square,  
London SW1  
Tel. 222 9000

Enquiries on this brief to:  
JEREMY MOODY

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BRIEFING NOTE

Members may find the following useful in debates on the GLC.

Actions of Recent GLC Appointees to the LT Board

The first batch of five part-time appointments was made by the GLC in July 1983. At that time there were four full-time members - Dr Quarmby, Dr Ridley, Mr Phillips and Mr Cameron - in addition to Dr Bright; the Board was therefore evenly balanced, and Dr Bright's casting vote as Chairman meant that he had overall control. In November, Mr Cameron resigned, Mr Latham was appointed to a full-time post and the appointment of Ms Amory gave the "GLC" faction a clear majority; this was reinforced when Mr Palmer was added to the part-time appointments in March 1984.

The tactic of the GLC appointees has been to achieve as much as possible in line with the GLC's policies in the short time remaining before the establishment of LRT. In particular, they have been concerned to resist any moves towards demanning, to support the interests of the trade unions even where these conflicted with the interests of passengers, and to keep as tight a rein as they could on the full-time professionals by calling weekly Board meetings which have become increasingly long-drawn-out and acrimonious.

More particularly, the decisions imposed by the "GLC" majority against the wishes of the professional Board members include:

- (i) the preparation of an unrealistic three-year Plan, based on GLC policies, which failed to give proper consideration to less expensive subsidy options and exaggerated the adverse consequences of Government policies; and a decision to print the Plan only days before the take-over at a cost of £15,000;

(ii) the alteration of the rules governing LT's acceptance of advertisements in order to allow political advertising by the GLC. In order to place any political advertising with LT, the GLC Board Members had to vote some time ago to rescind condition 7 of LTA's conditions of acceptance for advertising contracts, which bans all political advertising. (They are currently trying to get LT Advertising to enter into a binding contract for more such advertising later in the year, after LRT has taken over);

(iii) continued deferment at the GLC's behest of further extension of one-person operation on LT buses;

(iv) the refusal of an application by the private telecommunications company, Mercury, to use LT wayleaves for its cable systems, which would have brought in £100,000 pa;

(v) the appointment of a full-time equal opportunities advisor at a salary of £16,000 pa;

(vi) vetoing proposals to make sensible cost savings in the running of LT (see attached interview with Keith Bright).

# London Transport

## TIME FOR RESISTANCE

Within a week or so of this article appearing the Thatcher government will have seized control of London Transport — the first major achievement in the government's campaign to destroy the GLC. The imposition of LRT means much more than a change of political control; it will open the way for drastic cuts in services, increases in fares and a frightening scale of job losses. The preparations for LRT under Tory control are well under way within the present management of London Transport. Senior members of LT management have been openly concerting their strategy with the Tory Transport Minister, Nicholas Ridley, in anticipation of the coming assault on jobs and services.

This became clear for all to see when a minority of the executive led by the LT chairperson, Keith Bright, openly attacked the LT Three-year plan adopted by the executive at the request of the GLC. This set out the two options open to LRT — to accept the drastic cut in subsidy sought by the Tory government or to go for the GLC policy of increasing financial support for LT.

### ATTACK ON JOBS AND SERVICES

The former would mean 8500 job losses — increasing to around 16,000 as a result of other attacks on employment in the years ahead — as well as the closure of bus routes, rail stations, higher fares and a drastic reduction in the quality of the service.

Instead the LTE majority forced through a plan involving the GLC option. This involves no job losses (other than some arising from the appalling concession of one person operated trains agreed by some union leaderships), and calls for increased bus and train mileage (creating more employment) as well as a three year fares freeze (which would be a cut in real terms).

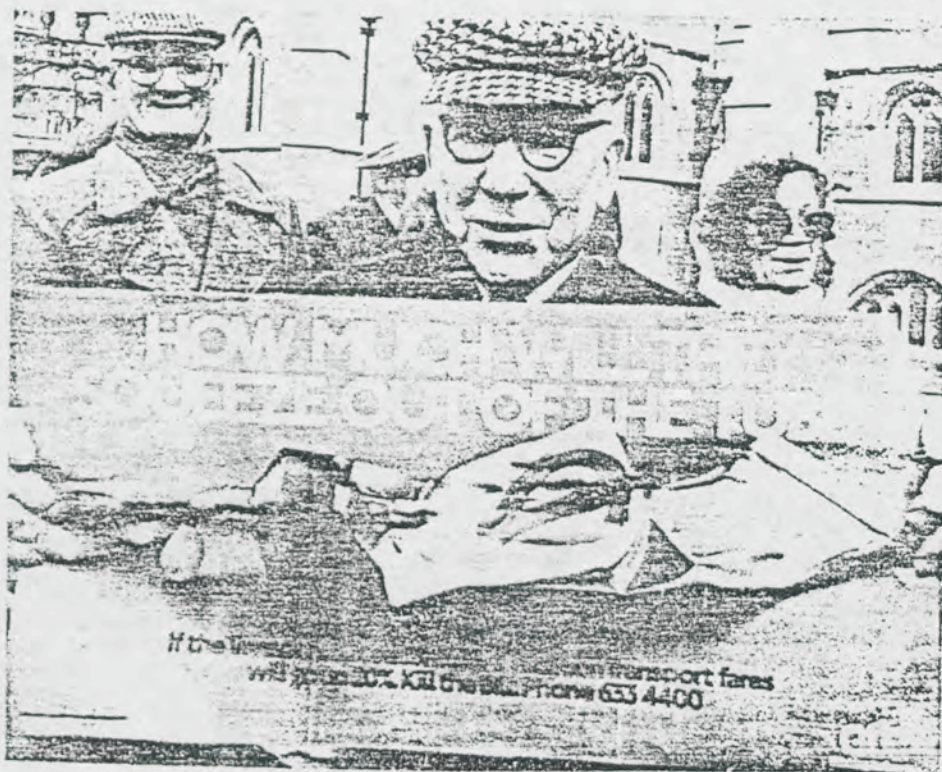
### SUCCESS OF GLC POLICY

The pro-government minority LTE directors have described this as 'unprofessional'. But this is ridiculous given the fact that the GLC fares reduction policy has already resulted in the best results for LT in recent years, including a 16 per cent increase in the use of LT and a much better financial performance than budgeted for.

More to the point the lower fares, plus innovations such as the Travelcard have helped take traffic off our overcrowded roads and resulted in a 5000 reduction in fatal and serious accidents on those roads. The entire experience of the past year provided dramatic confirmation that a socialist policy of cheaper fares and better services makes transparent economic and social sense.

### 'PROFIT CENTRES'

The Tory strategy is to turn each part of LT into semi-autonomous 'profit centres'. To that end Ridley and the fifth column within LT plan an all out offensive to get one person operated buses and trains, even though this produces a worse service, endangers the security of passengers, and



has serious health and safety implications.

In addition, management would like to close bus and train engineering plants such as Acton, Aldenham and Chiswick. Until now the GLC majority on the LT executive have been able to block moves to close Acton and Aldenham but LRT will persist with massive redundancies.

The left wingers on LTE can delay the offensive but only the mobilised strength of LT workers can defeat it and preserve jobs and services. GLC leaders such as Ken Livingstone, Dave Wetzel and Mike Ward and some LTE part-time members have made it clear that the time for action is now and that a determined campaign to explain what is at stake can win public support for LT workers.

### ACTION ON JUNE 27

Industrial action now would also draw on the strength given to the wider labour movement by the determined struggle of the miners to defend their jobs and their pits. A concerted action by miners, LT workers — as well as GLC staff — defending themselves against abolition could provide the sinews of a potentially powerful resistance to the Tory government.

The immediate focus for action should be the one day 'Day of Action' being called by SERVIC for June 27. But it is vital that any such protest should be clearly situated as part of a campaign aiming at all out action on

London Transport if the Tory government does not give unambiguous undertakings on LT jobs and services.

### UNITY WITH THE MINERS

No campaign of action will succeed unless a massive effort to explain all the issues both to LT workers and the travelling public is begun NOW. GLC Labour leaders and part-time GLC-appointed LTE directors have pledged to play their part in bringing the details of the threat to LT jobs to every bus garage, depot and workshop.

Failure to mount resistance to LRT and all that it involves will enormously weaken the prospects of resistance to the abolition of the GLC — and the enormous consequent job losses — next year. But the example which could be given by a strike to defend jobs and services is not to be underestimated.

Growing numbers of working people are showing how angered and embittered they have become as a result of the actions of the Thatcher government. A clear lead given now by LT trade union leaders — together with the GLC — can help ensure the fight back against the government being led by the miners turns into a wholesale challenge to Tory attacks on the entire working class.

John Palmer  
(GLC-appointed member  
London Transport Executive)

# London's transport will survive, says LT chairman 2

The GLC claims that when LT is removed from its control there will be widespread service reductions and fare rises. What is your view?

KB: There is no substance in it at all. It is just one of the scares put out by the GLC. No. The Government have said that fare levels must be maintained constant in real terms; and we must meet our stated obligation to provide a service that matches demand.

I do not expect any reduction in services after transfer of LT to LRT. If we achieve the Government's aim of constant fares in real terms - and I am confident it can be done - there should be no real fare rise and no loss of customers.

The GLC says there will be an axing of many routes, and shutting down of a number of stations.

KB: That is pure fiction. I do not expect closure on the scale suggested by the GLC. I would expect a cold and hard look by LRT at anything that is patently uneconomic: Tube stations like Ongar, for example, where the Essex County Council has an interest.

But we shall also start additional services as we have already been doing: shoppers' specials, the Docklands Clipper, night services extended in the face of GLC opposition. A few central London stations will have to be reviewed annually.

London's public transport system will not fall apart when the Government takes London Transport away from the Greater London Council and puts it under a new London Regional Transport body, Dr Keith Bright, LT chairman says.

In an exclusive interview with *The Times* his first since the dispute between the Government and the Greater London Council over the LRT Bill, which received Royal Assent yesterday. Dr Bright says the GLC nominees on the LT executive have been working against efficient public transport in London, and GLC warnings of closures and fare rises are without substance.

A chemist and former industrialist, Dr Bright, aged 52, is widely expected to become chairman of LRT when it takes over LT next month. He talks to Michael Baily, our Transport Editor.

The GLC says there will be 1,500 job losses - one in four of the LT workforce - within three years.

KB: The GLC take the view that job protection is good in itself. I accept that, but it must be measured against the good of lower fares and subsidies, and quality of service.

Last year the GLC arrested a programme of manpower savings to increase efficiency, which cost the rate and taxpayers £24m, or £70m in a full year. Many of those jobs were unnecessary as a result of new ticket systems on the bus and Underground such as the Travelcard. And the Monopolies Commission discovered that some LT works were very inefficient establishments; a lot

of the work could be done more cheaply outside LT.

We must agree a programme to make Aldenham and Chiswick works viable; and those parts of the work that are not viable must be contracted out.

The GLC regards "privatization" as bad in itself and is automatically opposed. But we are still overstaffed - productivity in a continental undertaking like Hamburg is over 50 per cent higher than London's - and must continue to make efforts to reduce staff.

Many of our people are over 55 and the reductions can be achieved mostly without enforced redundancies. The 1984 Act will ensure that because of the competitive elements it will introduce, unless we use our



manpower efficiently, much of what we do will disappear anyway.

The GLC says much of the bus and Underground system faces privatization.

KB: Privatization of the Underground is not a practical possibility. Buses are always a possibility if they are not efficient enough to meet competition. There is a real possibility of competition on many London bus routes. If it brings benefits to the travelling public in the form of cheaper fares and better services that can't be a bad thing.

The GLC describes the LRT Bill as a "disgraceful and doctrinaire attempt to dismantle and destroy London's integrated

public transport system". What is your view?

KB: The phrase disgraceful and doctrinaire could be turned right back on those who use it. The GLC has a policy of job protection at all costs; they are bleeding the tax and ratepayer to provide a level of subsidy not justified by the level of customers.

The GLC claims credit for the recent growth in passengers, and without doubt lower fares are partly responsible. But so are the Travelcard and the new zonal fares systems which were LT initiatives of the kind we can continue to expect under LRT.

Public transport systems like this must always be subsidized to a certain extent. But much depends on the level of efficiency. People are all the time improving efficiency in every walk of life.

Public transport cannot be isolated from what is happening elsewhere. Failure to recognize this will bring about the self-annihilation of the very thing they seek to protect.

The transport authority will continue under the new legislation to provide a safe, economic, and efficient service to meet passenger demand. And I look forward to a more positive approach to running an efficient transport system in London.

Local Govt Relats Pt 21 on slip 2116 NO  
NDPM AT 20/6



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Secretary of State for Trade and Industry

June 1984

Lord Bellwin  
Minister of State for Local  
Government  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1

D. Irwin,

SO 700 1000  
attached 20/6

Thank you for copying to me your letter of 8 June to Patrick Jenkin about the possibility of the GLC and MCCs frustrating our objectives through the use of the Enterprise Boards.

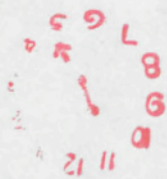
2 This could indeed be potentially very damaging and I welcome your proposals for countering it. They should go some way to limiting the increase in power that the Enterprise Boards could otherwise enjoy following a large influx of revenue-producing assets from the abolition authorities.

3 I am copying this letter to members of MISC 95, the Lord President, the Law Officers and to Sir Robert Armstrong.

NORMAN TEBBIT

JH2AQD





20 JUN 1984



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HPS  
MCCREATH  
Lore JF

Department of the Environment  
2 Marsham Street L -  
Telephone 01-212 3434

Minister of State  
for Local Government

CONFIDENTIAL

8 June 1984

*Sea Poodle,*

There has been increasing concern about the likelihood that the Greater London Council and the six Metropolitan Counties will seek to frustrate the objectives of the Government, by deliberately stripping themselves of important assets before they are abolished. A primary example of such behaviour, is the way in which those authorities have all set up enterprise boards under the Companies Act 1948-1981 - private companies limited by guarantee with the objects of promoting economic development in their areas. There is nothing to suggest that these enterprise boards or their activities are in any way unlawful, but there is mounting evidence that the local authorities in question, are preparing to transfer to their enterprise boards, substantial property holdings and financial resources, so as to avoid handing over the assets in question to their successor bodies on abolition. It is not uncommon for the Board members of the enterprise board to comprise Councillors of the sponsoring authority. For example, all the members of the Greater London Enterprise Board are Labour members of the GLC.

It appears that generally, the method to be adopted is to sell the assets (mainly land, developed or not) to the enterprise boards at full market value, but the local authority typically agrees to leave the whole, or a substantial part of the purchase price, outstanding, secured by a mortgage at commercial rates of interest. The purchase price is then paid in instalments by the enterprise board, either out of income from the property or from grants made to it by the local authority, under section 137 or other appropriate powers.

Such transfers have two particularly objectionable features:-

- a. control over the assets in passing into the hands of organisations with no responsibility towards the ratepayers who have originally contributed towards their acquisition by the local authority; and
- b. the fact that ratepayers' money is being used to finance these transactions.

We, of course, encourage genuine sales of surplus public property to private owners, but there are ample grounds for doubting the genuineness of a number of disposals that the present rules would allow.

Any estimate of the total value of the assets at risk and of the amount of grant aid is necessarily uncertain, but potentially over £75M per annum of grant-aid could be at issue - almost £40M from the GLC and a slightly smaller amount from the metropolitan

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County councils in aggregate. In practice, other commitments under section 137 (eg grants to voluntary bodies) are likely to bring down this figure substantially. But even if the amount at risk totalled only, say, £40M of ratepayers' money each year, it could finance the acquisition by enterprise boards of almost unlimited amounts of capital assets. Even if the possibility of section 137 financing does not arise, there remains too much scope for damaging disposals of land and other property (eg County Hall) by the abolition authorities.

I am clear that it would be both wrong in principle and unacceptable to our supporters, to allow these malpractices to proceed unchecked. I therefore propose to take an appropriate power in the Paving Bill at present before Parliament - the last legislative opportunity for us to do so. This power will make all payments by the GLC and the metropolitan counties under section 137 of the 1972 Act (and under any analogous provisions), subject to Ministerial consent as from 1 April 1985. This will leave unscathed payments this financial year, but since these are by now largely committed, a retrospective power would be difficult to justify, as well as being virtually impossible to administer. We need, however, to prevent the damage which the councils could do for 1985/86 in their final weeks of existence, before they are replaced by transitional councils on 7 May 1985. A provision of this kind would also have the incidental benefit of controlling grants next year by the seven authorities, to eccentric or politically motivated bodies.

William Waldegrave and I have already discussed such a power with the Solicitor-General, who considered that it would be a feasible proposition.

We also discussed taking a further power to make disposals of land by the GLC and metropolitan counties subject to Ministerial consent. This power would have been retroactive and would have taken effect from the date of a public statement to be made in the near future. To be effective, it would have had to be underpinned by a provision making any councillors concerned liable to automatic surcharge and disqualification, if they had disposed of land without the consent after the effective date. Control over disposals would, however, be a particularly fraught administrative task, which would undoubtedly have proved expensive in terms of staff resources. Moreover, as there was no opportunity to insert any such provisions while the Paving was in the Commons, there are obvious risks in seeking to introduce a sweeping and retroactive power in the Lords without having given any previous indication to the Commons. The ensuing political controversy could prove unmanageable.

The power which we do propose taking (in paragraph 5 above), should remove in large measure the scope for further abuse without our having to have recourse to physical controls. We have, therefore, concluded that we cannot recommend at present seeking a power of consent over disposals. If, however, there were to be continuing evidence over the next few months, that despite the proposed power to supervise section 137 payments, disposal of an unacceptable character were still taking place, it would be open to the Government to make a statement bringing home

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that such disposals were unprincipled, provocative and not to be tolerated; and that accordingly, remedial (ie retroactive) powers would be sought in the main Abolition Bill. For the moment, however, this option can be kept in reserve.

I have little doubt that even the limited power which we are proposing to take will be bitterly contested by our opponents, and may prove difficult to administer for the short period during which it would be in force. Without taking this minimum step, however, the credibility of our policy to abolish the GLC and the metropolitan counties could be seriously undermined.

I hope that our proposal can be agreed without the need for a meeting. Unless any member of MISC 95 objects, I intend to ask Parliamentary Counsel to draft the appropriate clauses with a view to tabling them during the Lords stages of the Paving Bill. I am copying this letter to members of MISC 95, the Lord President, the Law Officers and Sir Robert Armstrong.

*Yours Sincerely,*  
*J. W. M.*

LORD BELLWIN