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10 DOWNING STREET

From the Private Secretary

24 July, 1984

Abolition: Counter Obstruction

Your Secretary of State came to see the Prime Minister today at 12.45 p.m. to discuss the Government's response to reports that the GLC was intending to circumvent the provisions of the Paving Bill and to divest itself of assets and resources prior to abolition. The meeting had before it your letter of 24 July to Janet Lewis-Jones.

Your Secretary of State said he was particularly worried by the possibility that the GLC might transfer cash from its balances to the London Boroughs. To prevent this, and any similar action by MCCs, he proposed to announce in a PQ that afternoon that he would take powers in the main Abolition Bill, retrospective to today, to provide that such transfers or agency agreements with local authorities would need his consent and that if this was not secured, any sums transferred could be repayable. In addition, he was proposing to activate existing powers to require authorities to supply information about the transfer of assets. This would enable a judgement to be made on whether the activities of the authorities in question were contrary to the interests of ratepayers. District auditors already had powers to surcharge councillors if they transferred assets at less than their full value. Finally, he was intending to withdraw the general consents under which the GLC is able to dispose of housing land and vacant property.

He had considered whether these measures, coming on top of the counter obstruction measures introduced in the Lords, would be taken amiss by the Lords. After consulting the Lord President, he had concluded that it was possible to defend the introduction of such measures; they would be seen as a legitimate response to unacceptable behaviour by the GLC.

The Prime Minister noted that the effect of the GLC's

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action would be to disadvantage the Outer London boroughs as the GLC was proposing to transfer money to sympathetic boroughs. This would leave a larger volume of debt to be paid for by the residual authority by a charge on all the boroughs. It was agreed that your Secretary of State should act as he proposed. His statement should, however, stress that these measures were being done to protect ratepayers and to maintain fairness between different boroughs and districts.

Copies of this letter go to Janet Lewis-Jones (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), John Graham (Scottish Office), Colin Jones (Welsh Office), David Morris (Lord Privy Seal's Office), Steve Godber (Department of Health and Social Security), Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Dinah Nichols (Department of Transport), Mary Brown (Office of Arts and Libraries), Mike Bailey (Department of the Environment) and Michael Buckley (Cabinet Office).

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