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10 DOWNING STREET

13 December 1985

From the Private Secretary

*De Robin,*

ABOLITION OF THE GLC AND MCCs: FORWARD FUNDING

The Prime Minister today held a meeting to discuss your Secretary of State's minute of 11 December. The Lord President, Lord Privy Seal, Chancellor of the Duchy of Lancaster, Chief Secretary, Solicitor General, your Secretary of State and the Chief Whip were present.

Your Secretary of State described the reasons for his concern about the GLC's intentions on forward funding. He had circulated some of the evidence with his minute. The resources available to the GLC could be between £100 and £200 million, and there was some support for Maurice Stonefrost's view that the amount could be around £150 million. Proposals for forward funding had not yet gone to the GLC's Committees, but all boroughs had been putting in bids. Your Secretary of State said he could require re-cycling of money going to stress boroughs, but it did not seem realistic that he would, in practice, be able to exercise this power on the present basis: the sanction of surcharge and disqualification of councillors was not available to him.

Continuing, your Secretary of State said that the power he proposed to take would require the GLC to obtain his consent for grants made after the date of the announcement. He would probably agree to many of the requests. But if the GLC applied for consent and he was minded to refuse it, he would be required to ask the advice of the Co-ordinating Committee, though he would not be bound to take it. Grants made without his consent would put councillors at risk of surcharge and disqualification and legislation would be taken at the same time to apply the same sanctions in the case of stress borough funding. Your Secretary of State believed that legislation would probably go successfully through the Commons. The necessary clause would be put down in January at the Report Stage of the Local Government Bill.

The Lord President believed he could secure passage of the legislation through the House of Lords. This would, however, require an immense effort and would lead to a major row: the House of Lords would feel that its legal conscience had been offended.

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In discussion the following points were made:

- (i) if the legislation were in the end to be rejected after the powers had been used, their use would have had no statutory cover; if the GLC had by then been abolished, it would be unable to spend the money; there would be great concern about this point in both Houses and the Government would come under attack;
- (ii) the Secretary of State's exercise of his powers before the legislation had been passed would probably be taken to judicial review; the Government might lose, particularly in view of the first point noted above and because it would be argued that the Government was deciding grants not on their individual merits but on the need to preserve resources for the residuary bodies.

Summing up the discussion, the Prime Minister said the meeting had great sympathy with the objectives your Secretary of State was trying to secure. However, the proposed legislation presented considerable difficulties. The exercise of the powers in advance of enactment could be rejected by a judicial review and there remained some doubt about whether the legislation would in the end achieve the desired outcome. The meeting therefore concluded that the legislative option should not be pursued. But the Government would need to do all it could to mobilise public opinion. Government-funded publicity could be used to explain in suitable terms the legislation to abolish the GLC. (Your Secretary of State noted that he had a pamphlet in preparation.) It might also be possible to interest a consumer or other TV programme in the way the GLC was abusing its position. The Government had a strong case: Mr. Livingstone had earlier promised to return the money to London ratepayers; he was now intending to hand it to political friends. This behaviour should be seen to show the wisdom of the Government's decision to abolish the GLC.

I am copying this letter to Joan MacNaughton (Lord President's Office), David Morris (Lord Privy Seal's Office), Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster), Richard Broadbent (Chief Secretary's Office, H.M. Treasury), Henry Steel (Law Officers' Department), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

*Yours ever,  
David*

DAVID NORGROVE

Robin Young, Esq.,  
Department of the Environment.