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Prime Minister (2)

This addresses

MCS

The question "should the joint

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MISC 95(83)2

15 July 1981

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boards be

allowed to precept?

MCS 15/7

CABINET

MINISTERIAL GROUP ON THE ABOLITION OF THE GREATER LONDON COUNCIL AND THE METROPOLITAN COUNTY COUNCILS

FINANCIAL ARRANGEMENTS FOR JOINT POLICE AND FIRE BOARDS AND CONSTITUTIONAL IMPLICATIONS

Memorandum by the Minister of State Department of the Environment (Minister for Local Government)

1. At the first meeting of the Group, the Home Secretary and I were asked to attempt to reach a common view on the financial arrangements for police and fire joint boards (MISC 95(83)1st). This paper has been prepared in collaboration with Home Office Ministers.

2. The main issues are:

- i. the extent of the role that it is appropriate for central government to take in controlling the budgets for specific services and in particular for the police services where there are acute sensitivities;
- ii. the choice of a method of financing joint boards that will place the maximum pressure on them to be economical and cost effective.

3. The note at Annex A sets out our agreed analysis of the present situation and the options available. In summary these are:

Option A

to make joint boards directly responsible for their expenditure decisions and the grant and rating consequences of those decisions; this implies that the boards should receive grant and precept; that they should therefore be subject to the select control scheme and I would argue to a direct control in their first transitional period;

Not unless we can control total exp. + manpower.

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ACD
We all need a tutorial on this before discussing the merits.
Can you arrange one?
Lines
Home Office -
Plus M.T. plus officials
P.S. + 2nd - Ministers

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Option B

to place responsibility for funding the boards with the lower tier authorities that are represented on them; the boards would receive specific and supplementary grants (eg police grant) but not block grant; the constituent districts would receive block grant on their share of the boards' expenditure, and rate for the rest of their contributions. The control schemes would have to be applied indirectly through the constituent districts.

Recommendations of Minister for Local Government

4. I recommend that the new police and fire boards should receive block grant, be allowed to precept on their constituent districts and be subject to direct control in the transitional period and then to selective control under the proposed rate limitation scheme.

5. If the boards are not subject to direct control in the transitional period, the whole thrust of our abolition policy would be put at risk. The basic rationale for this policy is our determination to have less wasteful and less inefficient local government. We must also secure substantial staff savings. Police and Fire services account for about half of the current expenditure of the metropolitan counties and about two thirds of the manpower. We cannot afford to exempt these services from control, in particular over the transition period. And any precedents created would be cited by any other boards such as ILEA which were created, further exacerbating our problems. Joint boards could account for over three-quarters of the total manpower engaged in the services of the authorities we are abolishing.

6. The Home Office are recommending that responsibility for funding the boards should be placed on the constituent districts, and that control of the police and fire board expenditure be exercised indirectly through pressure on the districts. This would, in my view, have the following serious disadvantages.

7. First, the boards would not be liable to the consequences of their own financial decisions. They would have insufficient incentive to make proposals to rein back expenditure. And since the majority of the constituent districts of any police or fire board are not likely to be liable to selective control, the districts would find it correspondingly easier to accept any extra financial demands from the board.

8. Secondly, individual districts could face penalties on account of decisions by the board which they did not support. The contributions made by each constituent district to its police and fire boards would count as part of its own expenditure.

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In setting the police or fire board's annual budget, there could well be a conflict of interests between the constituent districts. An individual district just below target or just outside the net of selective control, which pressed for a low board budget could be outvoted, and yet because of its consequently higher contribution to the board, be subject to holdback, or to selective control. This problem is exacerbated by the fact that magistrates currently have a third of the voting rights on police boards. The effects of the Home Office proposals could be seen as so clearly unfair by the 68 London boroughs and Metropolitan Districts that in my view we could run the risk of not getting it through the House. One possible result would be to exempt police and fire expenditure from control altogether. That would be disastrous.

9. I note the Home Office points about possible constitutional problems arising if boards are subject to direct control and about the inadequacies of the police and fire services GREs. I would make two points. First, 80% of police spending (on manpower, pay and allowances) is already not at the discretion of the police authorities. Furthermore, the Government would not be deciding how much a particular board should spend, it would be setting a maximum limit. Second, to the extent that the Home Office consider that police and fire service GREs are unjustifiably out of line with expenditure (see Annex B), I would welcome an urgent review, in consultation with the Home Office to improve them.

10. Colleagues will need to consider the trade off between putting our abolition policy at risk through excessive growth in expenditure and manpower in the transitional period and thereafter, and any constitutional problems flowing from central government responsibility for the maximum expenditure levels of police and fire boards.

Recommendations of Home Office Ministers

11. Home Office Ministers see powerful reasons for adopting Option B (applying control through the constituent districts). their objections to Option A (direct control) are:

- a. the political objection that the Government would be drawn into deciding how much a local authority should spend on individual services. This is a large step from deciding (as the proposals for rate limitation will require) a total which a local authority should be allowed to spend on a range of services;
- b. a new system would be created in the metropolitan areas while arrangements in the shire counties would be unchanged. The Government could expect to be accused of making a covert assumption of control over police in inner city areas.

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- c. GRES were devised solely for the purpose of block grant distribution. They would not be a satisfactory basis for calculating block grant entitlements of single service authorities. Current spending on police and fire in the metropolitan counties is considered to be broadly in line with need but departs widely from the GRES. Attempts to improve the GRE formulae have failed and it is doubted whether new formulae could be devised to give more satisfactory results.
- d. Under option A, unless current expenditure targets were significantly increased, joint boards would face a choice between increasing their precepts (and possibly being caught by the selective schemes), or cutting back on existing provision. Neither is an attractive proposition from the point of view of the Government's policy towards these essential services, nor the statutory responsibilities of the Home Secretary and police authorities. The Home Secretary would, in all probability, feel bound to support expenditure proposals consistent with the present level of provision for these services. In those circumstances, it is difficult to see how significant reductions in current levels of spending on those services could be achieved. Indeed, the loss of indirect pressure on police and fire budgets through control over multi-service budgets would make it more difficult than under Option B for the Home Office to achieve improvements in the efficiency of these services;
- e. approving budgets above GRES for single services in the metropolitan areas could have unwelcome results in the shire counties. If Ministers accepted that spending on services in the metropolitan areas should be above GRE level, the shire counties would expect similar latitude to be shown over spending.

The advantages of option B are:-

- a. a coherent national pattern would be retained which would allow (as do the arrangements for existing combined police authorities) detailed arrangements which could be varied to take account as far as possible of the wishes of local authorities having responsibility for services;
- b. the imperfections of GRES would be absorbed to some extent within composite GRES for each local authority;
- c. local authorities would not be encouraged to spend up to their service GRES, a danger to which DOE Ministers have previously attached importance.

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12. Home Office Ministers point out that since spending on the police is about 80% contained by the Home Secretary's responsibility for establishments, pay and allowances, joint boards for the police would have little scope for substantial increases in expenditure, if that were their intention. Control of their expenditure need not be prejudiced by being effected through the constituent districts. Local authorities seeking to do so will no doubt find scope for making difficulties out of whatever system is adopted but the particular dangers of that kind associated with control via the district councils do not seem to the Home Secretary sufficient to outweigh the wider problems that would come from direct control of joint boards.

Conclusions

13. We are faced with a political choice between Option A which would preserve the credibility of our policies on public expenditure and abolition and Option B which would avoid any constitutional problems arising from direct control of the expenditure of police and fire boards.

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Department of the Environment
2 Marsham Street
London
SW1

15 July 1983

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ANNEX A

FINANCING JOINT BOARDS

1. It is currently envisaged that when the Metropolitan Counties and the GLC are abolished, joint boards will be established in the metropolitan areas outside London to provide police and fire services. The Secretary of State for Transport is also considering the arrangements for public transport after abolition. In London, there will be a new joint fire board. In addition, the ILEA will be replaced by a joint board. Support for public transport will become the responsibility of the LRTA.

2. At present police, fire and transport services are the responsibility of the metropolitan counties - together they account for the great majority of those authorities' expenditure. This is financed from three main sources:

(i) specific and supplementary grants - eg police grant and transport supplementary grant (TSG);

(ii) Block grant. The counties receive block grant in their own right;

(iii) Rates. The counties precept for the balance of their financial requirement, after grants.

Like all other authorities, the metropolitan counties have been given individual expenditure targets in recent years, and been subject to holdback penalties where they overspent. Overspending by the counties has no effect on the metropolitan districts or London boroughs - the counties have to finance any holdback penalties by increasing their own precepts.

3. In London, the arrangements for fire (and transport) services - GLC functions - are similar to those in the metropolitan areas. But the metropolitan police is already a separate financial entity and is unique because the Home Secretary is the police authority. There is no police authority with elected representation. It receives block grant and block grant directly, and precepts for the remainder of its expenditure. Since its budget is approved by the Home Secretary it is not subject to targets or holdback.

OPTIONS FOR FINANCING NEW JOINT BOARDS

There are two main options:

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Option A

to treat joint boards as separate financial entities. Each board would receive specific or supplementary grants (eg police grant); would receive block grant (calculated in the normal way on the basis of its expenditure in relation to its own grant-related expenditure assessment (GRE)); and would precept for the remainder of its financial requirement;

Option B

to treat joint boards as an extension of their constituent districts/ on the same basis as existing combined police authorities. The boards would still receive specific and supplementary grants, but the remainder of their expenditure would be funded by contributions from the districts. These contributions would count as district expenditure, against which each district would have a GRE assessment. The districts would receive block grant depending on the level of their aggregate expenditure in relation to GRE for all services, and would rate for the remainder of their financial requirement.

IMPLICATIONS FOR SELECTIVE CONTROL

5. On present plans the selective control scheme will come into operation in 1985/86, one year before the GLC and MCCs are abolished. These authorities will therefore be eligible for control in their last year, and it is likely that a number of them will actually be subject to control.

6. The two options in paragraph 4 for financing joint boards would have different implications for selective control. Under option A joint boards would be subject to control in their own right - if their expenditure decisions brought a board within the criteria for control, this would be applied through a limit on their precepts. Under option B selective control would not apply directly to expenditure by joint boards, but to the constituent districts. They would be subject to control if all their expenditure - including police expenditure - brought them within the criteria. So expenditure by a joint board could push individual districts into control, but this would depend on their expenditure on other services.

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ANNEX B

METROPOLITAN COUNTY COUNCILS AND GLC

COMPARISON OF 1983/84 BUDGETED EXPENDITURE ON POLICE AND FIRE WITH SERVICE GRES

<u>£ million</u>	<u>Exp.</u>	<u>Police GRE</u>	<u>% Variation</u>	<u>Exp.</u>	<u>Fire GRE</u>	<u>% Variation</u>
Merseyside	47.850	40.869	+ 17.1	23.426	20.975	+ 11.7
Greater Manchester	68.071	63.514	+ 7.2	32.995	28.334	+ 16.5
South Yorkshire	28.100	26.335	+ 6.7	15.794	12.369	+ 27.7
Tyne and Wear	27.348	29.607	- 7.6	15.578	13.037	+ 19.5
West Midlands	62.146	69.134	- 10.1	29.818	28.779	+ 3.6
West Yorkshire	48.905	44.050	+ 11.0	25.891	19.066	+ 15.8
GLC	-	-		121.624	98.106	+ 24

Note

The expenditure figures are estimate

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DEPARTMENT OF TRANSPORT
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The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

NRBPM
MUS 57
5th July, 1983

Patrick Jenkin

PUBLIC TRANSPORT IN THE METROPOLITAN COUNTIES

Before we meet tomorrow to discuss Irwin Bellwin's paper (MISC 95(83)1) I thought it might be helpful if I put in writing my views on his suggestion that the Group should consider the case for joint boards for public transport in the Metropolitan counties.

My approach is to avoid joint boards if at all possible. In the case of roads and traffic, this can be achieved. But public transport in the Metropolitan counties is in the hands of the passenger transport executives (PTEs) which were set up in 1969 well before the Metropolitan counties were created (except for those in West and South Yorkshire, which were established after local government reorganisation in 1974). In the 15 years since then, reorganisation of their operations means that it is now less easy to divide up all these bus operations into separate ones to fit the structure of the Metropolitan districts.

The PTEs are also responsible for major grants to British Rail, totalling £54m in England in 1982/83. If the PTEs were no longer there, this responsibility would inevitably transfer back

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to central government, directly contrary to the policies we wish to pursue towards British Rail. In the event, Strathclyde could hardly continue as the sole case of local payment for rail services. In Tyne and Wear the PTE operate the Tyneside Metro. That must inevitably remain a single operation. Several other PTEs have made quite substantial adjustments to fit bus and rail services together, for example in West Midlands and Merseyside. We have also just put on the Statute book the 1983 Act to increase central government influence over public transport planning and efficiency in the PTEs.

Moreover, the joint boards would be subject to direct budgetary control, whereas some of the districts could escape the selective control under the new legislation which would be particularly unfortunate given the history of overspending on Conservative transport subsidies.

If there is no general policy of breaking up the PTEs, there must be some democratic body to control them. Somebody must make the appointments and approve the budget. This leaves us with no choice but to have joint boards.

I do not say that this must be so in every case. There may be cases where the PTE could be broken up and responsibility devolved to districts. That would require more specific information.

I therefore consider that our White Paper should suggest that joint boards will be needed to supervise the passenger transport executives, but to present the proposition in such a way that those who wish to argue for different arrangements in particular instances will need to make the case that breaking up the PTE will be an improvement.

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I am copying this to the Prime Minister and to all members
of MISC 95.

Tom
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TOM KING

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10 DOWNING STREET

From the Private Secretary

19 July 1983

Abolition of the GLC and the Metropolitan
County Councils

Bo We have arranged a "tutorial" for the Prime Minister on Thursday afternoon, at which your Secretary of State and Mr. Heiser will be present. This arose from the Prime Minister's comments on Lord Bellwin's paper (MISC 95(83)2) on the financial arrangements for joint police and fire boards and the constitutional implications. The Prime Minister is opposed to making joint boards directly responsible for their expenditure decisions, and the grant and rating consequences of those decisions; and being given the right to precept and receive grant. The Prime Minister believes that they should be given these powers only if the Government can control their total expenditure and manpower; and that it would be preferable to have a single system of control as suggested in Option B of paragraph 3 of Lord Bellwin's paper.

I have written separately about the Prime Minister's questions on manpower in the GLC and MCCs.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Ballard Esq
Department of the Environment,

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10 DOWNING STREET

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Prime Minister

Abolition of GLC + MMC's

You want a tutorial arranged
with all the people involved.

Would you prefer to start off
with a small one — Terry Heiser,
Patrick Jenkin and Peter Gregson
(Michael Buckley from the Cabinet
Office?)

Yes
no

MLS 18/7

VC



file

bc ferry Mount

10 DOWNING STREET

From the Private Secretary

11 July 1983

Dear John,

Abolition of the Greater London Council and the
Metropolitan County Councils

The Prime Minister saw the record of the discussion at MISC 95 on Wednesday of Lord Bellwin's paper on the abolition of the GLC and the Metropolitan County Councils.

The Prime Minister has noted with interest the arguments about whether the joint boards should have the power to precept, or whether they should be financed through the nominating authorities (raised in relation to the Police Joint Boards at (f) on page 3 of MISC 95(83) 1st meeting). I would be grateful if you would keep me in touch with the development of policy on this matter.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Ballard, Esq.,
Department of the Environment.

See

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R M



FILE

Minister for Local Govt,
DOE

MISC 95:- DOE Emp
HO DTI
DES Transport
LPS Chief Sec
Social Services

10 DOWNING STREET

4 July, 1983

From the Private Secretary

ABOLITION OF THE GLC AND THE METROPOLITAN
COUNTY COUNCILS

The Prime Minister saw Lord Bellwin's paper(MISC 95(83)1) on this subject over the weekend. She has commented that she believes that the Government will be too ready to accept the proposition that about 70% of existing staff will go to the joint boards.

I am sending a copy of this letter to the Private Secretaries to the members of MISC 95 and to Richard Hatfield (Cabinet Office).

M. E. SCHOLAR

J. Ballard, Esq.,
Department of the Environment

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VC