



cc DSE  
MJ

10 DOWNING STREET

THE PRIME MINISTER

8 September 1983

Dear Mr. Greengross

Many thanks for your letter of 26 August and for the paper on local government in London you enclosed with it.

I have read your paper with interest. As you know from our talk in July I have reservations about some of the points you make. But it is most helpful to have your ideas set out so clearly and succinctly.

You have obviously spent a lot of time working out "A New Structure" and I am most grateful to you.

Alan Greengross, Esq.

Yours sincerely  
Margaret Thatcher

MT

From **ALAN GREENGROSS**  
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MCS -

? to seek  
fm advice

STRICTLY CONFIDENTIAL

26 August 1983

The Rt Hon Mrs Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister,

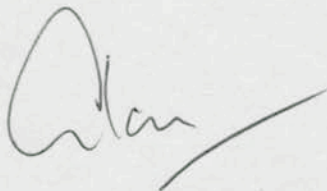
Further to our talk in July and indeed following your own suggestion, I attempted to put on paper some of the ideas that I raised with regard to the future structure of local government in London. I enclose a copy of the paper I have written which, I stress, is in far from polished form, but nonetheless is, I hope, sufficient to make the points clearly.

In the course of writing the paper one aspect emerged concerning political control that seemed to me to be of such significance that I believe you would wish to be made aware of it: it is dealt with on page 3a of the document.

I have taken the liberty of sending a copy of the paper to Fernand<sup>d</sup> as well in view of the fact that he sat in on our discussion.

With my best wishes

Yours ever

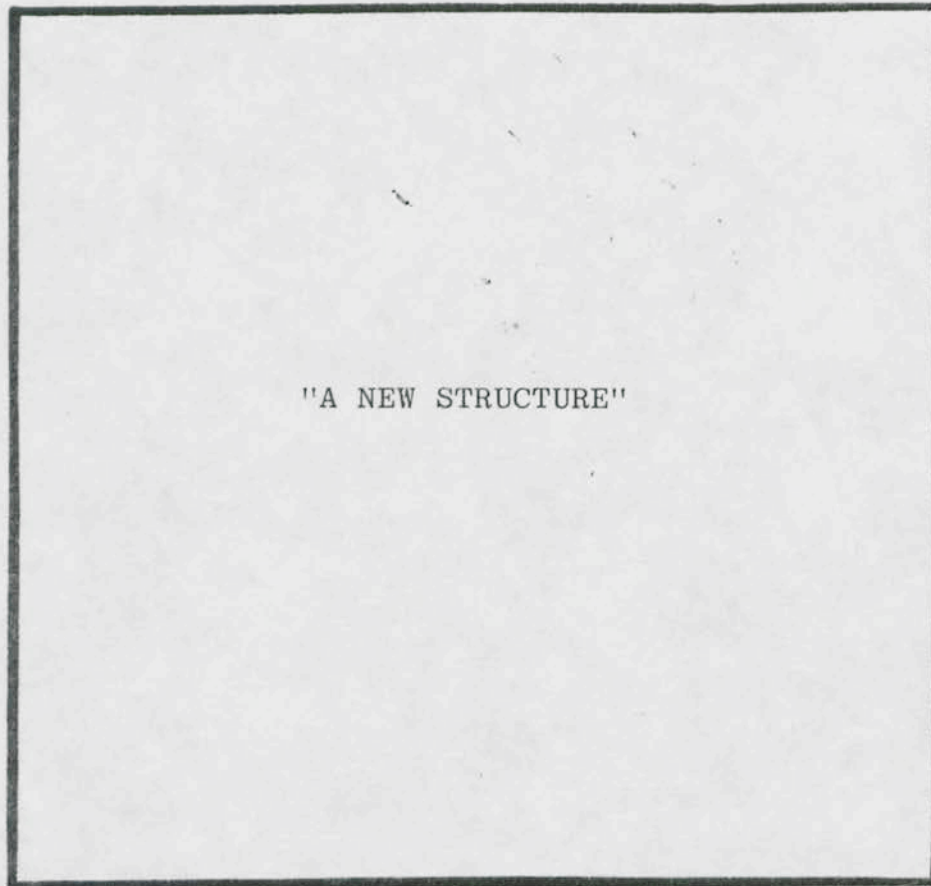


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THE RE-ORGANISATION OF LONDON'S LOCAL GOVERNMENT



"A NEW STRUCTURE"

AUGUST 1983

CONFIDENTIAL

The 1983 Conservative Election Manifesto announced the new Government's intention to abolish the GLC. The structure of local government has changed over the years to reflect the changes in the community it governs. This latest change is just another step in an on-going process.

It is agreed that the boroughs should be the executive level wherever this is reasonably possible, but, when all the functions previously administered by the GLC that can be devolved to the boroughs have been devolved, there will still remain some London-wide functions that individual boroughs are either unable or unwilling to take on.

These remaining functions could be administered by Central Government, quangoes, or joint boards but these solutions have very obvious administrative and financial disadvantages and, for these reasons, have been rejected in the past as adequate ways of running local government.

The paper examines the criteria necessary for a new structure that would be financially advantageous, could include an education service, would give Central Government macro-control and be acceptable to the electorate but would not itself become involved in the provision of services or interfere with the executive borough-level of government.

A new structure, a London Assembly, is postulated. Its composition, how it would work and fit in with the local government set-up are explained as well as how it would fulfil all the criteria and provide a voice for London as a whole.

A new structure such as this could bring with it significant advantages and provide the first real advance for a hundred years in the way we administer our Cities.

Alan Greengross  
August 1983

The structure of local government is not sacrosanct. Over the years it has changed to reflect either changing and developing situations or altering, and very often rising, expectations. The latest call for re-organisation is no more than a further step in this process.

Since the last major change in London in 1963 the underlying principle has been that the boroughs should be the 'executive' level wherever that is reasonably possible. The Herbert Commission, which preceded that change, stated quite clearly -

"the concept of an upper and lower tier of authorities should be replaced by the conception of the Greater London Borough as the primary unit of local government, performing all functions which can be performed within its own limited area."

In furtherance of this there are still a number of functions which could be devolved to individual Boroughs (see Appendix A). However, when all the functions which could be devolved to the boroughs have been devolved there will still remain some London-wide functions (see Appendix B) which either extend across borough boundaries, or for good reason would pose great problems if they were carried out by individual boroughs. There is also the growing recognition of a need for an overall body which could give direction and speak for London as a whole. The Herbert Report recognised this when it stated -

"The primary unit of local government in the Greater London Area should be the borough, and the borough should perform all local authority functions except those which can only be effectively performed over the wider area of Greater London or which could be better performed over that wider area."

THE QUESTION THEREFORE IS NOT - "SHOULD THE GLC BE ABOLISHED?"  
BUT RATHER "WHEN THE GLC IS ABOLISHED HOW DO WE CARRY OUT THESE  
FUNCTIONS WHICH CANNOT REASONABLY BE EXECUTED AT BOROUGH LEVEL?"

The fact that individual boroughs by themselves cannot carry out all the functions necessary for London and that some sort of London-wide organisation will therefore need to be established is now widely accepted. The form of that "body" may still be undecided. Various suggestions have been made ranging from quangoes to joint boards of borough members, but whatever is finally accepted, some sort of "body" will be needed.

Whilst it has been suggested that this might be achieved through the voluntary co-operation of the boroughs the reality must be that in the end some sort of statutory power for them to act will be required if they are to be effective. Thus it is inconceivable that the London Boroughs, as they stand, would ever achieve a commonly accepted policy on, for instance, Emergency Planning.

THIS PAPER, THEREFORE, DOES NOT ARGUE FOR ANY FURTHER TIER OR  
ADDITIONAL BODIES BEYOND THE STRUCTURE ALREADY IMPLICIT IN THE  
RE-ORGANISATION PLANS

If we are to try and devise a satisfactory and acceptable structure to discharge these functions it would be helpful to look at the advantages and disadvantages of some of the bodies that have been suggested.

## A FUNDAMENTAL PROBLEM

Joint Boards, often advocated, would presumably consist of each borough concerned sending one or more members to represent them.

Before any other examination is made of them it must be recognised that ANY ORGANISATION WHICH IS BASED ON THE BOROUGH AS ITS POLITICAL UNIT HAS ONE FUNDAMENTAL DRAWBACK

Currently out of 32 boroughs excluding the City of London, 16 are Conservative controlled, 3 we control without overall majority and 13 are Labour. A swing of 2.35% from the voting in 1982, when the Falklands factor was strong, would in fact lose 4 of these boroughs which would then result in 16 being Labour controlled, 15 Conservative controlled and 1 Liberal. If, on the other hand, the Parliamentary constituency is the unit for representation, then on the 1983 results there would be 56 Conservative seats, 26 Labour and 2 Alliance. For a situation to arise where the Conservatives were no longer the largest single Party with at least one-half of the seats in London would require a swing of no less than 5.7% from the 1983 figures.

In the case of the ILEA area this becomes even more marked. Currently 8 of the boroughs in Inner London are Labour controlled and 4 Conservative (excluding the City of London). In Parliamentary constituency terms 15 are Labour, 12 Conservative and 2 Alliance. Thus a change of ONLY ONE constituency means Labour no longer have control of the ILEA area. In borough terms, a change to a majority of Conservative controlled authorities is almost beyond the present realms of possibility. It is therefore clear that any system that can be based on a Parliamentary constituency unit must be at least 2½ times more politically secure than one based on boroughs.



## Joint Boards

Joint Boards of borough members seem at first glance to provide a possible solution in that members have stood for election. In fact of course they are not "elected members" in the ordinary sense of the word since members did not stand for election to the Joint Boards themselves.

Currently GLC Members stand for election in an exact capacity. They have to state specifically and answer for the policies they would then follow. If the co-ordinating tier were now to consist purely of members sent by individual borough councils, that direct accountability would be lost.

The most obvious example of a Joint Board is the Inner London Education Authority and the single most voiced criticism is that it is NOT directly accountable for those very reasons.

The Conservative Party have long urged the restructuring of the ILEA in order to overcome exactly that - it would seem to be retrograde to use the ILEA now as a model for further such bodies.

The other reason regularly adduced by Conservatives as to why ILEA must be restructured is the fact that it precepts in isolation. It determines its own rate by considering the educational scene without regard to other often equally pressing and sometimes more pressing needs of the community or activities of local government at large. In doing this ILEA acts virtually as a Board of borough members augmented by GLC Members. No single act within the recollection of any Member seems to give any indication that if GLC Members were removed leaving only borough members its spending policy would have been any different.

Furthermore, Joint Boards are as much (or as little) an extra level of government over the boroughs as any other body established to set parameters and make decisions at a superior level. Individual boroughs will still not be able to act

before these decision have been made at a superior level.

Finally, in practice it would not be reasonable to establish a Joint Board to discharge every one of the functions listed in Appendix B. To that extent there will need to be in the end a general body picking up such functions as do not justify a Board of their own. This would also be necessary to keep the activities of the Boards in proportion to each other since it is common experience that bodies that are 'single function orientated' establish a life of their own and lose any sense of balance in relation to the rest of London's needs and functions.

### Quangoes

Quangoes do not need over much discussion. London's experience of quangoes in the past has been salutary. In April 1974 the Ambulance Service was transferred from the GLC to the SW Regional Health Authority. By 1980/81 its cost had soared 27% IN REAL TERMS despite the fact that fewer patients were carried and less miles operated. Staff also increased by 400. Similarly since the Thames Water Authority in 1974 took responsibility from the GLC for sewerage in the Greater London sewerage ares, COSTS IN REAL TERMS HAVE RISEN 21.5%.

They are seen today as being largely unaccountable to the public, they extend patronage undesirably and the principle of such bodies determining levels of public spending is widely rejected. One of the major achievements of the last Government was the elimination of many such quangoes.

### Centralization

Centralization is sometimes unavoidable but should only be adopted as a last resort. Conservatives have long sought a smaller and less onerous central government machine. Centralization is the reverse of this and actually makes Government more remote as well as an even bigger employer in the public sector.

Centralization of detailed decision-making is also Politically undesirable insofar as it places Ministers and Government in a line of fire which could otherwise often be avoided. A local government level between the executive level (be that the boroughs or London Transport or whatever) and central government itself, provides an invaluable Political insulation which should not be rejected lightly.

The recent Transport White Paper whilst understandably giving the Secretary of State power over the macro-economics, actually makes it inevitable that his decisions will also be seen as deciding fare levels and service levels.

A Minister who allocates a lump sum to, for instance, an overall Transport Authority instead, could achieve the same level of control over the total sums of public money employed but could force detailed allocation decisions and hence fare levels, etc, onto somebody else.

#### The Basic Criteria for a new Structure

Before examining possible structures one should try to define acceptable parameters. Having accepted the principle that there will always be functions which cannot reasonably be carried out by individual boroughs and thus that some sort of organisation will always be necessary either to provide a broad policy or broad parameters, or to secure the provision of a London-wide service, such a new organisation should ensure that -

- 1 Individual boroughs are the executive level wherever reasonably possible. Their work must not be duplicated. If guidelines are laid down they must be on the basis of enabling "executive" levels to complete their functions without further interference.
- 2 A new organisation does not have to be, and indeed probably should not be, "executive" in

the strict sense of actually carrying out ... functions. Thus whilst policy decisions in certain fields can be made by an organisation of this nature, their implementation can be by an independent organisation. The Transport White Paper clearly recognises this with regard to London Transport.

If that can be achieved for London Transport it must be equally achievable, for example, for the Fire Brigade. In Denmark the Fire Brigade is a privately run organisation within suitable parameters and funding provided from the public purse.

One of the things that might well have impeded privatisation in the past is the fact that because various services are not organised in that way, no real parameters or levels of service are independently established to facilitate the ultimate "shearing off" of the discipline at the point at which it is carried out.

- 3 Re-organised London government should be more accountable.
- 4 A re-organised London government should be more cost effective.
- 5 There must be sufficient central government macro-control without government actually having to involve themselves in the detail of functions.
- 6 The re-organised system should have as much Political safety as can properly be incurred.
- 7 After all of this the public must be satisfied that they have an improved and an acceptable local government structure.

## A London Assembly

A new organisation - a London Assembly - based on members directly elected for constituencies could in fact meet all the above criteria yet avoid the drawbacks and disadvantages of Quangoes, Joint Boards or Centralization.

It is worth examining this in more detail.

### Safeguarding the executive function of the Boroughs

In the early 1960s the division of functions between boroughs and the GLC was still far from clear and being resisted in places. This was reflected in the 1963 Local Government Act. New legislation today could overcome this and clearly define the role of a new London Assembly and make the division of powers clear, definite and legally binding.

### Maximum accountability in the re-organised system

A system of direct election clearly provides and, as importantly, is seen to provide, greatest accountability. For the reasons given above, taking members from boroughs to serve on a new authority dilutes that sort of accountability to an unacceptable extent.

### Increased cost effectiveness

A new Assembly, if set up as a non-executive (in the sense of not actually running services) will require little in the way of resources and could have these limited to the product of a defined Rate ceiling. It could, however, be given the role of ensuring that London gets value for the considerable sum of money that is spent London-wide. Its potential function as a performance review body on behalf of Londoners is immeasurably important.

But there are two other important financial aspects. Firstly

the GLC's record on capital borrowing shows that it does this more effectively than individual boroughs for a number of reasons, not least being its size and importance. Moreover, Loan Stock outstanding in March '86 will be some £121m. The average rate of interest on this is 5½%. If there is no successor elected authority it appears that stockholders will have the right to surrender such stock for repayment and the additional cost of refinancing this at say 11½% would then be an annual £7.3m.

As important is the GLC's current equalisation function. Money is raised on a rate base but used London-wide. The Cities of London and Westminster contribute 28½% of the total precept but have only 3% of London's population. If the bulk of GLC services are to be transferred to individual boroughs, all the authorities other than the two Cities would forgo that equalisation unless a new "tax" was placed on the two Cities. It is inconceivable that the 25% differential could be made up by individual boroughs merely by increased efficiency.

#### Macro-governmental control without involvement in the detailed execution

It is possible for a Government to exercise macro-control whilst leaving much of the detailed work to the administrative levels beneath it.

The Local Government Act 1974 introduced a new system of government financial support for local transport in general. Prior to that, Government gave specific grants for individual schemes. The new system required the GLC to produce at the start of each year, a "Transport Policies and Programme" listing all the Council's transport policies together with an intended programme of expenditure. These policies have to cover not merely public transport but also traffic management and parking control, highways construction and maintenance, freight transportation, grants to British Rail and London borough council estimates for their own highway expenditure.

It is therefore a total programme for the Greater London area for all its highways and transportation spending, and it is on this basis that the Government announces its allocation of Transport Supplementary Grant. This reflects on the one hand the amount of money available to the Government, and on the other hand its judgment of the validity or importance of the TPP submission made to them.

Such a financial procedure could be extended to London's spending overall. Early in the year the Government could announce the approximate amount of money available that year for the collected London-wide functions. On this basis the new Assembly could gather together the requirements of the spending bodies, negotiate to adjust them where necessary, desirable, or possible in order to bring them into an acceptable submission - acceptable both to London and the Government.

The Government would then make its disbursements direct to the spending bodies at a level it finds to be acceptable. In so doing it might acquiesce in a slightly larger sum being spent and may or may not wish to comment on the constituent parts.

Unlike the procedure which has operated hitherto, the amount by which such spending could be supplemented through rate precept could be strictly limited and the farce of the last couple of years, whereby National Government's clearly stated expenditure plans for Transport have been deliberately broached by the use of very considerable rate precepts to supplement approved expenditure, could be eliminated.

#### An Improved and Acceptable Local Government Structure

Such an overall structure would have the boroughs clearly defined as the executive level with a co-ordinating authority providing those functions that cannot be provided at individual borough level. The co-ordinating authority does not need actually to run any services and, its functions being clearly defined, growth by "creep" will be prevented. Its power to

spend would be limited to the product of a defined rate. It would nonetheless speak for London as a whole and be able to ensure that London's functions were properly inter-related and monitored. It would also provide a level of insulation between government and the boroughs. It could be used for the purposes of rate "equalisation". Finally, it would provide continuity for those functions which might otherwise suffer adversely on abolition.

### Education

Education within the Inner London area now comes under the Inner London Education Authority. For years its lack of accountability and its record of precepting in isolation and without regard to what is happening to London as a whole has made it, rightly, the target for massive criticism.

The future structure of an Education Service goes beyond this paper. It does now seem to be accepted, however, that the ILEA should remain as a unitary authority.

The Conservative Group on the ILEA have recently produced a report urging that the education service for Inner London should be run by a directly elected authority precepting directly.

If, however, such a solution was felt, for whatever reason to be unacceptable, a London Assembly could accommodate such a service within its structure. This would retain the "unitary" approach, but could bring with it greater financial realism within a framework which, for all the reasons above, could be more acceptable.

### Composition of the Assembly

The Assembly would consist primarily of elected representatives. It could work either on individual parliamentary constituencies or, in order to reduce the total number to say 42 elected members, on "pairs" of constituencies.



Currently local government assemblies do not reflect the views of a large number, and sometimes a majority of those who are directly affected by local government decisions and local government spending. Foremost amongst these must be industrial and commercial ratepayers.

To make the new Assembly truly reflective of the community as a whole, provision could be made in its constitution for a further 10 (or other suitable number of places) to be allocated to representatives of these industrial and commercial ratepayers.

That principle could also be used in the same way to take account of the very significant contribution now being made to urban life by the voluntary sector.

#### The Relationship of an Assembly to London-wide Functions

A single Assembly of elected members avoids the proliferation of Joint Boards or other bodies each directed to a particular subject. It is no more an additional tier of local government than the boroughs acting formally or informally through Joint Boards would be (page 3).

An Assembly would require only a bare minimum of permanent staff consistent with its limited functions and the fact that the day-to-day running of operations would no longer be its concern.

For some operations (Fire Brigade, Refuse Disposal etc) it would make senior appointments and establish policy guidelines. Thereafter such bodies would themselves operate as self-contained entities as will LT under the Secretary of State. This form of separation between "policy" and "operation" would facilitate eventual privatisation (page 7).

Other functions would consist of providing an essential policy framework (such as in Planning) within which the boroughs would operate without further interference.

Every year each London-wide service would submit a budget to the Assembly for consideration with all the other London-wide

requirements, when finally accepted by the government the appropriate funds could be paid directly to the services (page 10).

Such an Assembly would also provide a convenient "home" for such things as the Pension Fund. It could also raise loans on a London-wide basis thus continuing the preferential treatment the GLC now enjoys.

The present "equalisation" role of the GLC could be continued by the new Assembly and thus avoid the need that would otherwise arise for a new "tax" on certain boroughs to ensure that the rest of the boroughs would not sustain a massive rate increase on the abolition of the GLC.

The Assembly would consider London-wide local government problems on a continuing basis.

Finally the Assembly would provide the voice for London.

### Conclusion

Having accepted the boroughs as the primary "executive" level, but recognising that some sort of organisation will always be necessary to carry out the general co-ordinating of affairs for London and discharge functions which cannot reasonably be carried out by individual boroughs, the question becomes, quite clearly, how is this best achieved.

Quangoes, centralization and joint boards are all theoretical solutions and in the end, in certain limited circumstances, may even be the only possible solution, but all suffer from very real drawbacks.

An assembly based on a democratically elected core, however, can discharge virtually all the functions that cannot be carried out by individual boroughs. Indeed, because of all the advantages, a new assembly could also bring education into

a politically acceptable framework. More importantly, it avoids the drawbacks of quangoes and joint boards, can be limited by statute, both as regards functions and expenditure, is and is seen to be, publicly, accountable, insulates the Government from criticism for much that really is a local responsibility, and offers a high degree of political acceptability.

Finally, an elected London Assembly representing, maybe for the first time, all sections of the community - speaking for London, giving direction to London, but no longer carrying out the implementation - allowing those who are best suited, be they the boroughs or the private sector, to actually do the work - could be the first real advance for a hundred years in the way we administer our cities.

Appendix A

Those functions still with the GLC which could be devolved to individual boroughs include -

(a) Entertainments Licensing

This, however, was rejected by the boroughs through the LBA when an offer to transfer the power was made in 1979.

(b) Some more of what remains of "conventional" day-to-day planning

(c) Certain traffic management functions

(d) Building control

Provided some sort of overall standard could be agreed, this could then go some way towards the case for actually extending Inner London regulations to the whole of London.

Those functions which need to be looked at on a London-wide basis include -

(a) Public Transport

This is probably the most obvious example and is currently being examined through the White Paper of Public Transport in London.

(b) A Planning "Framework" for London

If the boroughs are to carry out more of the day-to-day planning - as surely they must - London must have a proper framework that is continuously being updated. This is not a case of duplicating or impeding the boroughs' work. Just the reverse. A proper planning framework would provide them with workable parameters, prevent or solve conflicts that might otherwise arise and is essential if boroughs are to be able to do the work that is rightly theirs. This is of even more importance if Central Government is to avoid becoming more and more involved in day-to-day planning matters.

(c) Roads and Mobility on a London-wide Scale; the Use of the River for Freight Movement and Amenity

Clearly no individual borough can provide this.

(d) Flood Prevention

This is another vitally important function for London as a whole. It goes much wider than the Barrier and covers a host of matters connected with both tidal and non-tidal waterways.

(e) Resource Recovery, Refuse Disposal and Energy Conservation

It would not be realistic to imagine that any group of individual boroughs could, because of the environmental implications, reasonably decide, for example, where to locate a further Refuse Transfer Station or another Incinerator.

(f) Regional Facilities, Parks, Concert Halls, and Arts and Recreation Centres

Theoretically these could go to the individual boroughs within which they stand provided their regional significance can be adequately safeguarded, but one would then be asking an individual borough to pay for what in effect is a London-wide facility. It is difficult to imagine Lambeth Council being able to accept responsibility for the Festival Hall and also some Regional Parks extend well beyond the boundaries of Greater London.

(g) Emergency Planning

Including Civil Defence, in its broader London-wide aspects, although it should be noted that in 1972 the boroughs themselves asked for Civil Defence to be a London-wide function (Home Office Circular No ES1 - 1972 paragraph 6).

In the case of peacetime disasters, the civil emergency planning aspects of the EC Council Directive on Major Accident Hazards of certain Industrial Activities (The Sevesco Directive) - due to be implemented as UK legislation by January 1984 - are such that London-wide control and co-ordination will be essential.

(h) The Fire Service

(i) Housing Mobility and Special Housing Problems

Housing mobility is of increasing concern and clearly cannot be administered by an individual boroughs, whilst problems such as homelessness could pose very special strains onto a small number of boroughs.

(j) Historic Buildings

Devolution to the boroughs would present problems because of the facilities required and the funding necessary for their maintenance and protection would be a burden beyond the resources of most of the boroughs concerned.

(k) London-wide Scientific and Statistical Services

Including pollution studies all of which would be beyond the resources of an individual borough.

(l) Green Belt Land

One of London's most jealously guarded amenities. A uniform and scrupulously monitored policy is required if this precious facility is to both survive and be enhanced.

(m) Tourism

Individual boroughs cannot provide the necessary facilities and framework to promote the vitally important tourist industry and to enable the Tourist Board to maximise its impact.