

THE LEADER OF THE COUNCIL

COUNCILLOR LADY PORTER

The Rt Hon Kenneth Baker MP
Minister for Local Government
Department of the Environment
2 Marsham Street
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Dear Kenneth

GLC ABOLITION AND WESTMINSTER'S POLITICAL ROLE

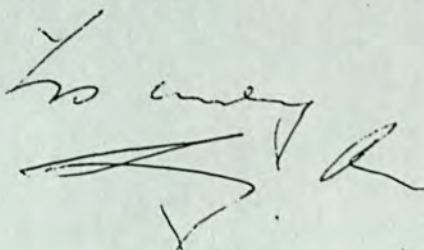
I said I would write to explain our plans for following up the Prime Minister's strong support for the lead borough idea. Both Westminster and the City are certainly prepared to take a high profile if we can agree proper arrangements with you.

We start from a position where GLC mis-information and prejudice in the House of Lords seem likely to give the Government trouble, and recent election results bear this out. Westminster has the resources and the determination to take strong initiatives to help the Government but as I have told you before I cannot commit the Council to action without categorical assurances on your proposals for extended equalisation. With equalisation payments possibly amounting to as much as 20% of Westminster's rate after abolition, the position in the Party here depends on getting the rate down in May 1986.

If we can have a written assurance from you that equalisation will be extended only on the basis of GRE plus 5% then Westminster will take urgent action to take over some of the services at risk because of the GLC's spoiling tactics. Not only could we take instant action to support such bodies as the English National Opera, the London Festival Ballet and the Tourist Board (currently at risk because of GLC decisions) but after abolition we could also take on some of the more tricky London-wide GLC activities such as scientific services, London Intelligence, traffic data, various grants and such like. We would be prepared to allow equalisation payments to be used by you as a way of equalising out inevitable fluctuations in Borough grant entitlement which will be caused by abolition; I believe officials have proposed a scheme on these lines.

I have discussed this approach in outline with Peter Rigby at the City and I believe he would also be prepared to help in a similar way. With suitable guarantees from you we could certainly go ahead with the kind of lead borough activity which the Prime Minister supported and I have sent a note to her to confirm this. Westminster will be prepared to fit into any timetable which would be helpful to you and I am ready to meet you at any time if this would help.

Councillor Lady Porter

Looney


GLC ABOLITION AND WESTMINSTER'S ROLE - NOTE FOR PRIME MINISTER

The Problem

- (1) After GLC abolition the arrangements for managing various politically important Londonwide services will depend on difficult and uncertain co-operation between Boroughs, eg, Arts grants, scientific services, computing, traffic data collection.
- (2) There is a danger that by a too generous extension of grant equalisation arrangements to account for the lack of a GLC precept the Government will simply perpetuate GLC spending levels indefinitely in outer boroughs after abolition.
- (3) Westminster ratepayers, both commercial and domestic, will be furious if Government acts to add up to 20% to their rate bill for equalisation and the money is then used for irresponsible spending by left-wing authorities.
- (4) DoE Ministers are being bogged down by their officials and the complicated theology of the grant system.
- (5) Unless radical steps are taken the grant system alone will produce random gains and losses because the DoE formula approach cannot cope in any other way with the transfer of spending after abolition.
- (6) The Government is losing the political initiative because individual boroughs are not coming forward to take on politically important GLC responsibilities such as grants and the arts.
- (7) Westminster itself cannot take a higher profile because of the threat of increased rate demands caused by uncertainty over the new equalisation arrangements.
- (8) There is a general concern amongst Conservative London borough Leaders that rates in May 1986 will be higher than ever after abolition. They fear there will be insufficient Government grant to cover transitional costs which had to be borne by the boroughs and which will be especially high because of spoiling action now being taken by the GLC (eg, redundancy costs, setting up costs for new staff and accommodation, etc).

Background

Extended equalisation will be needed after abolition to make up for the fact that spending on present London-wide services is heavily subsidised by high rateable value central boroughs because of the precept arrangements operated by the GLC. Ministers have said they will base equalisation on "reasonable" levels of spending by successor authorities, the problem is how to define "reasonable". Initial calculations suggest that the increased burden of equalisation for Westminster ratepayers could be as high as £70 million if DoE Ministers take a generous view on devolved expenditure. If Ministers took a tough line and insisted that boroughs spent at their grant related expenditure formula levels on devolved services then the amount of extended equalisation would fall to a more reasonable level of about £40 million.

On grants expenditure the GLC is currently considering a campaign in 1985/6 to embarrass the Government by reducing grant to certain key national institutions such as ENO and London Festival Ballet. The GLC has taken similar action with regard to the London Tourist Board. Government critics in the House of Lords will not be slow to seize upon these dislocations as an example of the danger of the Government's proposals.

There are also certain London-wide services for which DoE Ministers have not found convincing answers after abolition. These include the London Intelligence Function, the computer, traffic data, scientific services, housing mobility, and there may be others.

Proposals

Westminster City Council would be keen to take immediate action to rescue such major national cultural institutions as ENO, LFB, and the London Tourist Board provided guarantees could be given about the size of equalisation payments to be imposed after abolition. For example, if Ministers could give categorical assurance that equalisation would be based on spending by boroughs at GRE plus 5% then the Council could immediately spend up to £5 million (committed before the Lords debate) on bailing out major institutions threatened by the GLC. Furthermore, after abolition Westminster would also be able to take over some of the key London-wide services currently performed by the GLC and mentioned above. These arrangements would not require the agreement of other boroughs; Westminster has the resources and the energy to act on its own provided there are guarantees on equalisation from the Government.

By setting equalisation calculations at a low level the Government would also be encouraging boroughs in receipt of grant to moderate their spending and not to take on spending from the GLC at current levels.

It will also be necessary to develop a scheme for clawing back equalisation payments from those boroughs who irresponsibly overspend. This can be done in exactly the same way as Government grant is withdrawn because equalisation is counted as Government grant for practical purposes.

The Government could also avoid the random imposition of losses and gains through the vagaries of the grant system by using part of the equalisation payments to smooth out the grant variations and maintain the present relative position of rate levels between boroughs. Westminster would have no objection to this and, we believe, the City would also be agreeable. Officials already have details. Westminster believes this would be of great political value to the Government with outer boroughs who are worried about the random effects of the new arrangements.

The Government could easily counter the arguments of those who might contend that Westminster was benefitting unfairly from limited equalisation. If Westminster has volunteered to take on expenditure on valuable London-wide services then it is entirely fair that a notional offset should be made in the equalisation equation.