



Prime Minister

Agree to the two statements  
and preparation of two White Papers?

16 June 1983

MS 17/6

ABOLITION OF GREATER LONDON COUNCIL AND METROPOLITAN COUNTY COUNCILS

CONTROL AND REFORM OF RATES

We shall need to outline the way in which we intend to implement our Manifesto commitments on abolition and rates in the course of the Debate on the Address. I have recently approved for your consideration a short contribution on both topics for your speech in the Debate. We must also consider the way forward on the development of both policies. I envisage three Bills - two this session (a rate limitation Bill and a short Bill paving the way for Metropolitan County and GLC abolition) and one next session (the substantive Bill to abolish the seven authorities).

Control and Reform of Rates

We agreed the substance of the measures we would take on rates in the Cabinet discussion on 10 May (CC(83)17th meeting, Item 3). I am proposing that there should be a double-barrelled Bill next Session to provide for a selective scheme of control to protect ratepayers from the demands of the highest spending authorities with effect from 1 April 1985, together with reserve powers to bring in a scheme of general control if necessary. The same Bill should include the other rating reforms we have agreed.

I envisage a statement along the lines of the draft at Annex A (Dept's initial thoughts) describing the schemes of control in broad terms; announcing that we intend to discontinue the search for alternatives to domestic rates; and setting out the agreed rating reforms. The Cabinet commissioned further work on the proposed scheme of discounts for single-person households and on the system of rating valuation; I shall bring forward revised proposals as soon as possible. Nothing can be said on this point for the present.

If you and other colleagues agree, I suggest that following the Debate my next step should be to work up the details of the Bill, in direct consultation with colleagues concerned, in the form of a White Paper, making firm proposals on the main principles of control but with some "Green edges" on the detailed mechanics of the scheme. This should be cleared with colleagues in time for it to be agreed and published before the Summer Recess.

I doubt if you need to establish a special Cabinet Committee to oversee this work since the main elements of rate limitation and rating reform are already agreed in principle.

Abolition of GLC and MCCs

We also agreed on 10 May that we should legislate to abolish the GLC and MCCs early in the 1984/5 Session and that contingent preparations should be made for a short Bill in 1983/4 to defer the GLC/MCC elections due in May 1985 and to introduce any necessary counter obstruction measures.

MJ Jenkin  
doesn't  
get know  
of your  
decision  
about  
E(LF)

ML)

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I have considered whether we could introduce the main legislation in 1983/4, but I am persuaded that this is not feasible since there is still much work to be done on many important aspects of abolition. We will however need to announce our detailed proposals on abolition in a White Paper not later than October in order to provide adequate time for consultation leading to the preparation of the Bill.

I also have no doubt at all that the view we took last May about the deferment of the 1985 GLC/MCC elections was right. We will therefore need a short Bill in the current Session. We can use this Bill as a vehicle for any legislative counter-measures to obstruction by members and staff of those authorities. I do not think we should introduce this Bill early in the Session - we should give ourselves time to see if and how obstruction develops. But we ought to make it clear beforehand that we will be ready to act on obstruction if problems occur.

The paper prepared by officials before the Election (attached to C(83)13) set out the issues on which detailed decisions for the main legislation will be needed both from me and the various other colleagues affected. These include:

- i. the reallocation of functions, including decisions on the functions to go to joint boards;
- ii. the size, method of constitution and powers of joint boards;
- iii. the financial regime for the new arrangements including the application of financial controls to joint boards;
- iv. our approach to the handling of property and staff transfers, especially in the light of the need to secure substantial staff savings.

Done  
I will be ready to put a paper to colleagues on all these issues very soon. It would be desirable for us to have a regular forum for detailed Ministerial discussion on this subject and you may therefore wish to consider whether there ought to be a Ministerial Group for the purpose. There already exists inter-departmental machinery at official level, chaired by my Department, that can continue to provide the necessary support.

Again, in the Debate on the Address we must be ready to give more details on abolition and I shall need to be prepared to make a contribution confirming our intentions; Dept's initial thoughts on the lines of this statement are set out at Annex B. This contribution can only be short as it will be made before we have taken decisions on the major issues outlined above.

### Conclusion

I would be grateful for your and colleagues' agreement to the two draft statements and to the preparation of two White Papers, the first for publication before the recess on rates and the second for publication after the recess on abolition.

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I am copying this to Leon Brittan, Nigel Lawson, Keith Joseph, Cecil Parkinson, Norman Fowler, Norman Tebbit, Tom King, Michael Jopling, Nicholas Edwards, George Younger, Quintin Hailsham, who have a particular interest in rating legislation and abolition, Willie Whitelaw and to Sir Robert Armstrong.

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ANNEX A

## ABOLITION OF GLC/MCCs: DRAFT PASSAGE FOR MINISTERIAL SPEECH

1. I turn now to the structure of local government. The present structure was established for London in 1963 and for the rest of England in 1972. Since then there has been persistent criticism of the two-tier structure in London and the Metropolitan Counties.
2. In 1963 and 1972 considerable weight was given to the need to select geographical areas for local government that met the operational needs of the various functions. It was concluded then that two tiers, each with a separate directly-elected council, were necessary. But the respective roles of the two tiers in the metropolitan areas differ markedly from the roles of the two tiers elsewhere.
3. In the non-metropolitan areas the county authorities are the primary providers of services and are responsible for 80% of the local government expenditure in these areas. The districts nevertheless provide important services and also fulfil an important function by being more readily accessible. During the last Parliament the Government made a number of changes in the distribution of functions between the tiers, notably on planning, to ensure that duplication and confusion are eliminated. We are satisfied that the two-tier system remains appropriate in non-metropolitan areas.
4. In metropolitan areas the boroughs and districts are the primary tier; the metropolitan county councils spend only 23% of the total current expenditure in their areas and the GLC (excluding the Inner London Education Authority) spends 12% of the total in London. Much of this expenditure is on services where there are special arrangements which mean that there is substantial delegation of responsibility for day-to-day operations; in particular, the police force and subsidies to

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public transport account for nearly 50% of the expenditure by metropolitan counties. Although the Greater London Council originally had a somewhat larger range of executive functions a succession of changes has left it with a much reduced role. Moreover, many of the minor functions of the GLC and the Metropolitan County Councils are undertaken concurrently with the boroughs and districts.

5. A major criticism of recent performance by these authorities is that they are disproportionate contributors to the overall problem of over-spending. The GLC and the metropolitan county councils taken together account for nearly 48% of the overspending by English local authorities.

6. The Government have therefore concluded that the GLC and the metropolitan county councils have become a superfluous tier of local government. Their role is limited, they are profligate and remote from the people they are elected to serve. We believe their function could be more economically, effectively and efficiently discharged by the boroughs and districts which are already the primary tier of local government in the conurbations.

7. Accordingly, as promised in our manifesto, we intend to abolish the GLC and the six metropolitan county councils and transfer their services to the boroughs and districts. Some of these services can be most effectively organised over a wider area. We shall provide for them to be run by the boroughs and districts concerned acting through joint boards. The membership of these boards will consist of elected members of the boroughs and districts nominated by these authorities although some special arrangements will have to be made, for example to continue the role of magistrates on police authorities. The fire services in all these areas, police and public transport in

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the metropolitan counties, and education in Inner London are the main services which we propose should be run in this way.

[8. My rt hon Friend, the Secretary of State for Transport will be making a separate statement about the London Regional Transport Authority which is to take responsibility for public transport in the London area.]

9. The GLC and the Metropolitan County Councils are major employers and naturally their staff will be anxious to know how abolition will affect them. We intend that the majority of staff will transfer with their service to the districts, boroughs or joint boards as appropriate without any changes in their work or terms of employment. We shall, of course, be looking for some reduction in staff levels as a result of the new arrangements. We hope that these reductions can be secured, as far as possible, voluntarily. We shall discuss with the staff representatives and the authorities concerned what arrangements are necessary to safeguard the interests of the staff.

10. Our detailed proposals on the reallocation of functions, the constitution of the joint boards, and on many other issues will be set out in a White Paper to be issued [later in the summer/after the recess]. This will also cover financial matters and the application to the new structure of our proposed changes to local government finance. There will be wide consultations on the proposals with all the interests concerned to ensure that the most appropriate and effective arrangements are made for each service and that the transfer is made smoothly and with the minimum disruption. It is expected that the new arrangements will take effect from 1st April 1986.

11. The Government recognise that these measures to curb irresponsible

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rate increases and to abolish the GLC and metropolitan counties will mean that there will be a period of substantial change in local government; this will not, however, affect the creditworthiness of the authorities concerned. We shall make arrangements for the continued servicing of the debt of the authorities which are to be abolished in order to safeguard fully the position of lenders.

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RATES : DRAFT PASSAGE FOR MINISTERIAL SPEECH

1. As the House has already heard, we propose to bring forward legislation which will give the Secretary of State for the Environment in England, and the Secretary of State for Wales in Wales, powers to curb excessive and irresponsible rate increases by high spending local authorities; and to control the rates of all local authorities if necessary.

Background

2. I should remind the House of the background to this proposal. Until 1979-80 there had been a relentless increase in current expenditure by local government, at the expense both of the private sector and of the capital programmes of local authorities themselves. During the term of the previous Labour Government, capital expenditure by local authorities in England was nearly halved in real terms while current expenditure increased by 6%.

3. In our first term we gave high priority to checking and reversing the trend. We introduced a new grant system which enabled us to discourage high spending, and we reinforced it with a system of expenditure targets and grant holdback to ensure that authorities who were determined to spend extravagantly would face severe disincentives. We also reduced the proportion of Exchequer support to local government, in order to make local authorities more accountable to their electorates.



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4. These policies had some success. From 1979-80 onwards the volume of current expenditure began to move down instead of up; and most authorities showed that they were at least trying to comply with our guidelines.

5. But rates continued to rise more than we had planned. Although expenditure was down, it was not down far enough; and our policies continued to be frustrated by a small number of reckless and extravagant authorities who were determined to waste money regardless of the effect on their ratepayers domestic and non-domestic alike. In 1983-84 80% of all authorities in England have budgetted to spend at or close to the target figures we have set. But in total there is a prospective excess of £865m on the amount provided for in our expenditure plans. Rates have increased by 6½% between 1982-83 and 1983-84; that increase could have been nil if 18 high spending Labour authorities had met the expenditure targets we set them.

6. We have therefore come reluctantly to the conclusion that direct action is needed to set a limit on rate increases by high spending councils. This is the only way in which we can both reduce these unacceptable breaches of the Government's expenditure plans and protect ratepayers from the depredations of reckless councillors. We made our views clear in our Election manifesto, which has been emphatically endorsed.

Selective  
scheme

7. We propose to take powers to select for control those authorities whose past spending or rating has been clearly excessive. Such authorities will be notified in good time - well before the start of the financial year - that their

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rate will be subject to a limit to be set by the Secretary of State. There will then be an opportunity for each authority to discuss with the Department what an appropriate level of expenditure for the following year would be.

In many cases these discussions could well lead to agreement; but where they do not, the Secretary of State will need to form his own view. That will be stage 1.

8. Stage 2 will start with the Rate Support Grant settlement in November/December, which will, as now, determine the grant entitlement for all authorities. In the case of authorities subject to control, the Secretary of State will then propose a maximum rate, taking account of the expenditure figure arrived at in stage 1, the relevant grant entitlement, and perhaps any other financial resources available to the authority, such as funds held in balances.]

9. The selected authorities will also have an opportunity to comment on the proposed rate limit. Where there is agreement between the authority and the Secretary of State, the limit will be formally determined by consent. Where there is no agreement, we think it would be right to give Parliament an opportunity to consider the issue. We therefore propose that in such cases the Secretary of State would have power to determine a limit by means of a Statutory Instrument subject to affirmative resolution.

10. If Parliament passes the legislation by mid 1984, we would propose to have the selective scheme in operation in time to control the rates levied by the selected authorities for 1985-86.

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11. Further details of the scheme will be set out in a White Paper, which we hope to publish before the Recess.

General  
scheme

12. I hope that a selective scheme of rate control will be enough to constrain local government expenditure to the level of the Government's plans and to protect ratepayers. But in case it is not, we believe it is necessary to take further powers to introduce a scheme of general control if necessary.

13. Detailed proposals for a scheme of general control will be set out in the White Paper. In outline it would be similar to the selective scheme, in that the Secretary of State would first propose a set of rate limits, and authorities would then be free to make representations about their particular circumstances.

Control -  
Miscellaneous

14. In developing both the selective and the general scheme the Government will be giving further consideration to such matters as

- the role of expenditure targets and holdback
- any possible modifications of the grant system and
- the nature of any conditions that might be imposed in setting a rate limit.

Future of  
Rates

15. I turn to the future of the rating system. In the previous Parliament the Government published a Green Paper on "Alternatives to Domestic Rates". This was the subject of extensive consultation, and more than 1500 responses were received. The Environment Committee also carried out an enquiry into the methods of financing local government, and reported in July last year.

16. There was no consensus in favour of any alternative tax. The Environment Committee were attracted to a local income tax, but took the view that "a wide measure of political support would be necessary for its introduction"; and reported that "little evidence was received that this support would be forthcoming". No other alternative tax received sufficient support to warrant an attempt to introduce it. And the Environment Committee advised the House that "the abolition of the domestic rating system would not commend widespread support and would not be justified".

17. On the basis of this comprehensive consultation the Government have concluded that rates should remain for the foreseeable future the main source of revenue for local government; and that the defects of the system should be dealt with through the system of control which I have already described and a number of reforms to which I now turn.

Rate reforms 18. We propose a number of reforms designed to make all local authorities more accountable to their ratepayers, and to offer some relief to hard pressed business ratepayers.

19. Accountability will be improved by three measures:
- first, to place a statutory duty on local authorities to consult representatives of their non-domestic ratepayers - who have no vote on local policies - about their expenditure and rating proposals;
  - second, to require each main precepting and rating authority to provide a separate statement to each ratepayer annually;

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- third, to ensure that council tenants, who generally pay their rates with their rents, receive separate annual notification of the rates they are being charged.

20. We shall give relief to non-domestic ratepayers by:

- increasing the rateable value limits which determine whether a business ratepayer is entitled to pay his rates in 10 monthly instalments, rather than a lump sum; and
- by legislating to stop the rating of empty industrial buildings. This legislation will apply to the 1985-86 rating year. But we shall also reduce by order from 50% to [25%] / [10%] the maximum proportion of rates payable on empty industrial premises from 1 April 1984.

21. The Government are still considering other possible reforms of the rating system, and the timing and basis of the next revaluation. Our conclusions will be set out in the White Paper.

22. My rt hon Friend the Secretary of State for Scotland will be making a separate statement on the rate reforms he proposes for Scotland, where a scheme for the control of rates in selected authorities is already in operation.

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cc N. Owen

10 DOWNING STREET

*From the Private Secretary*

23 June 1983

Abolition of Greater London Council and Metropolitan County Councils

The Prime Minister was grateful for your Secretary of State's minute of 16 June about the implementation of the Government's commitments on abolition of the Greater London Council and Metropolitan County Councils, and on rate limitation.

The Prime Minister agrees, subject to the views of her colleagues, to your Secretary of State making two statements on the lines he proposes, and to the preparation of two White Papers.

The Prime Minister has decided, as you may by now have seen, to retain the Ministerial Sub-Committee on Local Government Finance (E(LF)) to resolve any issues on the control and reform of rates, should that prove necessary. She has also instructed that a new Ministerial group be set up to oversee the preparation of legislation, and undertake remaining policy decisions, on the abolition of the GLC and the MCCs.

I am sending a copy of this letter to Tony Rawsthorne (Home Office), John Kerr (H.M. Treasury), Imogen Wilde (Department of Education and Science), Jonathan Spencer (Department of Trade and Industry), Steve Godber (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Dinah Nichols (Department of Transport), Robert Lawson (Ministry of Agriculture, Fisheries and Food), Muir Russell (Scottish Office), Adam Peat (Welsh Office), David Staff (Lord Chancellor's Office), Bob Whalley (Lord President's Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Ballard, Esq.,  
Department of the Environment.

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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin QC MP  
 Secretary of State  
 Department of the Environment  
 2 Marsham Street  
 London SW1P 3EB

22 June 1983

Dear Secretary of State,

Nigel Lawson has asked me to comment on your minute of 16 June to the Prime Minister and the attached drafts. I have seen Keith Joseph's comments.

On the abolition of the GLC and MCCs I am content with the timetable and handling you propose. I would, of course, wish to be involved in the Ministerial Group. My only worry is with the passage in the draft on staff implications. I think it would be a hostage to give the assurance in the last sentence of your ninth paragraph. An undertaking to consult on "what arrangements are necessary to safeguard the interests of the staff" could well rebound. I attach an alternative form of words.

...

On control and reform of the rating system, I can see that it might be useful to have a white paper, but I do not see that there is a need to commit ourselves to publishing it before the recess. I certainly do not want us to be forced into making hasty decisions by an unnecessary commitment to publish a white paper in July. I would prefer the question of timing to be left open for the time being.

I am also concerned lest our hands be tied by the details your draft contains on the mechanics of the schemes. I imagine there are likely to be a number of options, and we have not had a chance to take the Cabinet conclusions further yet. I think paragraphs 8-10 and 13 and 14 should give less detail. In particular I do not think this is the appropriate place to start trailing such issues as the treatments of balances and the precise Parliamentary procedure. These and other detailed questions can be ventilated in the white paper.

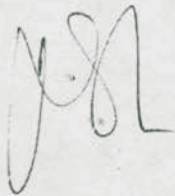
I see very strong objections on the same grounds to the amended paragraph 7 that Keith proposes. I would also not wish to see his suggested insertion in paragraph 3.

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... The draft gives a misleadingly sanguine picture of the position on local authority current spending. In cost terms it rose by some 6% in our first term of office and there was no significant reduction even in volume terms. I attach a redraft of paragraph 3-6 which give a more accurate picture.

... I also attach a note of some other amendments we would wish to see to the draft.

Copies go to the Prime Minister and your other recipients.

yours sincerely  


for PETER REES  
(approved by Ac Chief Secretary  
& signed in his absence)

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## ABOLITION OF THE GLC AND MCCs

### Paragraph 9

Redraft to reflect that fact that some duplication and some functions will disappear with reorganisation and to remove the implicit assurance in the last sentence: "This reorganisation of local government will obviously have implications for the many local government staff concerns. We intend that the majority of staff will transfer with their service to the district, borough or joint boards as appropriate without any change in their work or terms of employment. But we expect - and indeed hope - that the numbers of staff required will fall as a result of cutting out one tier of local government. We hope that these reductions can be secured, as far as possible, voluntarily. Discussions on these and other related matters will be held with the authorities and staff representatives concerned".

### RATES

Paragraph 1 Substitute "limit the rate increases" for "control the rates".

Paragraph 2 After 6% insert "in volume".

Paragraph 3 Delete "gave high priority" and insert "took measures".

Paragraph 4 and 5 Redraft:

"But although these measures have had some success, the level of local authority current spending is still too high. The burden of rates on householders and businesses continued to rise. And a small number of authorities have shown themselves to be recklessly extravagant..."

Paragraph 6 The first sentence is rather weak. Redraft:

"We have therefore come to the conclusion that we have no option but to take direct action to set a limit..."

Paragraphs 7, 8, 9

These go into too much detail and pre-empt Ministerial discussion.

Paragraph 11

Delete "which we hope to publish before the Recess"

Paragraph 12

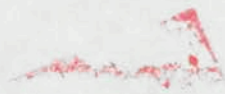
This sounds very weak: Redraft:

"This selective scheme should deal with the worst excesses by local authorities. But in case it does not prove enough to restrain local authority expenditure to the level of the government's plans and to protect ratepayers, we will, in the same Bill, take powers to introduce a scheme of general limits if necessary"

Paragraph 16-17

Insert a reference to the fact that the government share the view that no alternative tax would be suitable.

LOCAL GOVT: Relations PE 15



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DEPARTMENT OF EDUCATION AND SCIENCE  
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH  
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 FROM THE SECRETARY OF STATE

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

21 June 1983

*Jan Patroll*

ABOLITION OF GLC ETC AND CONTROL OF RATES

Thank you for sending me a copy of your minute of 16 June to the Prime Minister. *with pm*

On rates, I am content with the procedure and timing that you propose. I hope that DOE will keep in close touch with this Department throughout the drafting of the White Paper and the Bill since the ILEA spends more than any of the other authorities likely to be caught by the selective scheme and education accounts for half the total expenditure which may ultimately be subject to the general scheme.

For similar reasons I have some amendments to suggest to your draft statement at Annex B:-

Paragraph 3, second sentence

This might begin "We introduced a new grant system which related grant more closely to need through the introduction of assessments of grant related expenditure (GRE) and which enabled us....."

Paragraph 4, 2nd sentence

It might be worth adding "There has been a significant reduction in local authority manpower."

Paragraph 7

I would prefer to see this paragraph read:

"We propose to take powers to select for control those authorities whose past spending has clearly been excessive in relation to GRE and whose rates have been too high. Such authorities will be notified in good time that their rate will be subject to a limit to be set by the Secretary of State after consultation with his colleagues. There will then be an opportunity for each authority, in the light

of its statutory responsibilities and particular needs and circumstances, to discuss with the Departments concerned what would be an appropriate level of expenditure in the following year on its various services and in total. In some cases these discussions might well lead to agreement; but where they do not the Government will have to form their own view. That will be stage 1."

On the GLC etc., I agree with the procedure that you propose. Since the legislation will embrace the ILEA, I think it is desirable that a DES Minister should be a member of the Ministerial Group which you envisage, just as a DES official is a member of the existing official Group. The draft Statement at your Annex A seems to me to strike the right note with its low-key reference in paragraph 7 to education in inner London.

I am sending copies of this letter to the other recipients of your minute.

*Emery,*

*Kevin*

Local Govt  
Central Govt  
PZ 75

22 JUN 1983

