

Ref.A083/2264

PRIME MINISTER

Cabinet: Abolition of Greater London Council and Metropolitan
County Councils: Police and Fire Services

BACKGROUND

When the Greater London Council (GLC) and Metropolitan County Councils (MCCs) are abolished it will be necessary to make fresh arrangements for the running of the fire service in all their areas and for the police in the Metropolitan Counties (the Home Secretary, of course, is already the police authority for the GLC area). All the Ministers concerned agree that the services should be organised under joint boards of the relevant local authorities. There is, however, a difference of view about how the boards should be financed. This difference is reported in his minute of 22 July by the Secretary of State for the Environment as Chairman of the Ministerial Group on the Abolition of the GLC and the Metropolitan County Councils (MISC 95).

2. There are two main options, described more fully in the minute. In brief, they are as follows:

Option A

Controls The joint boards would, so far as possible, be treated as independent bodies, deciding their own budgets, receiving specific and supplementary grants and block grants from central Government, and precepting on the constituent lower-tier authorities. They would be subject to the selective scheme of rate limitation which the Government is pledged to introduce.

*Liab
Fire*

Option B

The joint boards would be treated as extensions of the constituent bodies, who would decide the size of the budget and would contribute that part of the budget not covered by specific and supplementary grants. The joint board would not receive block grant and would not be subject to the scheme of rate limitation (except in so far as that affected the behaviour of the constituent lower-tier authorities).

3. A majority of MISC 95 favoured Option A, largely on the grounds that it would be more effective in controlling expenditure. But the Home Secretary favours Option B, partly because he believes that in practice Option B would actually be more effective in controlling expenditure, but more importantly because he sees serious political and constitutional difficulties in Option A.

4. The arguments all relate to the longer term. There is a separate question about the extent to which the police and fire joint boards, however financed, should be subject to direct control by Government of their manpower and budgets for a transitional period of two to three years after the abolition of the GLC and MCCs; but that need not concern the Cabinet on 28 July. It is a matter for MISC 95 to consider, at least in the first instance. The Home Secretary has offered, irrespective of the long-term decision, to consider the possibility of a scheme to control the establishments, both uniformed and civilian, of police and fire joint boards during a transitional period. Again, that will be for discussion in MISC 95.

flag B
5. The Cabinet agreed on 10 May (CC(83) 17th Conclusions, Minute 3) to introduce the abolition legislation early in the 1984-85 Session, with the aim of completing the transfer of functions by 1 April 1986; and that this would involve announcing the Government's proposals fully and beginning consultations not later than October, this year. The Secretary of State for the Environment regards it as essential to resolve the present issue in order to meet that timetable.

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6. The Secretary of State for the Environment has reported separately to you (his minute of 27 July) on the conclusions of MISC 95 regarding other matters. That minute should be useful background to the Cabinet's discussion; but you will not wish to discuss it in substance on 28 July.

7. The Minister for the Arts (Lord Gowrie) has been invited to attend because there will be problems in the arts field, affecting institutions now run or financed by the GLC and MCCs, which will be analogous to those under discussion in relation to the police and the fire services. But he is not expecting to speak, and the issues on the arts are not yet ripe for Cabinet discussion.

MAIN ISSUES

8. The issue before the Cabinet is simply which option is preferable. In resolving that issue, Ministers will wish to consider the following:

(i) Is one option more consistent with the Government's general approach to abolition?

(ii) Is one option likely to be more effective in controlling expenditure?

(iii) Are there any decisive political or constitutional arguments?

(iv) What are the implications for other services affected by abolition?

Consistency with general approach

9. An important part of the general approach to abolition is to rely as much as possible on the boroughs and districts. If joint boards set their own budgets independently and raise finance by precepts on the lower-tier authorities, they are to be abolished, the only difference being that they are confined to a single service and that their members are not directly elected. It may therefore be argued that, on general philosophical grounds, the joint boards ought to be financially dependent on the constituent authorities.

10. Against this it may be argued that joint boards are being contemplated only for those functions where it is desirable to have a single authority and devolution to the boroughs and districts is not practicable. In these cases the philosophical considerations should not be decisive and the choice should turn on which method of financing is more likely to make for the effective and economical discharge of the functions.

Expenditure control

11. The case for Option B on expenditure control grounds is as follows. One of the arguments in the past for reorganising the Inner London Education Authority (ILEA) has been that a single

service precepting authority, not facing the need to balance conflicting expenditure pressures or directly accountable to the electorate, is intrinsically likely to be extravagant. To this could be added the point that, in the particular case of police and fire, the Government will find considerable political difficulty in turning down requests for expenditure specifically for those services. The actual level of expenditure on the fire service in all areas (and the police service in several) is well above the relevant grant-related expenditure assessment (GRE). It will not be easy to increase the GREs; to cut back expenditure to match them; or to approve expenditure well above them. But these are the only options. In practice, then, even if not in theory, it might be easier to exercise restraint indirectly through the boroughs and districts: the Government could then argue about the total level of expenditure on all services, including contributions to police and fire joint boards, rather than expenditure on the police or fire services in isolation.

12. The expenditure control argument in favour of Option A is that it provides the opportunity to control expenditure by the joint boards directly than indirectly. Against the political difficulties under Option A of rejecting requests for additional expenditure from single-service police and fire boards must be set the fact that under Option B the only form of Government control, other than reliance on the general incentives to economy in the block grant system, would be through the effect of the rate limitation scheme on the constituent boroughs or districts, and this is to be highly selective. It might therefore have no effect on a particular joint board, if none of the constituent authorities was selected. Selection of only one of the constituent authorities might have little effect. There is also the point, to which Lord Bellwin attaches importance, that a constituent authority could be brought into selective control through being required to contribute, by majority vote of the other constituent authorities, to the budget of a joint board at a higher level than it thought reasonable. This might be regarded as so unfair as to jeopardise the acceptability of the selective control scheme itself. In the context of a general rather than a selective

rate limitation scheme, Option B would compare better with Option A on expenditure control grounds. The Government must however base its decision on the scenario of a selective scheme, since the general scheme is only to be kept in reserve.

13. A clear majority of MISC 95 considered Option A more likely to be effective in controlling expenditure; but the arguments are finely balanced.

Political and Constitutional arguments

14. The political and constitutional objections raised against Option A are as follows. First, it would mean that, for the first time, central Government would be determining the maximum amount that could be spent by a local authority on an individual service. This would be quite different from the position under the selective control scheme: under that, the Government determines the maximum expenditure on a range of services, but not the amount for any individual service. Secondly, there are particular sensitivities in the case of the police: Option A might be regarded as the precursor of a national police force.

15. The arguments on the other side are as follows:

(a) Apart perhaps from a two or three year transitional period, there is no need to assume that the budgets of all police and fire joint boards would be directly controlled by Government. On the contrary, the selective scheme or rate limitation is expected to apply to only about 15 authorities in all; only those authorities with manifestly excessive expenditure will be caught.

(b) The Home Secretary already controls about 80 per cent. of the police budget through his powers over establishments and pay.

(c) Although budgetary decisions are bound to have operational implications, there is no suggestion that the Home Secretary should intervene in detailed operational matters. It is that sort of intervention that would raise the most serious constitutional objections.

16. A majority of MISC 95 took the view that although the political and constitutional objections to Option A were significant, they were not decisive; and that, in particular, they did not outweigh the advantages in terms of control of expenditure.

Implications for other services

17. The method of financing joint boards for police and fire does not have to be adopted automatically for other services run by joint boards (principally the ILEA and public transport in the MCs). But different methods would be hard to defend for the following reasons:

(a) If Option A is chosen for police and fire, it will presumably be chosen because arguments of expenditure control are thought to outweigh the political and constitutional objections. The expenditure arguments apply as much to the other services; the political and constitutional arguments do not apply to nearly the same degree. It is therefore hard to see why Option B should be adopted, in these circumstances for other services.

(b) The Home Secretary already has extensive statutory powers over police and fire; corresponding powers do not exist with regard to education and public transport. So if Option B is chosen for police and fire, it would not be easy to justify imposing more stringent control over the other services.

It therefore seems reasonable to assume for the purposes of the discussion on 28 July that a similar pattern is likely, even if not certain, to apply to the financing of all joint boards.

HANDLING

18. You will wish to ask the Secretary of State for the Environment to open the discussion: he will wish to comment both as Chairman of MISC 95 and in his departmental capacity. You could then ask the Home Secretary to reply. Other Ministers

with responsibilities for local government services, especially the Secretary of State for Education and Science (because of ILEA) and the Secretary of State for Transport (joint boards for public transport), will wish to comment. The Chief Secretary, Treasury will have views on the implications of the two options for control of public expenditure. Other colleagues may have views on the political and constitutional aspects.

CONCLUSIONS

19. You will wish the Cabinet to decide between Options A and B. Depending on the course of discussion, it may be appropriate to give the Secretary of State for the Environment guidance on how the matter is to be presented in the White Paper or consultative document on abolition which he proposes to publish in the autumn.

RTA

ROBERT ARMSTRONG

27 July 1983



C. D. G.
Prime Minister (2)
For discussion at
Cabinet on Thursday.
MCS 22/7

MS

PRIME MINISTER

ABOLITION OF GREATER LONDON COUNCIL AND METROPOLITAN COUNTY COUNCILS: FINANCIAL AND CONSTITUTIONAL IMPLICATIONS FOR POLICE AND FIRE SERVICES

As part of its work, the Ministerial Group on the Abolition of the Greater London Council and the Metropolitan County Councils (MISC 95) has been considering the future organisation of the police and fire services in the relevant areas.

It is common ground that those services must be organised by joint boards: it would not be right to fragment operational responsibility among the boroughs or districts.

There is, however, a difference of view within the Group about the appropriate method of funding the joint boards and the extent to which their expenditure and staffing should be directly controlled by central Government. These matters were discussed at a meeting of the Group under my chairmanship on 20 July.

Possible Approaches

There are two main possible approaches.

Option A The joint boards could be made directly responsible for their expenditure decisions and the grant and rating consequences - including grant penalties - in the same way as local authorities. This implies that the boards should receive block grant and specific and supplementary grants from central Government and raise their own finance by precept. They should therefore be subject to the selective scheme of rate control which we intend to introduce.



Option B Responsibility for funding the boards would be placed with the constituent lower-tier authorities. The boards would receive specific and supplementary grants from central Government (eg police grant) but not block grant. The constituent districts or boroughs 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.

The Group considers that there is in principle a strong case during a transitional period of 2-3 years, for direct control of budgets and staff numbers by central Government in the services transferred from the GLC and the metropolitan counties to joint boards. (It is likely to prove impracticable to have such control over staffing in services transferred to the districts or boroughs, although the Minister for Local Government is considering the possibilities here). It would be natural under Option A to apply such control directly to the police and fire joint boards. It would be less natural, but still possible, to apply such control under Option B.

Case for Option A

The Minister for Local Government argued strongly for Option A. In his view, it is a necessary condition of securing the savings in staff and expenditure which are the basic reason for abolition. The police and fire services account for about two-thirds of the manpower of the metropolitan counties and of these a sixth are support staff. Under Option B the boards would not be responsible for the financial consequences of their proposals and would have insufficient incentive to rein back expenditure. An individual borough or district could be forced by other constituent



authorities to contribute to an excessive budget. This contribution would count as its own expenditure for the purposes of both block grant penalties and the selective control scheme. The consequence could be that the authority was forced into grant losses or control through no fault of its own. This would be regarded as so unfair that it could lead either to the exemption of police and fire expenditure from any form of control or to the failure to carry the control scheme through Parliament. Either result would be disastrous.

Case for Option B

The Home Secretary argued that Option A would have far-reaching constitutional implications. For the first time, central Government would be deciding how much a local authority could spend on an individual service. Government would inevitably be dragged into detailed operational questions. It would be accused of making a covert assumption of control over police in inner city areas. In his view, Option B would be more effective in practice than Option A in controlling expenditure. Under Option B, members of joint boards would have a direct incentive to keep down the contributions from their districts, and hence the rates for which they would be directly accountable to the local electorate. If the Government wished to contain expenditure, it would not be put in the difficult, perhaps politically impossible, position of rejecting requests from single-service joint boards for additional expenditure specifically on police or fire: it would instead be requiring multi-purpose local authorities to reduce the totality of their expenditure, in which contributions to joint boards would be a relatively minor component.

The Home Secretary indicated that he would be willing to give serious and sympathetic consideration to taking powers, during a limited transitional period, to control the numbers of staff, whether uniformed or civilian, employed by joint boards for the



police and fire services. But he was strongly opposed to any scheme of control.

Implications for Other Services

It is not inevitable that the pattern adopted for police and fire should apply to other joint boards, such as the Inner London Education Authority and passenger transport authorities. The Ministers concerned will review the implications for these bodies of whatever may be decided for police and fire.

Views of the Group

Most members of MISC 95 took the view that Option A would be more effective than Option B in controlling the expenditure of police and fire joint boards. It was therefore a matter of weighing this advantage against the political and constitutional difficulties raised by Option A, which the Group fully appreciated. On balance, and in the light of the Home Secretary's substantial existing powers relating to the police and fire services, they favoured Option A. It was also relevant that the constitutional difficulties were presented more by control of police or fire operations, which was not being suggested, than control of total expenditure. But they recognised that these were matters on which you and other members of the Cabinet would wish to express a view.

The Group welcomed the Home Secretary's helpful offer to consider a scheme of control of establishments during a limited transitional period. He will be discussing this further with the Minister for Local Government and other colleagues concerned.

Action

In view of the important political and constitutional issues involved, I suggest that this matter which should be considered



urgently by the Cabinet. It is, in my view, essential that the White Paper which we hope to publish during the autumn should take a clear position on the question.

I am sending copies of this minute to the other members of the Cabinet, the Attorney General, the Minister for Local Government and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read "P.J. Jones".

PJ

(Approved by the Secretary of State
and signed in his absence)

22 July 1983

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