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ABOLITION OF THE GREATER LONDON COUNCIL
AND THE METROPOLITAN COUNTY COUNCILS

Memorandum by the Secretary of State for the Environment

In our discussion of the report from MISC 79 on 20 January (CC(83) 1st Conclusions, Minute 7) I was invited to arrange for officials to carry out further studies of a possible decision to abolish the Greater London Council (GLC) and the Metropolitan County Councils (MCCs). I attach the report on those further studies by the interdepartmental group of officials.

A DECISION ON ABOLITION

2. I remain convinced that it is right to abolish these councils, as MISC 79 recommended - there is an overwhelming political case for doing so. So far we have devised alternative arrangements involving several joint boards (six in the metropolitan areas and four in London) controlling much of the existing upper tier expenditure. This is a less attractive feature and I suggest we must try to see if we can eliminate some of these joint boards by transferring more functions to the boroughs and districts. I am looking again at planning and waste disposal, and I invite colleagues to consider reviewing the arrangements for their services. It may be necessary to consider the case for placing any new joint boards under some form of financial control.

3. If colleagues agree to abolition we must also consider the timing of the necessary legislation, the form and timing of the announcement of our decision (taking account of the need to announce also our decision on public transport in London), and the relationship of this decision with our possible conclusions on local government finance.

TIMETABLE

4. The earliest date for abolition to be effective would be 1 April 1986. There are two possible timetables. If we wanted to legislate in 1983-84 we would have to make an early announcement and there would then be a very short period in which Ministerial decisions, consultation and drafting would have to proceed in parallel. We would need to take account of relationships with any legislation on the control of rates while decisions in that area were being made. Introduction would be in January 1984 or even later and Royal Assent in October, too late in the budgetary cycle to get new bodies in place and operating for a transfer of functions on 1 April 1985.

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5. First Parliamentary Counsel has advised that a full year is the minimum desirable period for preparation of legislation. The Minister for Local Government has also strongly emphasised on the basis of his direct experience of the 1972-74 reorganisation, the vital importance of adequate time for proper preparation of the legislation, with particular reference to the need to block any of the kinds of loopholes which led to problems in the previous reorganisation. I therefore favour the second option, ie legislation early in the 1984-85 Session. This timetable leaves more scope for obstruction - for example in the form of entering into irresponsible contractual commitments - and we might well need a short separate Bill in 1983-84 on counter measures. If colleagues agree with this timetable we still need to get on quickly with detailed decisions on the reallocation of functions, the composition of the new joint boards, the handling of staff transfer and the approach to countering obstruction; and with preparing a draft White Paper.

FINANCIAL AND MANPOWER EFFECTS

6. It is extremely difficult to estimate the total savings under the new arrangements because it involves not only savings which should come about through the abolition of a superfluous tier of local government (once transitional costs have been dealt with) but also the removal of the tendency of these authorities to promote extravagant spending policies.

CONCLUSIONS

7. I invite colleagues to agree that:

- i. we should abolish the GLC and the MCCs;
- ii. we should introduce the main legislation in November 1984 with the aim of completing the transfer of functions by 1 April 1986 but also make contingent preparations for a short Bill on obstruction for the 1983-84 Session;
- iii. we should announce our proposals fully and begin consultations not later than October, or earlier if there is a need to link this with other announcements on local government finance;
- iv. the detailed decisions needed for the preparation of such an announcement should be considered urgently by a group of colleagues directly involved, having regard to the officials' report.

T K

Department of the Environment

6 May 1983

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THE GREATER LONDON COUNCIL AND THE METROPOLITAN COUNTY COUNCILS

Note by the Chairman of the Interdepartmental Group of Officials

1. The attached report by the interdepartmental group of officials fulfils the remit from Cabinet of 20 January to consider further the detailed consequences of abolishing the Greater London Council (GLC) and the Metropolitan County Councils (MCCs) in order to shorten so far as possible later stages of work if a decision to proceed were taken.
2. The Group have made some further progress in identifying and proposing possible solutions to a number of important issues which arise on abolition. But they have concluded that in practice little more can be done prior to any public announcement to shorten the period for preparation of legislation, primarily because further work will require consultation with the local authorities concerned on detailed implications for new arrangements for the services affected. It should however be possible to move more quickly to a full public announcement than previously although this would involve Ministers making urgent decisions on the issues identified in paragraph 6 below.

Legislative Timetable

3. As regards the timing of legislation, the Group note that there are two options (paragraphs 5.7-5.10).

(a) Legislation in 1983/84 would require an immediate decision in principle and public announcement, followed by detailed decisions on the issues listed below, and urgent consultation with the local authority associations and other bodies concerned. There would however be so little time for consultation that any Bill introduced in 1983/84 would almost certainly require substantial amendment during its passage. Furthermore the Bill could not be drafted until the final form of any legislation on rates control now being considered by E(LF) was clearly established. On the other hand legislation in 1983/84 would reduce the scope for obstruction in the form of irresponsible behaviour by the authorities affected.

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(b) Legislation in 1984/5 would give more time for consultation and drafting of the Bill and so reduce the risk of substantial amendment during its progress.

4. If legislation were attempted in 1983/4 it would be unlikely to gain Royal Assent until end October 1984 leaving too little time to set up the new bodies to take over on 1 April 1985. So under both options the earliest date for the transfer of functions would be 1 April 1986, and in both cases there would be some risk that obstruction could cause the transfer to slip until 1 April 1987.

Main Points

5. The main points to which I would draw Ministers' attention are as follows:

(i) The preferred solutions for the reallocation of functions in the event of abolition are generally settled, with the major exception of the Inner London Education Authority. Detailed decisions on some services (eg fire in London) would be made after consultation, and on others in the light of the form of joint arrangements being adopted. Decisions would be needed on the role of land use planning boards in relation to highways and traffic. The decision already made on public transport in London has yet to be announced (paragraphs 2.1-9).

(ii) Several joint boards (ie independent corporate bodies composed of members of districts or boroughs) would be needed in each of these areas and in the metropolitan counties would be responsible for over 60% of the present county expenditure. An important issue would be the arrangements for determining the membership of these bodies and the balance to be struck between more representative, large bodies and more effective smaller bodies. London would possibly need different arrangements to other areas because of the larger number of constituent boroughs (paragraphs 3.8-9).

(iii) The need to secure the maximum savings in staff particularly from the central administration of these authorities and the multiplicity of precepts that would arise suggests consideration might be given to the possibility of linkage between the various successor bodies (paragraphs 3.10-11). The possibility of direct control over staff numbers links with general questions

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of control ((v) below); but some form of voluntary guideline and monitoring of staff might be the minimum required to secure staff savings.

(iv) The practical process of transferring staff would be lengthy and complex. Ministers would need to consider the approach to be adopted on the terms of staff transfer to minimise so far as possible the scope for antagonising staff. This would be crucial to the ease with which the whole exercise might be managed and to the likelihood of securing long term staff savings (paragraphs 4.2-6).

(v) If there were to be separate legislation on the general or selective control of rates decisions would be needed on the treatment of any joint boards in the control scheme. If there were no separate legislation on control Ministers might still consider it necessary to provide for specific control over joint boards. In either case financial control might reduce the need for any direct control on staff numbers on joint boards, which would in any case encounter similar legal and other difficulties to a general system of control on rates (paragraphs 4.11-12).

(vi) There is no single simple counter to aspects of potentially obstructive or mischievous behaviour. The most vulnerable period would be between announcement and the introduction of legislation on abolition and a quick specific bill might therefore be needed in advance of the main legislation eg to control commitments to large contracts. Consideration would have to be given to the case for not holding the May 1985 elections for these councils (paragraphs 4.15-17).

(vii) The Group estimate the maximum manpower savings from abolition of both the GLC and the MCCs would be between 3,000 and 9,000 staff. The net financial saving in the first year would be small because of the offsetting costs such as redundancy, but in later years there might be net savings of £30-120m per annum (1½-6% of current expenditure of these bodies). These estimates are based on very imperfect data and it would be inadvisable to quote specific figures. (Paragraphs 4.18-20).

Issues for early decision

6. If Ministers now decide to proceed with abolition decisions would be needed on the following points.

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- (a) The form and timing of any announcement.
- (b) The timing of the introduction of legislation.
- (c) Subject to those points, detailed decisions would be needed on those items that would form an essential part of any announcement (paragraph 6.1), in particular:
 - (i) either final decisions, or a basis for consultation, on the reallocation of principal functions and the composition of joint boards;
 - (ii) the initial approach to staff transfer;
 - (iii) the approach to handling potential obstruction;
 - (iv) the relationship with any decision on control of rates or expenditure;
 - (v) the procedure for consultation and the timetable for implementation.

7. Other detailed decisions would be needed very soon after any announcement to enable the legislation to be drafted (paragraph 6.2).

T M HEISER

Department of the Environment

29 April 1983

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THE GREATER LONDON COUNCIL AND THE METROPOLITAN COUNTY COUNCILS

Report by an Interdepartmental Group of Officials

1. INTRODUCTION

1.1 At its meeting on 20 January Cabinet invited the Secretary of State for the Environment "to arrange for officials of the Departments concerned to carry out studies of the detailed consequences of a possible decision to abolish the Greater London Council and the Metropolitan County Councils on the lines indicated by the Prime Minister and to report the conclusions of the studies in due course" (CC(83) 1st Conclusions minute 7). The Prime Minister's summing up indicated that Cabinet were not yet ready to decide the question of abolition but that the studies to be carried out should help to shorten the period required for the preparation of legislation if Cabinet eventually decided on abolition.

1.2 The Prime Minister agreed on 1 March that the work should be completed by the end of April and that MISC 79 should remain the forum for discussion of any detailed issues that needed decision during the course of the work. A letter from the Secretary of State for the Environment to the Home Secretary and other Cabinet colleagues on 15 March indicated the proposed content of the further work to be carried out by the interdepartmental Group that had undertaken previous studies.

1.3 This report therefore:

(a) summarises the decisions of Ministers on the reallocation of functions in the event of abolition;

(b) considers issues that arise on the proposed new joint boards including the method of selecting members and the need for economical support arrangements;

(c) considers the methods of implementing the changes in terms of the transfer of staff and property; the rearrangement of financial systems; and the possibility of obstruction;

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(d) sets out possible timetables for implementation bearing in mind the extent of external consultation and negotiation that would be necessary.

1.4 The Group note that there are interactions between the continuing studies on local government finance, including the possibility of controls on rate levels, and both the general decision on abolition and particular aspects of the future arrangements. These are noted at the appropriate points in the report.

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2. REALLOCATION OF FUNCTIONS

2.1 Local authorities have a variety of roles in the provision of local services:

A. Local authority direct function: the local authority is in control of the policy, operations and funding and usually carries out the service through directly employed staff or contractors (eg waste disposal).

B. Local authority control limited to policy and finance: policy and finance remain the responsibility of the authority but day to day operations are the statutory duty of a separate body (eg public transport).

C. Local representation: members of an authority ex officio form part or all of a separate body responsible for the service (eg airports).

D. Local funding and administrative support: authorities neither control the service nor have representation on the controlling bodies but are required to act as a source of funds and to provide administrative and other support services (eg probation and after care in MCCs).

E. Local funding only: local services can be provided by other bodies with a locally elected authority only involved in the collection of a precept (eg probation and after care in inner London);

2.2 In the event of abolition these various roles could be taken over by the following types of bodies either newly created or existing:

(i) existing borough or district councils acting either independently or in co-operation through voluntary joint committees;

(ii) new joint boards (ie independent corporate entities controlled by representatives drawn from the appropriate boroughs or districts);

(iii) statutory boards appointed by Ministers;

(iv) central government.

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2.3 Table 2.1 sets out the existing role of the GLC and of other bodies in the provision of local services in London together with the expenditure and manpower used. Table 2.2 indicates the main decisions already made by Ministers on reallocating these functions in the event of abolition.

2.4 Tables 2.3 and 2.4 set out similar details for the metropolitan county councils.

2.5 Full details of the functions of the authorities and their proposed reallocation in the event of abolition are given in Annex 2.1.

2.6 There are some services on which decisions have still to be made:

(i) The future of ILEA is to be further discussed by Cabinet. In the absence of Cabinet's decision this report reflects the majority recommendation of MISC79 that a single body should be retained.

(ii) The Secretary of State for Transport has now decided that there would be no need to set up joint boards to carry out highway or traffic functions. In both London and the metropolitan counties all the highways and traffic responsibilities would be transferred to the boroughs or districts. In London the Secretary of State for Transport would take responsibility for up to about 100 miles of the GLC's roads as part of the trunk road network and would make more positive use of his reserve/default powers on traffic management. In the metropolitan counties the DTp Regional offices would provide any necessary coordination. The Department of Transport accepts that any joint boards responsible for land use planning would have a close interest in transport matters and would need significant contributions from both the new highways authorities and the public transport authorities. The Department of the Environment consider that there is a need for joint boards for strategic land use planning whether or not such bodies deal with highways or traffic matters. However in the DOE view such matters form too important a part of the planning function for the boards not to have at least some responsibility in this field (other than for roads taken over by the Secretary of State for Transport). This responsibility need not include an executive role but some reserve powers might be required to ensure that the boards could secure the implementation of their strategies. Decisions would thus be needed on the role of land use planning joint boards in relation to highways and traffic matters.

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(iii) The appropriate arrangements for coroners are the subject of separate review by the Home Secretary and the Lord Chancellor;

(iv) The Minister for the Arts is reviewing the arrangements previously envisaged for arts in London and in particular the South Bank since it may not now prove feasible to transfer the latter to the Arts Council. Final decisions may need to await consultation;

(v) Final decisions on the reorganisation of the fire service in London into one or more boards would be taken after consultation;

(vi) Some decisions (eg on trading standards and in particular animal health) might need to be reviewed in the light of Ministers' views on the acceptable number and composition of joint boards.

2.7 The Group previously concluded that some services should be dealt with by a mandatory form of a joint committee of districts or boroughs ie the existence of joint arrangements would be required by statute but no separate legal entity would be created. The Group now consider that such arrangements would have no significant advantages over a joint board and would have the major disadvantages that the body could not independently hold property or employ staff and could not be readily subject to action to enforce the carrying out of a duty.

2.8 Thus two services would need to be dealt with through joint boards rather than mandatory joint committees.

(i) waste disposal (one or more boards in London);

(ii) land use planning; subject to the issues in 2.6 (ii) above.

2.9 Other changes from the decisions recorded in previous reports are:

(i) Airports: the Secretary of State for Trade has concluded that the present role of the MCCs in some regional airports would be taken over by districts pending any wider ranging changes. The precise arrangements could only be decided after consultation.

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TABLE 2.1 LONDON LOCAL SERVICES

Function	Notes	Expenditure ¹		Manpower ²	
		£m	%	FTE	%
A. GLC DIRECT FUNCTIONS					
Fire		100	4	7,800	6
Highways	S	60	2	1,500	1
Housing	C	380	16	4,700	4
Waste Disposal		50	2	750	0.5
Land Use Planning	S)			400	0.5
Other	S/C)	110	5	6,850	6
B. GLC LOCAL POLICY AND FINANCIAL CONTROL					
Public Transport		160	6	NIL	-
D. GLC LOCAL FUNDING AND SUPPORT TO APPOINTED BODIES					
Magistrates Courts Committees	O)	20	1	(*)	-
Probation Service Committees	O)			(*)	-
GLC Total		880	36	22,000	18
A. ILEA DIRECT FUNCTION					
Education	I	870	35	55,000	45
E. LOCAL FUNDING ONLY					
Police		650	27	(41,000)	34
Magistrates Courts Committee	I)			(1,600)	1.5
Probation Service Committee	I)	40	2	(1,800)	1.5
London total: "upper tier"		2,440	100%	121,400	100%
London total: boroughs		3,970	-	226,000	-

- I = inner London
 O = outer London
 S = shared with boroughs
 C = concurrent with boroughs
 () = not employees of GLC
 * = included in inner London Committees' figures

¹ Revenue expenditure 1981/82 including housing revenue account
² Approximate FTE manpower at December 1982

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TABLE 2.2 REVISED ARRANGEMENTS IN LONDON

	% of present expenditure by	
	all upper tier	GLC only
1. BOROUGHS ADDITIONAL FUNCTIONS	22	60
Housing ¹	16	42
Highways ²	2	6
Others (including building control parks etc)	4	12
2. JOINT BOARDS	42	19
Education	35	-
Fire (one or several boards)	4	11
Waste Disposal (one or several boards)	2	6
Planning	1	2
3. APPOINTED BODIES	9	20
Public Transport (new MTA)* ³	6	18
Magistrates Courts Committees (existing)		
Probation and After Care Committees (existing)	3	2
Flood Protection (Existing Water Authorities)*	?	?
4. OTHER	27	1
Police (Home Secretary remains police authority)	27	-
Highways* (Secretary of State for Transport) ²	less than 1	1

* not to be funded by rates (but for public transport an offsetting adjustment would be made to grant)

Figures do not allow for potential savings or for any redistribution of administrative services to joint boards.

- 1 Transfer of main housing activity already under way.
- 2 Most highways to go to boroughs, a small part of the strategic network would become the responsibility of the Secretary of State.
- 3 To take place independent of decision on overall abolition.

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TABLE 2.3 LOCAL SERVICES IN METROPOLITAN COUNTIES

Function	Notes	Expenditure ¹		Manpower ²	
		fm	%	FTE	%
A. MCC DIRECT FUNCTIONS					
Highways	A	330	22	7,000	9.5
Fire		120	8	11,400	16
Waste Disposal		60	4	1,900	2.5
Trading Standards)			700	1
Planning	S)			800	1
Other	S/C)	90	5	7,200	10
B. MCC LOCAL POLICY AND FINANCIAL CONTROL					
Public Transport		330	22	NIL	
Police		460	31	(38,000)	53
C. MCC LOCAL REPRESENTATION					
Airports		70	5	2,000	3
D. MCC LOCAL FUNDING AND SUPPORT TO APPOINTED BODIES					
Probation and After Care Committee		40	3	(2,800)	4
Totals MCCs		1,500	100%	71,800	100%
Total MDCs		5,920	-	453,000	-

- S = shared with districts
- C = concurrent with districts
- A = some agency work by districts; all expenditure shown against county
- () = not MCC employees

Definitions as table 2.1

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TABLE 2.4 REVISED ARRANGEMENTS IN METROPOLITAN COUNTIES

	% of present MCC expenditure
1. DISTRICTS ADDITIONAL FUNCTIONS	30
Highways	22
Airports	5
Others	3
2. JOINT BOARDS	67
Police (board includes magistrates)	31
Fire	8
Public Transport (board may include appointed members)	22
Waste Disposal	4
Planning	1
Trading Standards	1
3. APPOINTED BODIES	3
Probation and After Care Committees (existing)	3
4. OTHER	(?)
None	

Figures do not allow for potential saving or for redistribution of administrative services to joint boards.

Previous assessment

2.10 The Group recorded in its previous report (MISC79(82)11) views on the accountability, effectiveness and efficiency of these replacement arrangements. In summary, there were only a few services (but some significant ones such as police) in which there would be any necessary loss of effectiveness or efficiency but overall the arrangements would clearly not have the same direct accountability of the present councils. The Group noted that the GLC and MCCs have spent more in excess of the Government's plans than other classes of authority and they are not generally perceived as having performed well in implementing strategic policies. Giving renewed emphasis to a single primary tier might better link those making and those implementing strategic policies but there was no basis for deciding whether successor bodies would be more or less likely to spend in accordance with the Government's priorities.

2.11 The Group note that specific measures have already been taken to deal with spending on public transport services and that other more general measures for controlling rates and thus expenditure are under consideration.

The balance between central and local government

2.12 The Group note that the GLC are responsible for a narrower range of services than the MCCs and that the new arrangements in London would represent a further shift in the present balance of responsibilities from local government to the centre in particular through the changes to public transport (ie the new metropolitan transport authority).

3. NEW JOINT BOARDS

3.1 If abolition were to proceed detailed decisions would be needed on the constitution, powers and other arrangements for any new bodies. Of particular importance would be joint boards and the way in which the local authority members were drawn from the borough and district councils in the area. There are few current examples of joint boards running major services: ILEA is a special hybrid body consisting of both borough and GLC members (totalling 48); joint police authorities consist of members from several counties according to relative population; and there are joint planning boards composed of both district and county members for some national parks.

3.2 The Group assume that Ministers' aim would be to arrive at boards which were, so far as possible, representative (both of the electorate and of the lower tier authorities); accountable (at least to the directly elected constituent authorities); stable in operation; and economical and efficient (implying that they should be as small as is compatible with the other criteria). The following aspects would need to be considered:

- (i) the allocation of seats between the councils in any area;
- (ii) the allocation of seats within councils;
- (iii) the size of the boards; and
- (iv) the tenure of board members and its interaction with election to the councils.

3.3 Councils forming joint boards would no doubt argue that they should each be represented on such boards. The minimum size for joint boards would therefore be one for each constituent authority. If the allocation of seats between councils were to reflect the different size of the councils' electorates larger boards would result. For some functions there would be additional non-elected members on the boards. Police authorities include magistrates (up to one third of the total size) and the proposed passenger transport authorities might include some members appointed by the Secretary of State for Transport.

3.4 More complex would be the allocation of seats within councils. There are two main possibilities:

(a) Freedom of choice: each council, ie essentially the majority party, would determine the composition of its representation. This would be simple, could be operated with the smallest representative board but would exaggerate the degree of control by the majority party to the extent of creating a total monopoly in some areas.

(b) Guaranteed minority representation: each major party would be given at least one seat and the remainder distributed either by method (a) or in some way to produce representation proportional to the party strength on the council. This would ensure that the minority parties on the constituent councils were represented on the joint boards. It would require legislative definition of political parties and might involve a role for the courts in resolving disputes. There would be enlarged boards with at least four seats for the smallest council in each area (ie one for each of three parties plus one to allocate to the controlling party). Even that might be insufficient to provide for cases where parties are fragmented.

3.5 The size of boards would thus be mainly a consequence of the particular decisions taken about methods of selecting members. Table 3.1 shows the sizes of boards that follow from three methods of allocating seats:

(i) one per district/borough;

(ii) one for the smallest district/borough plus additions for others in proportion to their electorate in comparison with the smallest;

(iii) four for the smallest plus additions for others in proportion to their electorate in comparison with the smallest.

But these might need to be reconciled with other approaches to the appropriate size of boards for particular functions, for example the current size of the committees within councils. It might be appropriate for example for the new police joint boards to be comparable in size to the county police committees (typically around 30, including the magistrates but West Midlands has 21).

TABLE 3.1 POSSIBLE SIZES OF JOINT BOARDS

	Seats on Present County Councils	Seats on joint boards		
		1 seat per borough/district	1 seat for smallest district	4 seats for smallest district
			A	B
GLC whole area	92	33*	50*	199*
ILEA area	48	13*	18*	68*
Greater Manchester	106	10	14	60
Merseyside	99	5	9	36
South Yorkshire	100	4	5	23
Tyne and Wear	104	5	7	28
West Midlands	104	7	14	52
West Yorkshire	88	5	11	42

A = allocating one seat to the smallest authority in each area and proportionate additional seats to the other authorities according to their electorate in comparisons with the smallest.

B = allocating four seats to the smallest authority, to provide for guaranteed minority representation, all then proportionate additional seats for others according to the electorate in comparisons with the smallest.

* including one seat for the City in each case.

3.6 Councillors could be appointed to boards for fixed terms related to the electoral pattern of the basic authorities (annual thirds in MDCs, whole council in LBs):

(a) boards based on whole council elections every four years would be stable, representative but with less accountability than (b);

(b) boards based on councils with annual elections by thirds would have to be renominated as a whole each year rather than by thirds if the board were to match the results of each election in terms of both individuals and political control. The boards would be representative and accountable but might lack stability.

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In each case provision would be needed for by-elections, and in the case of (b) consideration might need to be given to eliminating the 'fallow' years created by the removal of the county tier elections.

3.7 The Group conclude that either method would be reasonably satisfactory and that, unless Ministers wish to alter the electoral pattern for the basic authorities fundamentally, the appropriate methods would be (a) for London and (b) for the metropolitan counties.

Conclusion

3.8 Overall the Group conclude that Ministers would need to decide on the allocation of seats between and within councils, the size of the board and the tenure of members. These decisions would have a major effect on the style of operation and political composition of the boards. The choice in the metropolitan counties would probably lie between boards on a range between 25 and 60 or boards less than 15 depending, service by service on whether the board itself manages the service directly, or has a different role, the degree of minority representation which would help its effectiveness and the need for co-opted members. It would be desirable for the same method to be adopted in each metropolitan county for a particular service but the different services would probably justify differing treatment.

3.9 London might need special consideration because even a single representative from each borough would produce a medium sized board. Radical alternatives might be considered such as requiring all borough councillors to elect small boards (say 10 to 15) from among themselves but this would be novel and complicated. Final decisions would depend on the pattern of services eventually chosen. Joint boards (eg fire, waste disposal) might operate over separate parts of Greater London rather than the whole area thus avoiding the main difficulty.

Further consideration of joint boards

3.10 The Group believe that if joint boards were to be a major feature of any new arrangements some further points would need consideration.

(i) If the chosen methods of determining the members of joint boards were to lead to relatively large boards it would be desirable to have as few of them as possible to minimise the load on the members of individual councils.

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(ii) Each joint board would need some support services of the kind currently provided by common departments within the county council. These services would be the area of greatest potential savings and to maximise the eventual savings the new arrangements should be designed to allow for and encourage economical support services.

(iii) The executive organisations for some of the services for which a joint board organisation would be desirable are comparatively small (eg waste disposal and trading standards). They might not each justify a separate superstructure of political and administrative control.

(iv) The presentational effect of a multiplicity of precepting bodies (up to 7 in the metropolitan counties) might be undesirable, and there might be confusion over responsibilities that could reduce accountability.

3.11 Simplification could be achieved in two ways:

(i) by complete amalgamation of the political and administrative structures for two or more services;

(ii) by the political and executive parts of a service obtaining all the necessary administrative support either from another joint board, from one of the districts or boroughs in its areas or by buying in certain services; it is difficult in practice to enforce such arrangements.

Decisions on the most appropriate and economical arrangements could only be made in the light of detailed information from and consultations with the various bodies involved. Such bodies as the new metropolitan transport authority and any new single body for education in inner London would be sufficiently large and have sufficiently distinctive functions to be entirely self sufficient in all respects, but others might need to share some facilities to be economical. Extensive amalgamation could produce bodies insufficiently distinct from the present arrangements.

4. IMPLEMENTATION: MECHANISMS

4.1 Whatever the precise pattern of replacement bodies decided upon broadly similar issues would arise in implementing the transition.

(a) The existing staff and property would largely need to be transferred to the new bodies carrying out continuing functions.

(b) The arrangements for capital and current finance would have to be adjusted.

(c) There might be obstruction to any change.

The Group have considered the legislative and practical mechanisms that might be needed and the major consequences that arise.

Transfer of staff

4.2 The policy on transferring staff would need to strike a balance between the conflicting objectives of gaining staff co-operation to minimise disruption, and maximising staff savings from abolition. The issues are set out in detail in Annex

4.1. The GLC/MCCs employ approximately 53,000 staff (excluding ILEA, police and other law and order staff). Maximum net staff savings from abolition might be in the range of 3000-9000, about half of which would be in central administration. But positive action would almost certainly be necessary to ensure that staff savings occur.

4.3 Ministerial control over staff numbers would be possible but very difficult. To be effective, it would have to apply over a long period and to all services of the receiving authority. Such extensive direct control might be less necessary if controls were imposed on rates, but the administrative and legal drawbacks to direct control on rates apply, mutatis mutandis, to control of staff numbers (see 4.11 below). If staff control is considered impractical, voluntary staff targets and a financial system which encouraged compliance with the targets would seem to be the only feasible way of promoting staff savings.

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4.4 The staff attitude towards re-organisation would be affected by the level of redundancy compensation and the terms offered to transferring staff. Compensation could be limited to present local government day to day terms, but for those under 50, and particularly those in the 41-49 age group these terms are well below those for most other public services. In the 1974 re-organisation the far more generous Crombie Code applied but in 1980 the Government decided not to apply the Code to future statutory reorganisations. However, currently local act powers, enable London authorities to pay compensation to all staff at a higher level than the day to day terms. Moreover, some authorities elsewhere purport to use general powers to pay greater benefits to their staff than general local authority terms. This loophole could give rise to considerable costs in the context of reorganisation. The Group conclude that there would be a strong case for including in any legislation measures disapplying both London local act powers and any general powers for this exercise and prescribing the terms which would apply. This would be resented by staff, particularly if the much lower local government terms were to be applied instead. To reduce the scope for antagonising staff, Ministers might wish to consider paying the staff in the 41-49 age group NHS/NT terms which were above general local government terms, but well below Crombie and London local act terms.

4.5 To minimise disruption, large numbers of staff (especially in fire and police services) would have to be transferred on current terms and conditions of service. Unions would no doubt press for all staff to be so transferred thereby carrying the higher GLC/MCC pay scales into the lower tier authorities and joint boards. To the extent that staff offered lower terms opt instead for redundancy this might increase disruption and could be costly. An alternative would be to make some provision for compensation for detriment, for staff transferred on lower terms.

4.6 Ministers will wish to note that it would be necessary to consider a package of staffing measures comprising:

- (i) either control of staff numbers or voluntary targets;
- (ii) redundancy compensation on local government day to day terms for those 50 and over and those 40 and below;
- (iii) redundancy compensation on either local government day to day or NHS/NT terms for staff between 41 and 49;

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(iv) disapplication of London local act powers and disapplication of the use of any other power or agreement to pay more than the specified compensation;

(v) transfer of certain staff en bloc on current terms;

(vi) compensation for detriment for staff transferred on lower terms.

Transfer of property

4.7 All property, including land, buildings, equipment and files, owned by GLC/MCCs would have to be transferred to new owners on re-organisation day. In general, property would be transferred to the new authorities taking over the function(s) with which it is associated. Transfers would require a straightforward order-making power and substantial secondary legislation prepared in close consultation with existing and successor authorities (including shadow joint boards). The issues are summarised in Annex 4.2. Ministers will wish to note that it would be necessary:

(a) to complete, by re-organisation day, transfer of the vast majority of operational property to ensure that services will not be disrupted; and

(b) to provide for residuary legatees to hold items unallocated on re-organisation day and to arrange subsequently for their allocation or disposal.

4.8 Transfer would be time consuming, occasionally contentious and vulnerable to obstruction. More work is needed identifying and planning for particular types of property, but only a limited amount could be done in advance of an announcement and the detailed work could not begin until the legislation were published.

Current finance and grant

4.9 New bodies taking over functions from the GLC or MCCs would have to be provided with the means to carry them out. The Group have encountered no insuperable technical or legal problems. Annex 4.3 discusses these issues in detail.

4.10 The Group's main conclusions are that:

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(i) appointed bodies should not be given powers to raise their own taxes nor be eligible for Government grant but should rely on central government funding; joint committees would have to rely on sharing costs between their constituent authorities;

(ii) joint boards should be allowed to raise their own taxes through uniform precepts on districts/boroughs in their area. Any legislation should make them eligible to receive government grants directly.

(iii) a final decision would have to be taken on whether the police and fire boards received block grant. On the one hand, it can be argued that block grant on account of police and fire services should be paid direct to the districts/boroughs within the areas. Because the districts and boroughs provide a range of services they would be able to offset more easily any mismatch between GRE's on fire and police services which might arise because of technical shortcomings in the way fire and police service GRE's are measured. On the other hand, it can be argued that it would be inequitable to pass on the consequences of any mismatch between expenditure and grant related expenditure to rating authorities who would have no control over the fire and police boards. There is no need to take an immediate decision on this point. Further development work would have to be commissioned on police and fire GRE's.

(iv) special arrangements would be needed in London to replace the resource transfers from the City and Westminster to other London Boroughs which are effected through the GLC (and ILEA) precepts. The Group's preferred solution is an extension of the present London Rates Equalization scheme. Another possibility is negative block grant. The problem of dealing with the covert resources transfers within London would be greatly increased if ILEA were to be broken up.

Control

4.11 The Group have assumed in their work on current finance and grant that the existing rating and grant systems would continue. The same principles would apply if new taxes were to be introduced, though their detailed application would need to be further considered. There are also several interactions with any control scheme for rates:

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- (i) if there were to be general legislation on control of rates, decisions would be needed on how this might apply to joint boards;
- (ii) if there were not to be general legislation on control of rates, it would be possible for specific controls to be introduced for the joint boards;
- (iii) any financial control on joint boards would highlight the degree of central responsibility for their expenditure decisions;
- (iv) however, financial controls would reduce the need for direct controls on staff (see paragraph 4.5). A selective control scheme would by definition only apply to high spending/high rating authorities. A general control scheme would apply to a wider range of authorities but how far it could bite on all authorities subject to change on reorganisation would depend on the tightness of the rate limits and other control factors.

Capital Finance and Debt

4.12 The Group have considered both the arrangements for future capital expenditure by new bodies and the handling of the debt of the existing authorities. These are discussed in detail in Annex 4.4.

4.13 The Group conclude:

- (a) the introduction of a capital expenditure regime for successor bodies would raise no particular difficulties;
- (b) in distributing the responsibility for the servicing of the existing debt, problems of equitable handling might arise in a number of cases, notably in relation to highways. Such problems, which should not be insuperable, could only be resolved in consultation;
- (c) it would be necessary to retain some form of separate administration of outstanding debt. In the metropolitan counties it should be possible for this to be done by one of the larger districts, but in London it might be necessary for reasons of market confidence and practicality to set up an independent body for the purpose;

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(d) the distribution of reserves would likewise be reasonably straightforward. But in this as in other aspects of the distribution of liabilities and assets it would be vital to avoid action which would upset the balance of the money and capital markets or undermine their confidence in local government generally as a borrower. In practice, the problems do not look insurmountable.

4.14 The independent body needed in London might need to have precepting powers and would therefore preferably be a body set up by the boroughs.

Obstruction

4.15 The Group have noted previously the possibility that abolition would be contentious and that the members and staff of authorities to be abolished might act to obstruct the change. There would be two main areas of concern:

(a) Passive obstruction: authorities might refuse to provide information or negotiate and this would raise particular difficulties in handling the transfer of staff and property for which the authorities possess the relevant detailed information and their active co-operation would be required;

(b) Mischievous behaviour: authorities might take action which would be intended to bind successor authorities to particular policies or commitments.

4.16 A related issue is the handling of the next elections of the whole county councils in all of these areas, which are due to take place in May 1985. This might be before the completion of the main primary legislation on abolition.

4.17 The Group have reviewed these issues and the considerations are set out in detail in Annex 4.5. It has not been possible to make any overall assessment of the likelihood of particular mischievous actions or the determination with which passive obstruction might be undertaken. The Group conclude:

(i) that the most vulnerable period would be that between any announcement and the introduction of legislation both because authorities might believe that obstruction would change the Government's intentions and because specific counter measures could not easily be used or even threatened;

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(ii) that it would be difficult to devise specific forms of counter obstructive action which would be certainly successful but which stopped short of complete take over of an authority if it refused all co-operation;

(iii) that the 1985 local elections would provide a focus for the political debate over the future of these bodies and for obstructive action; the choice appears to lie between not holding the elections (and keeping the existing councillors in office) as has been the practice in previous reorganisations or allowing the elections to continue with the possibility that the winning party might claim a mandate for obstruction;

(iv) securing the co-operation of staff even more than of elected members would be a major factor in ensuring that functions transferred smoothly;

(v) a contingency plan for action in the event of obstruction should be decided upon before any announcement.

Costs and Savings of Reorganisation

4.18 Ministers would no doubt be pressed soon after any announcement to give an assessment of the savings expected to result from abolition. West Yorkshire County Council has already published a paper claiming that abolishing WYCC would give rise to a net cost of £8m pa, largely because they predict a substantial net increase in staff.

4.19 The critical factor would be the level of staff savings achieved since staff are the major cost element and indirectly determine other costs such as accommodation. If the maximum staff savings of 3,000-9,000 posts were to be achieved, the gross annual financial savings on staff from year 1 would be in the range of £40-£120m, and there would be savings on accommodation of the order of £5-£15m pa although these might not materialise until year 2 or 3. The main staff costs (redundancy compensation, disturbance payments, possible compensation for detriment) might be of the order of £20-£70m in year 1 and would then taper off sharply. In addition, in year 1 only there would be costs incurred in organising the change perhaps of the order of about £20m. Overall, there might be a marginal financial saving in year 1, increasing to savings perhaps in the range of £30-£120m (ie 1½%-6% of GLC/MCC relevant expenditure) after two or three years.

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4.20 It must be stressed that these estimates are very rough, based on very imperfect data, relate in the main to costs and savings arising on staff and accommodation and are based on the assumption that the substantial staff savings of 3,000-9,000 will be achieved. Ministers would have to avoid quoting these figures until the exercise were well advanced and, in particular, until the position on likely staff savings were clearer. But it would be possible to assert that financial savings would arise from reductions in staff levels.

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5. IMPLEMENTATION: TIMETABLE

5.1 Between four and six weeks would be needed to prepare an announcement after a final decision if most minor issues were left to subsequent detailed consultation. Rather longer might be needed if more of the details were to be decided before an announcement. In any case the Group note that some aspects must be decided on the basis of consultation eg the re-allocation of some functions (fire in London, arts, coroners), the composition of joint boards and the organisation of their support, and some detailed financial matters.

5.2 The primary legislation would be a major complex bill for which the 1974 re-organisation is only a partial precedent because it was concerned mainly with amalgamation of authorities rather than their sub-division. Although much detail would be left to secondary legislation the Bill could not be limited to enabling provisions: Parliament would expect full details of new bodies and in any case little time would be saved because detailed proposals would need to have been worked out for any enabling bill to be drafted. Ideally at least a year is needed between an announcement and the introduction of legislation. This would involve consultation (which would in itself be complex to handle) proceeding in parallel with the drafting of instructions.

5.3 The organisation of physical transition would be a complex task requiring much detailed negotiation; it could be started before Royal Assent but only on a contingent basis. Any new bodies would need to be set up in shadow form quickly.

5.4 Obstruction could affect:

(i) the nature but probably not the timing of the primary legislation. If little initial information is available the legislation would have to leave more details to be settled in secondary legislation. At this stage much of the discussion would be with the lower tier who could be expected to be co-operative;

(ii) the length of the transition period: the secondary legislation during this period requires much detailed information. If that were not readily

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available transfer might need to be delayed at least one year because there would be major complications in making transfers other than at the beginning of a financial year.

5.5 The additional work undertaken by the Group since January has not significantly changed the probable timing of the various stages after any announcement as these are determined primarily by external factors (ie consultation periods and Parliamentary sessions) rather than the volume of work. It should however be possible to move more quickly to a full announcement than previously.

5.6 The Group note that if ILEA were to be broken up the volume of work, particularly in the latter stages would be significantly increased.

Overall timetable

5.7 The Group assess that the earliest feasible date for the transfer of functions is 1 April 1986. This applies whether legislation were to be introduced in the 1983/84 session or 1984/85 session. If legislation were attempted in 1983/84 it would be unlikely to gain Royal Assent before November 1984, leaving too little time for new bodies to be set up and transition to be accomplished by 1 April 1985. Legislation introduced early in the 1984/85 session would have to be completed by June 1985 to leave time for transition by 1 April 1986.

5.8 To legislate in 1983/84 would impose an extremely tight timetable. The decision to abolish would have to be taken now and announced very quickly and Ministers would have to take many supplementary decisions soon. The close links with any legislation on rates control mean that Ministers would have to take clear decisions on the final form of that legislation before instructions on the abolition legislation could be finalised. There would be little time for consultation on either legislation, little opportunity to win the co-operation of reluctant receiving authorities by involving them in the decision process and there would be a high risk of errors. There would however be more time for detailed secondary legislation. Counter obstruction measures would be in place earlier which might reduce the scope for obstruction, but it could still be a major problem.

5.9 Legislation in 1984/85 would give much more time for consultation and the passage of the legislation, and the risk of errors would be substantially reduced. Obstruction might be greater but there would be more opportunity to gain the

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cooperation of receiving authorities. There would be some possibility that the reduced time for the detailed secondary legislation might delay the transfer until 1 April 1987, but this would also be a possibility with 1983/84 legislation if some receiving authorities refused to cooperate.

5.10 The Group therefore assess the timetable options as:

	<u>1983/84 legislation</u>	<u>1984/85 legislation</u>
(a) Final decision	May 1983	May/October 1983
(b) Announcement	June 1983	Summer/Autumn 1983
(c) Introduction of legislation	February/March 1984	November 1984
(d) Royal Assent	October 1984	June 1985
(e) Transfer of functions	April 1986	April 1986

6. SUMMARY OF ISSUES FOR EARLY DECISION

6.1 The major issues on which decisions would be needed before an announcement could be made are:

- (i) whether the reallocation of functions should be on the basis of the recommendations of MISC79 (subject to the changes noted above) and in particular what the arrangements should be for ILEA and on the role of land use planning boards in relation to highways (paragraph 2.6-2.9);
- (ii) what methods should be used for determining the composition of joint boards for various services, (paragraphs 3.8-3.9);
- (iii) whether there should be direct control over the staffing of successor bodies or a system of voluntary targets (paragraph 4.3);
- (iv) how the balance of the rest of the staffing package should be struck taking account both of financial implications and of the need for staff cooperation (paragraphs 4.4-4.5);
- (v) the approach to countering obstruction including the possibility of legislating in 1983-84 to defer or cancel the May 1985 elections for the GLC and MCCS and to introduce other specific controls (paragraph 4.17);
- (vi) the relationship with or application of any general legislation on financial control (paragraph 4.11);
- (vii) the timetable for legislation (paragraph 5.7-10).

6.2 There are a number of other items on which firm decisions would not necessarily be required in order to make an announcement but which would need to be settled quickly if early legislation were required:

- (a) the possibility of reducing the number of joint boards or at least encouraging the sharing of support services (paragraphs 3.10-3.11);

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(b) the need for central government to take on the role of residuary legatee for some property transfers (paragraph 4.7);

(c) the arrangements for current finance for any new bodies and the changes to equalisation arrangements in London (paragraph 4.10);

(d) the need for a separate administration of outstanding debt, either through a lead district in the MCCs or a special body in London (paragraph 4.13).

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Summary of functions of the GLC, the ILEA and the London Borough Councils

Services in which GLC, ILEA and Boroughs each have responsibilities at present

GLC	Boroughs
Planning authority for London as a whole	Planning authority for the Borough
Metropolitan roads (about 880 miles)	Local roads (about 6,800 miles)
Traffic management authority	Local traffic and parking schemes
Housing powers for Metropolitan needs	Primary housing authority for the Borough
Regional parks and open spaces and country parks	Local parks and open spaces
Main Metropolitan watercourses	Local drains and watercourses
Refuse disposal	Refuse collection
Home defence - London-wide emergency planning	Home defence in the Borough
Control of building construction (inner London only)	Control of building construction (outer London Boroughs only)
Support of the arts; cultural, recreational and entertainment facilities of Metropolitan significance	Support of the arts; cultural, recreational and entertainment facilities in the Borough
Historic buildings, monuments and statues	Historic buildings, monuments and statues (concurrent powers with GLC)
ILEA	Boroughs
Education and careers service (inner London only)	Education and careers service (outer London Boroughs only)

Separate responsibilities of GLC and Boroughs at present

GLC	Boroughs
London Transport (policy and financial control)	Personal social services, such as the care and protection of deprived children and services for elderly, handicapped and mentally disordered people, including residential care, day centres, domestic help, meals at home and laundry facilities
Thames flood prevention	Environmental health services
Land drainage	Most licensing functions, eg of street traders, employment agencies, nursing agencies, etc
Fire authority	Libraries and swimming baths
Licensing of petroleum storage	Borough information services
Licensing of places of entertainment, exhibition halls, and betting tracks	All other local government services, including control of weights and measures, food and drugs, noise and smoke control, consumer protection, registration of births, deaths and marriages, registration of electors, registration of local land charges, allotments, cemeteries and crematoria, street cleansing, working conditions in shops and offices and many other services
Judicial services	
Smallholdings	
Information service for Greater London	
Supplies for itself, ILEA and on request for Boroughs	
Research and intelligence service both for itself and the Boroughs	
Scientific services	

BROAD ALLOCATION OF THE MAIN LOCAL GOVERNMENT FUNCTIONS IN ENGLAND

FUNCTION	METROPOLITAN AREAS		NON-METROPOLITAN AREAS	
	County Council	District Council	County Council	District Council
Planning				
structure plans	●		●	
local plans		●		●
development control		●		●
country parks	●	●	●	●
national parks	●		●	
derelict land	●	●	●	●
Transport				
transport planning	●		●	
highways	●		●	
traffic regulation	●		●	
road safety	●		●	
parking	●		●	
public transport	●		●	
Education		●	●	
Social Services		●	●	
Housing		●		●
Fire Service	●		●	
Police Service	●		●	
Consumer Protection	●		●	
Environmental Health				
building regulations		●		●
clean air		●		●
control of disease		●		●
food hygiene		●		●
refuse collection		●		●
refuse disposal	●		●	
street cleansing		●		●
Libraries		●	●	
Museums and the Arts	●	●	●	●
Recreational Facilities	●	●	●	●
Encouragement of Tourism	●	●	●	●
Cemeteries and Crematoria		●		●
Footpaths	●	●	●	●
Smallholdings	●		●	
Allotments		●		●

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jb

CONTINGENT PROPOSALS FOR REALLOCATION OF PRINCIPAL SERVICES: LONDON

1.	Transport - Public	An appointed body; a new transport authority
	- Highways	B with small role for government
2.	Planning	jb
3.	Education	one <u>or</u> several jbs <u>or</u> B
4.	Police	-
5.	Fire	jb (one or several)
6.	Waste Disposal	jb (one or several)
7.	Civil Defence	B plus vjcs
8.	Magistrates Courts	funding etc via outer borough groups
9.	Probation and Aftercare	funding etc via outer borough groups
10.	Coroners	?
11.	Food and Drugs	-
12.	Animal Health	-
13.	Flood Protection	Water authorities
14.	Small Holdings	B
15.	Airports	-
16.	Trading Standards	-
17.	Tourism	B
18.	Assistance to Industry	
	- Property	dispose via EIEC
	- Enterprise Boards	?
19.	Housing	B
20.	Building Control	B
21.	Historic Buildings	B ?
22.	Arts and Recreation	?
23.	Parks and Green Belt	B (? major sites)

B = Borough

D = District

vjc = voluntary joint committee

jb = joint board

CONTINGENT PROPOSALS FOR REALLOCATION OF PRINCIPAL SERVICES: MCCs

1.	Transport - Public	jb - a new passenger transport authority
	- Highways	D
2.	Planning	jb
3.	Education	-
4.	Police	jb
5.	Fire	jb
6.	Waste Disposal	jb
7.	Civil Defence	D plus vjc
8.	Magistrates Courts	-
9.	Probation and Aftercare	funding via district groups
10.	Coroners	?
11.	Food and Drugs	jb*
12.	Animal Health	D via adjacent counties*
13.	Flood Protection	-
14.	Small Holdings	D
15.	Airports	D
16.	Trading Standards	jb*
17.	Tourism	D
18.	Assistance to Industry	
	- Property	Dispose via EIEC
	- Enterprise Boards	?
19.	Housing	D
20.	Building Control	-
21.	Historic Buildings	-
22.	Arts and Recreation	D
23.	Parks and Green Belt	D

* to be treated as a unified service?

TRANSFER OF STAFF**INTRODUCTION**

1. The Group considered the issues on staffing which Ministers would need to consider before an announcement on abolition. Appendix A sets out background information on the staffing levels of the GLC and MCCs. The future arrangements for ILEA have yet to be decided; this paper does not, therefore, cover its staffing aspects.
2. Staffing issues would be transitional but they would be complex and critically important to the success of the changeover. It would be essential that the staff should generally cooperate with the exercise. Non-cooperation or active obstruction could mean breakdowns in the provision of services, delays in the new system becoming operationally effective, and higher than necessary transitional costs.
3. Given that one of the reasons for the proposed reorganisation would be to reduce expenditure, Ministers would no doubt be looking for staff savings although because of redundancy costs, staff savings do not invariably result in large financial savings in the short term. The policy on staffing issues would, therefore, need to strike a balance between the conflicting objectives of gaining staff cooperation and maximising the financial savings from reorganisation.
4. The issues which Ministers would need to consider are:
 - (a) method and extent of staff savings;
 - (b) redundancy compensation;
 - (c) terms of transfer;
 - (d) overall balance of package.

METHOD AND EXTENT OF STAFF SAVINGS

5. In the 1974 local government reorganisation the policy was minimal redundancies, and staff transferred to the new authorities on terms and conditions not less favourable than they enjoyed previously. The consequence was that in terms of staff relations the reorganisation went fairly smoothly.

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6. More recently in the 1982 NHS reorganisation, operational staff were unaffected, and almost all administrative and managerial staff transferred to the new District Authorities to await posting. As the Districts develop their managerial structures within close, continuing and increasingly detailed DHSS controls over manpower, staff savings are being sought. Staff are competing for the posts in the new structure. Staff losses are to be largely accommodated by natural wastage, and the pay of down-graded staff is to be protected for 5-10 years after which the protection tapers off.

7. In the present exercise Ministers would need to decide whether they wished to take positive steps to secure savings or whether they were prepared to leave the savings to emerge as a result of the staffing policies of the new bodies and authorities inheriting the GLC/MCC services. Two factors need to be borne in mind.

8. First, the scope for staff savings is relatively limited. To minimise disruption, staff in the major services (fire, police) would have to be transferred en bloc by order to the proposed joint boards and there would be no scope for savings in these services. For other services, receiving authorities could recruit the staff they need (subject to any controls over numbers) and savings seem likely to come from:

- (a) senior administrative staff;
- (b) staff in general support services (eg legal, personnel);
- (c) operational staff in concurrent functions (eg parks, arts) and functions where there are extensive agency arrangements (eg highways and traffic management).

A preliminary and extremely rough assessment based on the very incomplete published data about the staffing of the GLC/MCCs suggests that the maximum net staff savings might be in the range of 3,000-9,000 out of a total of 53,000 (excluding police) - see Appendix A for details.

9. Second, reorganisation would be carried out against a background of continuing, and possibly increasing, constraints on local authorities' spending. Profligate authorities could incur grant penalties. If Ministers decided to implement one of the options currently being considered in E(LF), authorities would be subject to direct controls on rates. Paragraphs 10-13 set out four options: full or limited control of staff numbers, declarations of staff targets and simple

monitoring of staffing levels. The choice between these would depend on the extent to which any limits set on rates provided a sufficient deterrent to wasteful increases in staff.

10. Ministerial control over staff numbers would be possible, but it would be on a very rough and ready basis and, even so, would be a formidable undertaking. It would be strongly opposed by the authorities concerned. It would involve Ministers in determining the number of staff to be transferred for each function to each body or authority and could lead ultimately to Ministerial control over the operation of the authority. To achieve maximum effect, controls would have to extend over a period of years. In the districts and boroughs, controls would have to apply to all staff in the authority, whether or not they were working on a transferred function. Otherwise the controls could be circumvented by taking on additional staff in non-controlled areas (this problem would not, however, arise in the proposed new joint boards). The staff levels determined by Ministers would have to be consistent with any controls over local government finance. Authorities who ignored the staff controls would face the prospect of surcharge action by the auditor. For some services fragmentation might lead to the aggregate number of staff being higher than at present, giving rise to potentially embarrassing criticisms. Such extensive direct control might be unnecessary if controls were imposed on rates. But the drawbacks to direct control of rates apply, mutatis mutandis, to the control of staff numbers: control limits would probably need to be set by formula, but if so the legislation would need to provide for exceptional cases by allowing applications for increases to the Secretary of State. The Secretary of State's decisions would be open to possible legal challenge on the grounds that he had failed to take into account relevant considerations, taken irrelevant matters into account, had a closed mind or fettered his discretion, or exercised his powers incorrectly or exceeded them.

11. A limited control system applying only for, say, one year, and to the services specifically affected by reorganisation would be feasible, but the effect would be limited. Obstructive authorities could build up staff as soon as controls were lifted, and circumvent controls by taking on staff in non-controlled services. The finance system could reflect the control numbers and encourage compliance. If controls were ignored the auditor could take surcharge action but where an authority circumvented controls the auditor could only comment in a report. The same risk of legal challenge arises as under full Ministerial control, but to a lesser degree.

12. A third possibility is a voluntary target system whereby Ministers would announce staff targets and monitor progress, either for a long period and across all services, or for a limited period and only for services affected by reorganisation. Local authorities are likely to be less hostile to such a system. The finance system could encourage compliance, and there would be public pressure to meet targets from, for example, the Audit Commission in its value for money work. But developing realistic targets would be a formidable undertaking, and obstructive authorities would still ignore them.

13. A fourth option would be for Ministers simply to monitor and publish data on staff changes. There would be no targets to build into the finance system, but the general financial pressures would still apply, and there would still be public pressure on the new bodies and receiving authorities to deliver value for money.

STAFF COSTS OF ABOLITION

14. At this stage only very rough estimates of the staffing costs of abolition can be made. To make firm estimates detailed information on the age and salary structure of the staff of the abolished authorities would be required. Two important elements in determining staffing costs would be:

(a) the level of redundancy compensation for surplus staff; and

(b) the policy adopted on redeployment of staff in posts which normally carry lower pay than their present posts.

15. Staff savings in the range of 3,000-9,000 out of 53,000 would represent a gross annual financial saving of very approximately £40-£120m. Between 1,000 and 2,000 of the staff might be saved through natural wastage. The cost of the remaining saving would depend on the policy adopted for redundancy compensation.

Redundancy compensation

16. In the 1974 reorganisation very generous compensation was paid, under the Crombie Code, to those who were made redundant. In 1980 the Government decided that the Code should be withdrawn in relation to future reorganisations. In addition, in 1974, special early retirement provisions applied to Chief Officers to encourage voluntary departure. In the present exercise the general local government staff day

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to day terms would be reasonable for staff age 50 or over because they compare favourably with those for other public services. But the day to day terms for staff under 50 (particularly staff from 41-49) are well below those for most other public services.

17. A higher than average proportion of redundant staff might be age 50 or over. If there were 8,000 redundancies (the estimated maximum) and 50% were people age 50 or over, the costs of their redundancy on the local government day to day terms might be of the order of £42m in year 1, declining to about £6m pa after 5 years.

18. The following two options for redundancy compensation for staff under 50 are considered in Appendix B (paragraphs 6-7):

(a) to keep to the present general local government day to day terms, which on the basis of 4,000 redundancies of staff under 50 might cost roughly £6m (there would be no recurring payments); or

(b) to apply to staff between 41-49 the more generous (but not excessively high) terms which apply to that age group in the case of NHS and New Towns. Such terms are far less generous than the Crombie Code. But even so the application of NHS/NT terms to staff between 41 and 49, combined with local authority terms for staff 40 and below might cost roughly £16m for 4,000 redundancies of staff under 50.

19. There would be a case for all staff affected by abolition to be similarly treated but two major complications would arise. First, London local act powers enable all London authorities to pay terms which are substantially better than NHS/NT terms. Disapplication of these terms would be strongly resisted by staff. The cost of giving London local act terms to staff under 50 could be more than 3 times the cost of local authority day to day terms in the first year, and there would be recurring payments. Second, a number of local authorities pay greater benefits to their staff than local authority day to day terms relying, improperly in DOE's view, on general powers. (See Appendix B paragraphs 8-11).

20. The Group conclude that the London local act powers and any general powers which some authorities purport to use should be disapplied for the purposes of reorganisation. One possible way of doing this would be to specify in legislation the terms to apply to all staff made redundant as a result of reorganisation.

Terms of transfer

21. For some services and parts of services, notably fire and police, the overriding priority would be to ensure a smooth transfer to the new arrangements without any disruption to the service. To achieve this it is assumed that the staff currently employed on the services would be transferred en bloc on their present terms and conditions. More work is needed to establish more precisely which groups of staff should be treated in this way.

22. For other services the objective would have to be to achieve the maximum staff savings compatible with the provision of an efficient service, but bearing in mind the need to seek to avoid confrontation with the staff. The question arises for these services whether receiving authorities should be free to determine the terms of the offers made to new staff. This is particularly relevant in London because the GLC staff are generally on higher pay scales than the borough staff. In the MCCs only the most senior staff are on higher scales than district staff.

23. The options for dealing with staff in these other services appear to be:

- (a) to legislate for offers to be on "no worse" terms;
- (b) to make no provision at all on terms;
- (c) to provide for compensation where offers were on worse terms.

24. The issue turns on whether it seemed necessary to induce GLC/MCC staff to accept job offers from the receiving authorities in order to facilitate the transfer and keep the services in operation. It is impossible to judge which option is likely to cost least since much would depend on the attitude of the unions and individual staff.

25. "No worse" terms would carry the higher GLC/MCC pay scales into the lower tier authorities thereby creating anomalies where staff are paid more than their seniors, and leading to pressure for uplift in salary scales. (Ministers would, however, need to bear in mind that "no worse" terms apply to staff involved in the transfer of the GLC's housing role to the boroughs, the next and final block of which is likely to take place between now and 1985, and that there would be strong pressure to allow similar terms for the remaining GLC housing staff). If no provision were made on terms, staff offered lower terms might well opt instead for redundancy and this would increase the risk of disruption to services and of having to compensate

redundant staff while paying for their successors in the new authorities. If inducement to accept jobs were thought necessary, provision for compensation for detriment on terms to be determined would be the best course. Some staff might still opt for redundancy, but overall disruption to services would be less likely than with no provision, and it would avoid the disadvantages of "no worsening".

BALANCE OF PACKAGE

26. In reaching preliminary decisions on these issues Ministers will wish to bear in mind the overall balance of the package. For example, a combination of direct Ministerial control over staff numbers, minimum redundancy compensation and no provision for detriment would antagonise the staff involved and make the whole exercise even more complex. At the other extreme, no monitoring of staff numbers, generous redundancy compensation and "no worsening" terms seem to point to high costs. A balanced package might comprise monitoring of staff changes, possibly NHS/NT redundancy compensation for those aged between 41 and 49 and some compensation for detriment. An independent Staff Commission to look after the interests of staff affected by reorganisation would make the package more acceptable to staff, although the Commission's precise role would depend on the content of the staff package.

27. Whatever package were to be chosen, the whole staffing issue would be particularly sensitive. Ministers would therefore need to consider how much of the package were to be revealed with the initial announcement and how much would be left to emerge after discussions with the local authorities concerned.

CONCLUSION

28. In order to make an announcement or to begin negotiations Ministers' views would be needed on a package comprising:

- (i) either direct or limited control of staff numbers or voluntary targets, or monitoring of changes (paragraphs 9-13);
- (ii) redundancy compensation on local government day to day terms for those 50 and over and those 40 and below (paragraphs 16 and 17);

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- (iii) redundancy compensation on either local government day to day or NHS/NT terms for staff between 41 and 49 (paragraph 18);
- (iv) disapplication of London local act powers and disapplication of the use of any other power or agreement to pay more than the specified compensation (paragraphs 19-20);
- (v) transfer of certain staff en bloc on current terms (paragraph 21);
- (vi) compensation for detriment for staff transferred on lower terms (paragraphs 22-25).

APPROXIMATE STAFFING POSITION IN 1982

Service	Full-time equivalents		Possible scope for savings (ranges)	
	GLC	MCCs	%	Number
1. a) Fire Service	6,900	10,100	None	
b) Support staff	900	1,300	None	
2. Waste Disposal	750	1,900	None	
3. Civil Defence	40	50	None	
4. Food & Drugs	N/A	?	None	
5. Animal Health	N/A	?	Few	
6. Trading Standards	N/A	700	None	
7. Smallholdings	?	?	Few	
8. Flood Protection	300	N/A	None	
9. Tourism	?	?	Few	
10. Assistance to Industry	?	?	Most	
11. Historic Buildings	30	N/A	None	
12. Arts & Recreation) Parks & Green Belt)	1,500	550	5-15	100-305
13. Planning	400	800	10-30	120-360
14. Housing	4,700	N/A	2½-7½	118-353
15. Building Control	500	N/A	12½-40	63-200
16. Public Transport (mainly Airports)	?	2,000	2½-7½	50-150
17. Highways	1,500	7,000	10-25	850-2125
18. Central Services	2,700	3,000	25-75	1425-4275
19. Other Services (mainly Crossing Patrols)	?	1,000	None	
20. Unidentified	1,780	2,600	5-25	219-1095
TOTALS	22,000	31,000		2945-8863

In round terms: 3000-9000

- Notes: i) N/A - not applicable to that authority
- ii) Figures exclude: ILEA (being dealt with separately)
Police and their support staffs
Other law and order staffs
- iii) Figures are adapted from December 1982 Joint Manpower Watch in the light of MCC/GLC Annual Reports and advice from Departments, and making very approximate allowances for part-time staff.

COMPENSATION ON REDUNDANCY

1. In the last major local government reorganisation in 1974 very generous compensation was paid under the Crombie Code and under special regulations, which related solely to that reorganisation, to encourage the early retirement of Chief Officers. In 1980 the Government decided not to apply the Crombie Code for future statutory reorganisations.

Level of compensation

2. The Crombie Code provided compensation in three parts: an immediate lump sum not exceeding 30 weeks pay; from the date of loss until age 65 recurring compensation payments not exceeding $\frac{2}{3}$ of old salary; from age 65 compensation equivalent to loss of pension rights.

3. Day to day terms for local government staff 50 or over, provide that those with over 5 years service receive immediate payment of superannuation benefits, topped up by up to 10 additional reckonable years (added years not to exceed actual service). In addition, statutory redundancy payments are made reducing proportionately where more than $6\frac{2}{3}$ added years are given. These terms are comparable with those for other public services.

4. Day to day terms for local government staff under 50 are the statutory redundancy payment scheme with the waiving of the weekly earnings limit and continuous service in local government counts. This can produce a maximum payment of 24 weeks pay.

5. NHS/NT terms for staff between 41 and 49 provide for 2 weeks pay for each year of service after age 18 subject to a maximum of 25 years, plus two weeks pay for each year of service after age 41 subject to a maximum of 8 years. This can produce a maximum of 66 weeks pay. NHS/NT terms for staff up to 40 are similar to local government day to day terms.

6. Difficulties arise in relation to the under 50s. Examples showing a comparison of terms for under 50s in various public services are attached. Two options for the present reorganisation exercise are:-

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(a) to keep to the present general local government day to day terms which are a modification of the statutory redundancy payments and which are well below those for most other public services; or

(b) to apply to the 41-49s the more generous (but not excessively high) terms which apply in the case of NHS and New Towns; and which Ministers recently agreed to apply for a limited period to teachers in that age group in Advanced Further Education in order to secure voluntary redundancies.

7. The considerations involved are:-

(a) Ministers have been more resistant to improvements in terms in the case of compulsory redundancies than where the aim has been voluntary departure. Improvements were resisted in the case of the dissolution of the NBA and the NWC (though their respective basic terms were much higher than those for local government). The present NHS terms were introduced in 1981 to facilitate reorganisation.

(b) Some authorities are known to be paying to staff under age 50 compensation higher than the "authorised" terms (see paragraphs 9-11 below). The levels being paid by such authorities, eg in the context of changes in refuse collection services, vary but are thought to be generally comparable to the NHS/New Towns terms.

(c) If the NHS/New Towns terms for 41-49s were applied for the proposed reorganisation, there could be pressure to apply those terms generally in local government in the future.

(d) There would be very strong union resistance to anything less than the NHS/New Towns terms, bearing in mind that there will be clamour for the Crombie terms used on the last local government reorganisation.

London local act powers

8. London local act powers enable all London authorities to pay terms which are better than the NHS/NT or local government terms. (We are not aware of any other authorities having local act powers.) There is a case for comparable treatment of all staff affected by the proposed reorganisation and for the London local act

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powers not to apply but there will be strong resistance. If, however, the opportunity were taken to repeal London local act powers generally the scope of the Bill would be widened.

Local authority general powers

9. There are difficulties in securing that the local authorities to be dissolved do not give staff greater benefits than those which the Government provide for by regulations. A regulation making power for compensation for loss of office is contained in section 24 of the Superannuation Act 1972. But numbers of local authorities provide compensation in excess of those covered by regulations and rely, improperly in DOE's view, on the general powers in the Local Government Act 1972 enabling them to do anything incidental etc to the discharge of their functions (section 111).
10. DOE is currently preparing a case to seek a Law Officers' opinion on the scope of the general powers with the hope that this will lead Auditors to take a test case to the Courts to challenge the legality of such "excess" payments. What action, if any, should be taken in the legislation on local government reorganisation would depend on progress in resolving the general issue.
11. If action under the legislation on local government reorganisation were necessary, a possibility might be an "avoidance of doubt" provision making clear that particular identified types of "excess payments or benefits" could not be made under the general powers. This could present difficulties in that authorities who were so minded might get round the legislation by producing other types of payments or benefits. Moreover, it might be taken by other local authorities (outside the reorganisation proposals) as implying that, in the absence of an avoidance of doubt provision applying generally, the general powers are wider in scope than DOE consider they are. A better possibility might be for the legislation on local government reorganisation itself to contain powers for the payment of compensation and to provide that identified types of payment should not be paid under any other powers.

REDUNDANCY COMPENSATION

Amounts per £10,000 of salary (to nearest £100)

	<u>Civil Service</u>			Local Gvt including teachers	London Local Act Terms	Water 1977 Scheme	<u>Private Sector Samples</u>		
	Universities	Mobile	Non-mobile				Company A	Company B	Company C
Age 49/ 25 years service	∅	43,200*	19,800	4,800	33,400*	14,100	5,900	16,700	19,200
Age 49/ 8 years service	9,200	22,700*	6,700	2,300	16,900*	9,100	2,300	13,300	15,900
Age 45/ 8 years service	9,200	24,700*	5,600	1,900	18,500*	8,500	2,300	10,800	13,000
Age 42/ 18 years service	25,000	34,200*	11,700	3,700	31,800*	12,500	2,500	10,800	13,300
Age 39/ 15 years service	20,000	23,300	8,700	2,900	29,500*	7,800	2,300	8,300	10,900

∅ Special terms because of security of tenure

* Includes capitalised value of annual payments up to age 60

∅ New Towns could be higher because of extended period of notice arrangements

∅ Discretionary power; maximum payment has been assumed.

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TRANSFER OF PROPERTY

Introduction

1. The Group considered the issues that would arise on the transfer of property. All property (or interests in property) owned by MCCs and the GLC would need to be transferred to successor bodies. Property here includes: land; buildings; vehicles and other equipment; records, books, stores and computer and other files; rights arising from contracts and agreements; notices and causes of actions etc; and outstanding balances and loan debts.
2. The basic principle must be that property wholly or mainly used for a particular services would go to the authority to which the function was being transferred, but special arrangements would be needed for transfers which involve departures from the basic principle.
3. Property transfer would be laborious and complex, but it should not, of itself, give rise to much controversy except in the case of very large assets with no clear destination. The objective must be to iron out before re-organisation day as many difficulties as possible in negotiations between the expiring and successor authorities.

Pattern of Transfer

4. The following seem likely to be the most common forms of transfer:
 - (a) single use property to single successor bodies (usually joint boards) eg police and fire service; London flood protection; waste disposal in MCCs;
 - (b) single use property to single successor authorities operating on behalf of several authorities (a "lead" district for a joint committee or under an agency agreement): eg civil defence HQs; perhaps laboratories and computer hardware; and
 - (c) single use properties to the successor authorities in which they are located: eg highways; smallholdings; recreation and parks; perhaps London (Thamesmead) housing.

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5. Multi use properties would present particular problems. In a number of cases the property would have a clear destination, with a predominant service or group of services going to one successor body, subject to negotiated safeguards for the minority users. But some would have no clear destination or would have no continuing function after abolition day, and complex negotiations or temporary arrangements would be needed. Some administration headquarters would fall into this group and the issue of their disposal, particularly the GLC's County Hall, would be likely to generate a good deal of publicity. Single establishments using sites in more than one borough (eg many of ILEA's further and higher education colleges) also present problems.

6. Further consideration would be needed of particular problems arising in relation to:

- computer software and files;
- municipal airports;
- waste disposal contracts in London;
- law and order services other than police; and
- educational establishments in inner London.

Transfer Machinery

7. Re-organisation would involve too many and too varied properties to rely on normal conveyancing. Instead, as in 1974, the appropriate mechanism would be legislated transfer, requiring three components:

- (a) a power to make orders transferring property;
- (b) transfer order(s) identifying the originating and destination authorities and the functions and consequential classes of property passing between them; and
- (c) a schedule dealing with property which does not fit into the classes specified in the order, identifying the property and its destination.

The preparation of (b) and (c) could only take place after detailed discussions between the expiring and successor authorities. Quick and efficient transfer would depend on gaining full co-operation from the staff of these authorities; this is therefore one of the areas vulnerable to obstructive action.

8. Inevitably, some property might remain unallocated on re-organisation day, and transitional arrangements would be needed to establish residuary legatees to take over such property from that day until it was either transferred to its final receiving authority or disposed of. The options are:

(i) to make the districts or boroughs residuary legatees for unallocated property located in their area; or

(ii) to make statutory provision for a temporary "residuary legatee" for each MCC and the GLC; or

(iii) a combination of (i) and (ii) whereby a temporary legatee took over important and controversial property leaving the districts and boroughs as residuary legatees for remaining unallocated property.

9. Option (i) would involve splitting the task among 68 authorities; it would carry the risk of putting some important properties into inappropriate hands, and once some authorities had acquired a property they might be reluctant to dispose of it.

10. The legatee under option (ii) could be either a special Board or Commission appointed by the Secretary of State or the Secretary of State himself. The legatee would have to have powers to handle the property and the money and to employ staff to undertake the considerable amounts of detailed work involved in dealing with the property. But this would involve the legatee in dispersing or disposing of a vast amount of relatively minor property.

11. Option (iii) would overcome this problem since unallocated minor property would become the responsibility of the districts and boroughs which in any case would be likely to be the eventual recipients. On balance, option (iii) seems to offer the best solution.

Timetable

12. Property transfer would be time-consuming, even if there was full co-operation from the local authority staff concerned. Substantial progress with legislation would be needed before authorities could reasonably be asked to begin detailed preparations; and those transfers involving new Boards would have to wait until

there was a "shadow" organisation with which to open negotiations. In 1974 the main task took 14 months, beginning 2 months after Royal Assent and finishing just before re-organisation day; but further details were still being tidied up in secondary legislation two years later.

13. At this stage it is impossible to estimate how long property transfer will take. Although the six MCCs would at least start with the 1974 Orders and Schedule, the present exercise would involve dividing their property among nearly 50 successor bodies. The GLC property would have to be divided among at least 40 bodies. And 1974 did not include any parallel with this proposal to put an end to authorities without equivalent successors at the same or higher level. It seems unlikely therefore that it would be possible to better the 1974 timetable.

CURRENT FINANCE AND GRANT

Introduction

1. The Group assessed the financial arrangements which would be necessary to fund services presently provided by the GLC, ILEA and metropolitan counties, following any reorganisation of some or all of those authorities.
2. These financing arrangements would ultimately depend on the form of the new organisational structures in the areas presently covered by the GLC and the metropolitan counties. The Group considered these arrangements in the context of the alternative organisational structures set out in section 2 of the report.
3. The Group assumed that the present rating system and block grant arrangements continue. If, however, local authorities were given the power to raise an additional tax, some modified form of the existing grant system would be likely. The issues discussed here would remain relevant.
4. In deciding on the new financing arrangements, Ministers need to take decisions on the following issues:
 - A. Access to local taxes: Should the new bodies be allowed to raise money through local taxes?
 - B. Basis of Taxation: Should any new bodies allowed to raise taxes do so directly or through a precept? Should the precept be uniform or differential as between the authorities in the areas they cover?
 - C. Payment of specific and supplementary grants: Should the new bodies receive these grants directly?
 - D. Entitlements to block grant: Should the new bodies receive block grant? What would be the implications for the assessment of grant related expenditure?

- E. Special Implications for London Grant Arrangements: What modifications to the present arrangements would be required?
- F. Setting up a Metropolitan Transport Authority for London: What are the implications for the grant system in London?
- G. Expenditure targets and holdback: Would these be applied to the new bodies, assuming they continue in future?

Access to Local Taxes

5. The Group have identified two criteria which should be fulfilled by a successor authority if it were to be allowed to levy a local tax. First, the body should exercise independent responsibility for the provision of a local service. Second, it should be directly or indirectly electorally accountable for the provision of the service. These criteria have been applied to each of the likely forms of successor bodies.

- i. Appointed bodies (eg new metropolitan transport authority). These bodies would not be electorally accountable to the population they serve. On that basis, they should not be given taxation powers. There are precedents for appointed bodies to issue precepts, mainly Water Authorities, and the Receiver for the Metropolitan Police. The latter, however, is in a unique situation, in terms of its relations with the Home Secretary, and through him to Parliament. Where services in London were funded directly by the exchequer, there would be an inconsistency with ratepayers in other parts of the country, who would still be taxed for the provision of, for example, public transport. To overcome this there would have to be equivalent offsetting reductions in rate support grant for London. Ministers have decided that the MTA should not have the power to raise its own taxes, but that there should be some offsetting reduction in the total of block grant to reflect the fact that transport in London will be exchequer funded.
- ii. Joint Boards (eg Police, Passenger Transport Authorities). They would be financially and legally distinct from the local authorities in the areas they cover. There would be a sufficient degree of electoral

accountability. On that basis it is recommended that they should be able to raise their own taxes. The basis on which they should do so is discussed further in paragraphs 6-11.

There are at present a number of Joint Police Authorities. Formally these are joint boards and have a separate legal existence. In terms of their responsibilities they are comparable to the joint boards proposed for police services in metropolitan areas. They do not however raise taxes directly since they are formed from existing precepting bodies. Instead their expenditure is shared between the constituent authorities who precept separately for their own share. These joint police authorities provide an alternative model for financing the expenditure of joint boards. This model might be the appropriate one if joint boards were not to receive block grant payments directly (see paragraphs 15-17 below).

- iii. Joint Committees: (eg civil defence). These committees would not be responsible for the executive provision of services. Responsibility would remain vested in the constituent authorities. The joint committees would have no separate legal identity. They could not, therefore, be given powers of taxation. The Committees could however make arrangements for one or more of their constituent bodies to provide services on behalf of all of them. They would therefore need to agree on cost sharing arrangements. Shared costs would then be the responsibility of the constituent authorities which would have to raise the finance for these.

Basis of Taxation

6. The bodies empowered to raise local tax can in principle do so either directly or by precepting on the authorities in whose areas they operate. It would be administratively simpler for them to precept rather than raise their own local tax directly as only one system for tax collection would be necessary.

7. There are two ways of basing a precept. The first would be a uniform precept on the local authorities involved. This is the usual form of precept. It means that authorities contribute in proportion to their rateable value, although not necessarily in proportion to the benefit they receive. The second approach would be to reflect the benefits being received in each local authority by means of a differential precept. This would vary the precept between different parts of the

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County area according to perceived differences in levels of service provided. One service to which this might apply is public transport. A major difficulty with this approach would be in deciding how far the apparently higher levels of expenditure in one part of an area merely reflected differences in need. The rate support grant arrangements are intended to result in ratepayers in different authorities paying the same rate poundage for equivalent standards of service, ie for equivalent amounts of expenditure in relation to assessed needs. A differential precept would be justified only where the additional expenditure to one part of the area reflected a higher standard of service than to another. Any differentiation in the precept ought to reflect also the variation in standard of service. In practice, this would be technically difficult to achieve.

8. Alternatively, it would be possible for the bodies empowered to raise a local tax not to do so, but to allocate their costs between those authorities in whose areas they operate. There are precedents for this approach in the arrangements for sharing costs in the existing joint police authorities. These bodies are empowered by the 1964 Police Act, under which they are constituted, to come to whatever financing arrangements they consider most suitable. Costs are shared in various ways in different authorities - on the basis of rate products, on population, and on part population and part the distribution of police manpower. It is recommended that the arrangements for existing combined police authorities should not be disturbed.

9. On financial grounds, it is recommended that as a general principle those bodies empowered to raise local taxes do so by means of a uniform precept on the authorities in whose areas they operate. This follows the established precedent of the GLC and County precepts on London Boroughs, Metropolitan and non-Metropolitan Districts. It is administratively straightforward. And it is generally consistent with the principles of rate poundage equalisation. The upper tier bodies would raise tax on the tax base of constituent authorities, whatever the particular type of tax. The administrative question of who actually collected any new tax is an issue which can be considered separately at a later stage.

10. If future arrangements provide for a local tax other than rates, it might be necessary to express the precept in cash terms to avoid the uncertainty of the yield of the tax. The cash amount, however, would be determined by estimates of the relative size of the tax base or bases.

11. In the case of bodies without the power to raise taxes, it would be left to the constituent authorities to raise the funds. The grant system would compensate for any differences between the expenditure needs and resources of these authorities.

Payment of Specific and Supplementary Grants

12. Where a successor body had independent financial responsibility for a service and was raising its own tax, it should also receive directly any specific or supplementary grant entitlements. Joint boards would fall into this category. As for joint committees, since they would have no independent financial structure of their own, it would not be possible to pay specific or supplementary grants to them, but only to their constituent authorities. The closest analogy is probably inner city Partnership Committees, where urban programme grant is paid to member authorities rather than to the Committees themselves. There are, however, few specific and supplementary grants which come into this category probably affecting only civil defence and the urban programme.

Entitlements to Block Grant

13. Districts and boroughs should receive grant directly in respect of functions devolved to them. It would not be legally possible for joint committees to receive grant. In respect of joint boards, there are two possible approaches. Direct payment of block grant to joint boards would allow these bodies, like other upper tier precepting bodies, to levy a precept net of grant income. This would enhance accountability by putting the local rate poundage contribution for that service on the same basis as for similar joint boards in other metropolitan areas. More particularly, it would ensure that comparable increases in expenditure led to equivalent increases in rate precepts as for other local services and that the disincentives to high levels of expenditure built into the grant arrangements applied equally to all local government spending.

14. However, it must be recognised that direct payment of block grant would require technical changes to the grant distribution arrangements. First the establishment of single-service authorities might require the block grant poundage schedule to be split on a service-by-service basis, instead of the present split by class of authority. This would alter the balance of grant between all authorities, not just in the metropolitan areas and in London. The main effect would be a grant shift from the Shire Districts to the Shire Counties equivalent to about a 3p rate.

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15. Secondly, payment of grant to new single service authorities would expose the shortcomings of the GRE assessments for individual services. At present it is an authority's total GRE which is compared with its total expenditure for grant purposes. Single service authorities would not be able to offset high spending on one service with lower spending on another. This would focus attention on the expenditure performance of an authority in relation to the GRE for a particular service. GRE's have never been intended for this purpose and are not robust enough at service level, except for ILEA which has always had an explicit expenditure/GRE comparison for education. For example, the Merseyside police expenditure, net of police grant, is 13% above the Merseyside Police GRE. This would create grave problems for a Merseyside police board in coping with the effects of block grant mechanisms, and bring potential conflict with the Government's policy for growth in the police service. Similarly, expenditure on fire services in West Yorkshire, for example, is currently running at 23% above its GRE. For these reasons the Home Office favour arrangements for paying grant to the rating authorities in respect of the expenditure of police and fire joint boards.

16. Other members of the Group, however, note that this approach would require both GRE and expenditure to be attributed on some basis to constituent authorities. This would distort the pattern of expenditure in relation to GRE for those bodies and hence their grant entitlement. In particular authorities could lose grant through the operation of the block grant taper in respect of expenditure over which they had no direct control. This would weaken their accountability for their own expenditure. Although these objections apply in principle to the existing joint police authority arrangements, their extension to the metropolitan areas would involve a much larger number of major spending authorities. An alternative approach to paying grant to the lower tier authorities would be to make a separate grant calculation for the joint board on the basis of its own GRE and expenditure but pay the grant to the lower tier bodies by reference to their rateable values. This approach was used in 1981/82 to pay the grant of both the GLC and the Metropolitan Police in London. It would not meet the objections of the Home Office, was anyway extremely unpopular with the London Boroughs, and has been abandoned completely from 1983/84.

17. Whichever approach were adopted, in order to avoid unacceptable grant losses for the new boards, GRE's would be likely to be increased so as to be closer to expected expenditure levels. That would mean increasing the GRE's for all authorities carrying out the services which were to be run by single-service

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authorities in the metropolitan areas. The separate identification of GRE's for single service authorities should of itself exert pressure to conform with them. But the need for "realistic" GRE's for these services would seem likely nevertheless to weaken overall expenditure control (unless of course GRE's for other services were to be reduced correspondingly). In aggregate, local government expenditure would be likely to increase.

Special Implications for London Grant Arrangements

18. The present block grant arrangements discount 25% of London's rateable value allowing Londoners' otherwise extremely high rate bills to be correspondingly lower. There are also separate arrangements for sharing the benefit of the very high rateable values in central London with other inner London Boroughs, called the London Rates Equalisation arrangements.

19. The abolition of the GLC would have implications for both. It might become more difficult to confine the London discount arrangements to the present GLC area. Authorities adjacent to it with equally high rateable values are already pressing for a part of their rateable value to be discounted.

20. The existing London Rates Equalisation arrangements operate under the London Government Act 1963. As presently operated the City and Westminster make a contribution to a central pool which is distributed to other inner boroughs in proportion to rateable value. The total size of the pool in 1983/84 is £66.792m.

21. In addition to the London Rates Equalisation Scheme, the precepts of the GLC (and the ILEA) make covert transfers of funds from the wealthy central boroughs to other authorities in London. Each of GLC precept raises £19.4m in total, of which the City contributes £2.5m (£329/head) and Greenwich contributes £322,000 (£1.50/head).

22. For those services where successor bodies continued to precept on an all London basis this covert transfer would continue. Where, however, services were transferred to the boroughs (or bodies precepting on a part of London only) this covert transfer would need to be replaced by some overt mechanism. Otherwise the cost to ratepayers in the City and Westminster of providing services would be dramatically reduced. And the block grant system would have to compensate other London authorities for the corresponding increases in costs to their ratepayers at the expense of the rest of the country.

23. The loss of this covert contribution from the City and Westminster to other London authorities would particularly affect three services:

- a. Education - if the boroughs take on the functions of ILEA.
- b. Housing - In 1982/83, the GLC contributed £85m from the rate fund to the Housing Revenue Account, in effect thereby subsidising council house rents. If nothing replaced this mechanism rents or rates would change differentially and to some extent unpredictably.
- c. Transport - Highways.

24. There are two possible mechanisms for providing the extra resources needed by London Boroughs for the provision of these services. First, the existing London Rates Equalisation Scheme could be extended. The Scheme would need to redistribute up to £500m of grant through the central pool. Second, negative block grant could be introduced. In other words, this would amount to a tax on the City and Westminster, and any other London authority out of grant. It would differ structurally from an extended rates equalisation scheme in that the negative grant would be collected from the City and Westminster and added to the national block grant pool for onward distribution to other authorities. The introduction of negative block grant would raise a number of complex issues. It would require legislation which might well be controversial, since it effectively amounts to a power of taxation on the Boroughs affected. There would be exceptional problems for the City because of its extremely high rateable values and very low population. On the other hand, a London Rates Equalisation Scheme could involve the transfer of some £500m a year from the City and Westminster. They would be likely to generate considerable political pressure to avoid participating in the Scheme, even though they would be no worse off than under the existing arrangements. A final decision on whether the London Rates Equalisation Scheme or negative block grant should be adopted should best be taken after consultation with the authorities affected.

The Metropolitan Transport Authority (MTA)

25. The introduction of a wholly exchequer funded MTA would produce a gain to London ratepayers since they would no longer be required to contribute towards the cost of revenue support for bus services. To prevent London ratepayers gaining an

unfair advantage over those in the rest of the country, it might be necessary to make an offsetting reduction in London's block grant entitlement. In 1982/83, London ratepayers contributed about £60m towards the cost of London bus services through the GLC precept. However, this is unlikely to be the appropriate measure of the reduction necessary in London's block grant. This would have to be assessed in the light of the revenue support being provided by the MTA to bus services.

26. It would be possible to make any offsetting grant reduction to London by reducing the present 25% discount on London's rateable values for the purposes of calculating London's block grant. This would have the effect of reducing the block grant allocation of all the London Boroughs pro rata to their rateable value. However, this would not apply any of the offset to Westminster and the City. Their rateable resources are so high that even after the rateable value discount they do not have any block grant entitlement. As they have a large proportion of London's total rateable value, the block grant reduction on all the remaining boroughs would be about one third too great. It would therefore also be necessary to secure the appropriate offset from these two authorities either through increased contributions to an extended London Rates Equalisation Scheme or by means of negative block grant, as with functions transferred to the boroughs described above.

Targets and Holdback

27. If a system of targets and holdback were to be retained after re-organisation, similar problems would arise in setting targets for successor authorities as are discussed at paragraph 17 in setting their GRE's. Suitable baseline data for calculating targets for successor authorities would not be available. For single purpose authorities, targets would imply service-specific cuts; and it would be necessary for Departmental Ministers to acknowledge that. Both targets and GRE's would, therefore, also have to take account of the Government's priorities in, for example, the law and order services. This is not necessary under existing expenditure targets now except for ILEA. There would be pressure for higher targets for successor authorities and/or a weaker holdback scheme. As with GRE's, the tendency would be to weaken Government controls over spending levels.

CAPITAL EXPENDITURE RESERVES AND DEBT

Capital Expenditure

1. The capital expenditure of the GLC and MCCs is controlled by Part VIII of the Local Government, Planning and Land Act 1980, which provides for Ministers to allocate permitted spending levels to each authority each year and for authorities to supplement those allocations in various ways including by the use of capital receipts. Part VIII applies at present to all local authorities (other than parish councils) in England and Wales and certain joint boards. There is no specific provision for joint committees, but where joint committees have been established arrangements have been made for one of the member authorities to treat all the expenditure as its own and to receive allocations direct from Government or by transfer from the other parties to cover it.

2. With two exceptions, the present procedure under the 1980 Act could readily be applied to all successor bodies. Primary legislation would be needed to bring any new joint boards within the ambit of the 1980 Act (and to make their borrowing subject to the Local Government Act 1972). In the case of joint committees it might be desirable to make more formal arrangements than those which exist at present, at least to designate one of the member authorities as the one which would be treated as incurring expenditure and receive allocations; the need for this would have to be assessed after consultation. Arrangements might be required for capital receipts now available as a resource for capital expenditure by the GLC and the MCCs to be available to successor bodies instead (see paragraph 21).

3. The first exception concerns the proposed MTA. This is likely to be the only case of a successor body so constituted as to lie outside the local government sector. The 1980 Act regime would therefore be inappropriate and its expenditure should be controlled in the same way as other centrally-funded bodies. The second exception concerns the police, magistrates court and probation services. Expenditure on these services is excluded from the ambit of the 1980 Act by regulation and would continue to be separately controlled by the Home Office.

4. The methodology for distributing an appropriate share of national resources for capital expenditure on each service to each authority would need little or no amendment in the case of the specific service blocks (Housing, Education, Transport)

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or the centrally allocated services within the Other Services block (Urban Programme, Derelict Land, Airports) since in each case generalised or specific assessments of the need of each authority's area are already taken into account. The main part of the Other Services block is at present distributed on a formulaic basis on the advice of the local authority associations; the formula would need amendment in consultation with the associations, but there should be no difficulties of principle.

5. The GLC uniquely secures Parliamentary approval for the level of its capital expenditure by an annual Money Bill, a procedure of some antiquity preserved by the 1980 Act but meshing ill with the capital control system in the Act. The Council value the procedure as providing extra confidence when they borrow in the market, but there are no grounds for it to outlive the GLC.

6. Capital expenditure is an area where there would be potential, at least in theory, for obstruction by outgoing authorities. The 1980 Act controls expenditure levels, not levels of commitment. The Secretary of State has a specific power of direction to inhibit an authority from entering into new commitments, but it is exercisable only once he is of the opinion that an authority is likely to overspend in a given year. Overspending in the absence of a direction is not ultra vires, neither can a direction prevent the fulfilment of contracts entered into before its issue. In law, therefore, an outgoing authority could commit successor bodies to heavy levels of expenditure in later years.

7. In practice, much of the private sector, and perhaps other organisations in the public sector, might be reluctant to enter into major contracts with bodies whose days were numbered. This could not be guaranteed however and the same constraint would not apply to bodies which are established by the authorities themselves such as enterprise boards. In certain circumstances, wilful overcommitment could lead to a surcharge on the members concerned, but it could not be guaranteed that this would prove a sufficient sanction.

8. There would appear to be no remedy for obstruction under existing legislation. If the reaction of the authorities concerned to any firm announcement of an intention to abolish were sufficiently strong as to suggest that they would resort to imprudent behaviour, it would be possible to seek very quick legislation requiring those authorities to obtain Ministerial approval before entering into contracts above a given size.

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Reserves and Debt

9. Local authorities may borrow, within limits set by Ministers, for capital purposes; they may also borrow for revenue purposes, but only in anticipation of revenues receivable within the then current financial year. Most authorities operate a consolidated loans fund (CLF) which pools borrowing from all sources and on-lends to service accounts at a common interest rate. In order to minimise the costs to the authority, any day-to-day surpluses on revenue and other accounts are used by the CLF in lieu of borrowing from the market and the PWLB (hereafter referred to as "external" borrowing). Some authorities also maintain capital funds from which service accounts may borrow for some purposes instead of borrowing from the CLF.

10. In the 1974 reorganisation, internal debt to capital funds was extinguished by cancelling the liability of the service account to repay the debt. This is a book-keeping exercise which involves no real money transaction and simplifies subsequent arrangements. It would be appropriate to follow the same course again. Any surpluses which had been lent internally (see previous paragraph) would have to be realised at or shortly after the date at which the reorganisation took effect so that the reserves could be distributed (paragraphs 20-23 below); such internal borrowing would therefore have to be replaced by external borrowing. The amounts are not large (revenue balances of the seven authorities currently total about £50m) but for monetary policy reasons it would nevertheless be desirable to take such borrowing from the PWLB. Thus by the time reorganisation were complete, all remaining borrowing by service accounts would be matched in aggregate for each authority by an equal amount of external borrowing.

11. There is no one-to-one relationship between particular external borrowings by the CLF and lending to service accounts for particular capital projects. So, although capital assets of relevant services could be attributed to successor bodies (together as far as is appropriate with responsibility for servicing associated debt on the assets), it would not be possible to distribute external debt between successor bodies. Administration of the external debt would therefore have to remain the responsibility of a single body, with those to whom the assets were transferred made responsible for servicing the debt, ie for making sufficient payments to the body administering the debt to enable that body in turn to make due payments to external lenders.

Responsibility for servicing debt

12. The basic principle adopted in 1974 was to distribute the responsibility for servicing debt to successor bodies with the assets to which the debt related, and that would seem to be the appropriate basic principle to follow again. In applying the principle, two points have to be borne in mind: first, the need to maintain market confidence by ensuring that the rate base is broad enough to service the debt placed on it; second, the need to ensure that those paying for servicing debt through the rates are those who benefit from the associated asset. In the metropolitan counties, much of the debt relates to services which would be likely to be transferred to single area-wide precepting authorities: these cases would present no problems of confidence (the rate base will be unchanged) or equity. In the case of the GLC, most of the debt is attributable to ILEA, where the principle of distribution with assets appears likely to hold once decisions are taken on the future of the service; and to housing, where most of the responsibilities for servicing the debt have been or are due to be transferred to the boroughs anyway (subject to a covert subsidy through the GLC precept, the future of which is considered in Annex 4.3 on Current Finance and Grant).

13. Distribution arrangements for the debt attributable to the remaining services, where the assets would be divided among a number of successors, could raise equity problems where an asset serves an area greater than that of the district or borough to which it would be transferred (such as highways, parks or the Crystal Palace sports centre); where otherwise similar assets being transferred to different successor bodies happen to carry very different amounts of debt; or where the value of an asset - for sale or as a revenue generator - is small compared with the amount of debt attaching to it (as with derelict land or gipsy sites). The most important of the services concerned, in terms of total debt outstanding, is highways, on which all three of the above considerations could arise.

14. One possible approach for any service such as highways which looked likely to give rise to significant equity issues would be to transfer responsibility for servicing debt not with specific assets but across all successor bodies pro rata to rateable value. This would not be perfectly equitable either, but might be an improvement. (On highways, some roads might be trunked; decisions yet to be taken on the handling of debt in such cases could affect the issue.) Other cases would have to be tackled on an individual basis; they might not be as significant as part of a package of transfers as they appear individually, but in particular cases they could

still be significant. Some inequities may still remain; the block grant system might compensate for these to some extent. The Group consider that all these issues can only be decided in consultation. Attention would be needed to considerations of confidence as well as those of equity; but solving the latter would tend also to solve the former by distributing responsibility for servicing debt more closely pro rata to the revenue base which provides the means of servicing it.

15. Decisions would also be needed on the distribution of responsibility for debt associated not with fixed assets but with loans - particularly mortgage advances and advances to industrialists - which it may not be possible to attribute by geographical area. There are no fundamental issues here and again consultation would be needed to sort out the details.

Administration of external debt

16. The single body which (as described in paragraph 11 above) might take over the administration of external debt would need to be such as to inspire the confidence of lenders - particularly those who had already lent to the old authorities and then found that the loan was being transferred - and to be able and willing in practice to cope with management of debt on the scale involved. In 1974 the main successor authority took over management of the debt of old authorities; but typically the new authority had a larger rate-base, broader expertise and more staff than its predecessor, which would not be the case this time.

17. The Group propose that on this occasion two specific steps are desirable to ensure that confidence is maintained. First, wherever the CLF of the outgoing authority might be brigaded for administrative convenience (see following paragraphs), it should retain a separate identity. The body holding the debt would take over the rights and responsibilities of the outgoing authorities as to debt. Second, the chain of responsibility from those charged with servicing the debt through the administration body to the lender should be made absolutely clear. As in 1974, the property transfer order would have to make those responsible for servicing debt legally liable to make the appropriate payments to the administration body, and make such payments a charge on their revenues. The administration body would in turn have to be liable to the original lenders and have a revenue base on which the loans could be secured. Care would be needed in the presentation as well as the substance of these provisions. Such matters should be explored further in consultation.

18. From the practical viewpoint, transferring responsibility for administering external debt should present few difficulties in the metropolitan areas. Any one of the larger districts presently administers far more external debt than does its county: there would be no problem in principle about transferring responsibility for managing the debt to one of the districts, though the appropriate district could only be determined in consultation.

19. In London, it seems unlikely that any single borough would have the manpower or the expertise to administer the enormous external debt of the GLC (£2400m at 31.3.82). Managing debt on such a scale could require, say, five times as many staff as any borough would have to manage its own CLF. It may well, therefore, prove more satisfactory to retain a separate body, at least until such time as the debt is much reduced, though this could not be finally decided before consultation.

Reserves

20. A basis would also be required for distributing reserves. Revenue balances are not attributable to particular services. In 1974 they were distributed between successor bodies pro rata to rateable value. A modified approach would be needed in the case of the GLC and MCCs, where the successor bodies would not necessarily have discrete rate bases. It would be reasonable first to divide them between services pro rata to a convenient measure of relative expenditure, and then, where necessary, to divide within services between successor bodies covering different geographical areas pro rata to rateable value (subject to consideration of the effects of the arrangements for equalisation of rateable values in London through RSG). The revenue balances of ILEA are separate from those of the GLC and should be dealt with separately.

21. The balance of capital funds remaining after the extinguishing of internal debt (see para 10) would not be attributable to specific services either and would fall to be distributed like revenue balances; this is appropriate in that the funds will have been constituted from the general rate fund originally. Unspent capital receipts will normally be attributable to particular services and particular geographical areas. But not all authorities necessarily maintain a register of capital receipts in such detail; and in any case it is a principle of the capital system in the 1980 Act that capital receipts are available to any service. It would probably be appropriate to distribute unspent capital receipts in the same way as revenue balances. This would apply equally to receipts from the disposal of assets

rendered surplus by reorganisation. Distributed capital monies would need to be identified as such, with the appropriate restrictions against their use for revenue purposes being maintained, and care would be needed to ensure that successor bodies could not score as capital receipts for the purposes of the 1980 Act monies which would not have been such receipts in the hands of the outgoing authorities.

22. Since most reserves are invested temporarily through the CLF, distributing them to successor bodies would require replacement external borrowing by the outgoing authorities. A sudden upsurge of borrowing on any scale could upset the balance of the money market and would have unwelcome consequences for the PSBR and money aggregates. For three reasons, we consider that this would not in practice be a problem. First, the revenue balances of the GLC and MCCs are tiny in comparison with the external debt of local authorities. Second, in the short term any increase in the external borrowing of those bodies would be matched exactly by a reduction in external borrowing by successor bodies on receipt of their share of the reserves. Third, in the longer term successor bodies would probably maintain larger revenue balances for the carrying out of their functions than do the GLC and MCCs, so that external borrowing would be lower following reorganisation.

23. It might be difficult to transfer reserves in their entirety for a long time after the date of transfer of functions. This is especially true where surplus assets have first to be sold, but it would also apply to existing balances for which precise figures might not be settled for some time. The Group do not expect this to produce problems for successor bodies. Existing authorities would have their own reserves and borrowing powers available to meet immediate operational requirements. New bodies - once they had been made subject by legislation to the local authority borrowing regime - would also be able from Day 1 to borrow in anticipation of revenues receivable. The amounts of additional short-term borrowing involved - a few tens of millions, very largely offset by the borrowing which the outgoing authorities would otherwise have undertaken - would probably not be large enough to unsettle the market, but any addition to bank borrowing would be unwelcome from a monetary standpoint and would involve additional interest charges. An alternative approach might be to bring forward grant payments to provide cash in the early days.

OBSTRUCTION

1. The Group considered the possible nature of and responses to attempts to obstruct abolition by the authorities to be abolished, and in particular:

(i) The likelihood of obstruction.

(ii) What form obstruction might take.

(iii) At what stage of the exercise obstruction might occur.

(iv) Who will be inclined to obstruct abolition.

(v) What constraints exist, or could be introduced, to prevent obstruction.

(vi) The implications of the 1985 GLC/MCC elections in this context.

Likelihood of obstruction

2. This is impossible to predict with any certainty, but it must be highly likely that some action would be taken. Non-cooperation by authorities seems inevitable.

Forms of obstruction

3. There are two main forms of possible obstruction:

(i) Passive obstruction, or non-cooperation, would be aimed at disrupting the transition to new arrangements. For example, authorities refusing to cooperate by supplying information or entering into negotiations could seriously delay the transfer of staff or property.

(ii) Mischievous behaviour could have short - or long - term consequences. In the short-term, authorities might mount propaganda campaigns or members could resign en masse, with the aim of influencing the Government to change its mind on abolition. Disruption might be aimed at central Government rather than local people - for example by terminating trunk road agency work - or by the

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refusal to exercise certain functions, for example refusing to pay subsidies to PTEs/LTE. Authorities might also take action with the long-term aim of effectively sabotaging the successor structure. They could do this by taking actions intended to bind succeeding authorities to policies or commitments. Actions might include increasing total spending, letting of long contracts with significant penalty clauses, disposal of land necessary for future actions, granting of unusual planning permissions, or making partisan appointments to ensure the sympathetic control of continuing services.

4. It seems unlikely that councils would opt for the most extreme forms of action outlined above. But these are, nevertheless, all theoretical possibilities. If the Government opts for some sort of expenditure control system, as currently being considered by E(LF), this could increase the sense of confrontation over abolition, although it should also decrease the possibility of mischievous expenditure having significant effects, certainly in the immediate term. On the question of long-term constraints, the existing capital expenditure controls can restrict an authority's expenditure, but not usually its levels of commitments, although it could transpire that would-be contractors will be reluctant to enter into major contracts with bodies whose days are numbered (see Annex 4.4).

Timing of obstruction

5. Obstruction seems most likely to occur during the period between announcement of abolition and Royal Assent to the necessary legislation. This would be the period when authorities would have most hope of changing the Government's intentions and least incentive to cooperate. Any specific new measures to counter obstruction would require legislation and would thus take time to implement.

Obstruction by whom?

6. Politically-motivated obstruction by councillors seems likely. Officers might also be uncooperative, either for the same reasons, or because of instructions from members, or for reasons of personal interest - loss of career prospects, possibility of redundancy, etc. The cooperation of staff would probably be even more important than that of elected members in securing a smooth transfer of functions - officers would have the crucial detailed information necessary for the transfer of staff and property.

Constraints

7. Certain existing constraints might well discourage some potential obstruction. These include the issue of public reports or possibly even surcharge action by the authority's external auditor, in cases of profligate or unlawful expenditure. Also, third parties might take legal action in similar cases alleging breach of fiduciary duty. Both of these possibilities might deter obstructive actions, but if actually invoked they would each take some time to have any effect, and in any case they might not deter really committed opponents prepared to take extreme measures. Further use of an existing constraint would be the threat by ministers to invoke powers to review local authority decisions, where these exist.

8. The Government could also consider threatening additional constraints to deter obstruction. These could include:

- withdrawing existing local authority powers, eg Section 137 of the Local Government Act 1972 which allows authorities to spend the product of a 2p rate "in the interests of their area".

- selective ministerial intervention, eg on aggregate spending or individual appointments or contracts.

- direct rule, ie dismissal of existing councillors and replacement by Commissioners.

9. Selective methods would work, at some cost in central government effort; but an authority determined to cause disruption could continue to find new points of challenge until intervention would have to become virtually general and complete. If the threat of counter measures did not act as a sufficient deterrent the cost of correcting obstructive actions could be significant; compensation might have to be paid, for example, if action were taken to retrospectively modify particular contracts. The possibility should also be borne in mind that merely suggesting the possible use of these constraints could in itself encourage escalation of obstruction. Ministers would clearly have to strike a balance between the prudent planning of counter measures and the possibility of provoking action.

1985 GLC/MCC Elections

10. The next elections to the GLC and MCCs will be in May 1985, when the Government's preparations for abolition might be well advanced, but before abolition had actually taken effect. Abolition would therefore be bound to be the main issue in the elections. Most groups on the GLC and the MCCs would be likely to oppose abolition, so victory for any party could be claimed as giving the council concerned a mandate to resist Government attempts to abolish it.

11. One solution to this potentially embarrassing situation would be to cancel the 1985 elections. This would require primary legislation, which would also have to extend the terms of office of councillors elected in 1981. Cancellation has several attractions:

- it is well precedented. Both the London Government Act 1963 and the Local Government Act 1972 cancelled elections to local authorities which were to be abolished.

- it would save £9m at 1981-2 prices (the cost of running the elections).

- it could be justified on the grounds that newly elected councillors would serve only a token 12 months or so before abolition took effect.

12. Cancellation would, however, have certain disadvantages:

- it would be seen as an attempt to stifle opposition to abolition.

- it would still be possible for obstructive councillors to force by-elections by resigning. This could be met either by legislating that any vacancy so caused should be left unfilled, or - since this could lead to councils being unrepresentative or too small to function effectively - to allow councils to fill casual vacancies by co-option. The latter would, however, be controversial for such large authorities; at present, only parish and community councils have the power to co-opt their own members.

- the main abolition legislation may not receive Royal Assent sufficiently in advance of the May 1985 elections to enable their cancellation before most preparatory expenditure had been incurred. To avoid this, cancellation could instead be made the subject of a separate, small bill; but this might well be seen as improperly anticipating the results of Parliament's scrutiny of the main bill.

13. An alternative to cancellation would be to defer the 1985 elections for a set period of time. This might be justified on the grounds that elections would be pointless given the uncertainty over the authorities' futures. This would also require primary legislation, probably a small bill in advance of the main one; however, this ought to be less controversial than a separate bill proposing cancellation, as considered above. Deferral might be less controversial than outright cancellation, although it might still be criticised. An initial deferral of, say, 1 year might be the best option, followed if necessary by a further deferral, or by cancellation if abolition was by then imminent.

Conclusions

14. It seems likely that some form of obstruction would be encountered. Authorities would either refuse to cooperate in the exercise, or take active steps to disrupt it, or both. But it is very difficult to predict with any certainty the likelihood of particular types or degrees of obstruction occurring.

15. There is a difficult question of balance involved in deciding on what counter measures to take in order to prevent obstruction. Taking early action with this aim might successfully influence authorities not to obstruct the changes; on the other hand, early action might simply inspire authorities to devise means of getting round the counter measures and successfully obstructing abolition.