

From **SIR HORACE CUTLER, O.B.E.**
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R23/2

22 February 1980.

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1.

cc. Education: July 79: Future of ILEA

Dear Margaret,

1. GLC PROGRESS REPORT
2. POLITICAL OBJECTIVES

1. When we last met at No. 10 you said that you would like an expanded narrative version of the note-form progress report which I carry around with me as an aide-memoire. I have had this done and I enclose a copy which reflects the position at 31 January.

2. In our run up to the last GLC election we had two overriding political objectives in mind for implementation. These were the destruction, gradual in the first case and instantaneous in the second, of the two socialist empires in London: GLC housing and the ILEA. I need to bring both up with you at this stage.

On 1 April next 140,000 GLC dwellings will transfer to London Borough and District Councils. There is a possibility that a few more will transfer subsequently by agreement, but otherwise some 80,000 dwellings will remain in GLC hands because the local authorities concerned refuse to take them.

Now 80,000 dwellings is a very large rump by anyone's standards; and together with a residual capacity for land purchase and house construction continued GLC ownership of this stock would provide a springboard for an incoming socialist administration: it could be, in fact, the mixture much as before (only worse) and, quite apart from the damage that the policy of unbridled municipal housing construction would cause, it would provide a power base in London for the Labour party which we should be seeking to deny them.

What we need, and what some of your colleagues have in fact mooted without solicitation from us, is the compulsory transfer of the balance of the stock - and this to take place, or be put irrevocably in train, well before the next GLC election. I do not pretend that this would be easy to achieve politically but done it must be and I would be glad to have your support and indeed, direction, in doing it.

The second subject is ILEA. As you know the party's report recommending it for the chop has been published (two days before my copy arrived incidentally, which I am pursuing with Mark) and now some action is required.

P.T.O.

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At this stage it might be as well if I explained that there can be no dissent on our side from the principle of abolition. In December 1975 a meeting was held in Norman St. John Stevas' house. The Parliamentary party, the GLC and the Boroughs were all represented there in force and the decision was unanimous: ILEA must go. The only reservation was that it would scarcely be politic to commit ourselves to it publicly in advance of GLC borough and general elections.

We have now had all three, and I seriously doubt that such a propitious moment will ever occur again. The report itself adduces enough objective evidence on ILEA's performance to justify the change, and the only question marks remaining are the precise form of the replacement set-up and the financial consequences, neither of which is insuperably difficult.

Why I raise this with you is because we must be resolute on this - no footdragging or excuses. It goes without saying that the moguls at the DES will fight it tooth and nail, and I think they will endeavour to sabotage the proposals. Of course, we will be besieged by the massed ranks of the teachers' and parents' organisations. These local difficulties, however, are no reason why we should not implement what is de facto party policy. If we get through to May 1981 without the whole thing being sewn up I foresee considerable difficulties. In purely electoral terms the abolition of ILEA gives us, unusually, a cast-iron issue to fight upon at a time when we are going to need it most.

If we manage to achieve both objectives we will in a short space of time have accomplished what we have not been able to do these past forty years: cut the umbilical cord of the Labour party from its expected support in London. Even were there no other benefits these would be powerful arguments; but there are other benefits and I am asking you to make sure that those benefits accrue to us, and to London.

With best wishes

Yours ever

Horace.

GLC PROGRESS REPORT AS AT JANUARY 1980

Since the May 1977 GLC election the greater part - about 85% - of the specific undertakings in the Conservative manifesto has either been carried out or is in hand, an unusually high striking rate. Over 200 policy papers have been processed at the top level.

What follows is a brief but comprehensive review of what has taken place, together with figures and background where appropriate.

HOUSING

London's population is falling, ageing and becoming concentrated in small units. There is now an excess of dwellings over households. The problems are therefore of access, mobility, tenure and quality and not of quantity.

Access and mobility are largely governed by the Rent Acts, as is the quality of the private rented stock. This leaves tenure as the major issue within the public domain.

(a) New Construction

The pre-1977 GLC programme of 6,500 starts annually has been cut to 500. These will be built only in Docklands, Covent Garden and Thamesmead, with a continuing programme of seaside and country homes for the elderly as well.

The average cost of a new dwelling is about £30,000. Not building 6,000 houses a year therefore saves £180 million a year eventually, equating to saving £15 million a year cumulatively (i.e. £15 m year one, £30 m year two etc.) net in subsidies of all sorts.

(b) Site Sales

Housing and other (see below) sites are being sold systematically for private development. This speeds up building and recoups publicly-borne outgoings.

(c) Sales of Dwellings

- (1) The GLC has created a Directorate for Home Ownership, bringing under one roof the more-than 400 staff of several disciplines needed to sell houses, grant mortgages and so on. It also handles homesteading and advice generally. It is self-financing by way of fees for mortgages and sales and an addition to the borrowing rate - the GLC rate of 11 $\frac{3}{4}$ % being in any case well below that of the Building Societies.
- (2) Sales completed number 8,000+, with a similar number agreed in the pipeline. These are mostly to sitting tenants. Although some sales are below cost the overall surplus to date is some £35 million.
- (3) Some 450 houses have also been homesteaded: the target is 1,000 by 1981.
- (4) Total GLC lending on Home Loans since 1977 is about £100 million.

(d) Transfer of Estates

The GLC believes (and the London Government Act originally envisaged) that Housing management is far better dealt with at grass-roots level by the Borough Councils. Accordingly about 140,000 out of the GLC's 220,000 dwellings will be transferred to borough and district councils on 1st April 1980 and others will follow.

(e) Single Homeless

London contains a considerable transient and vagrant population, which almost by definition (and often by choice) evades the welfare net. The GLC's help to the voluntary organisations which cater for the single homeless is now at £1 $\frac{1}{4}$ million, five times greater than it was in 1977.

(f) Direct Labour ("C" Branch)

This construction force, towards which the Labour Party is ideologically committed, was losing £350,000 a month (cost compared with valuation). It is being closed down.

(g) Higher Rented Accommodation

This facility has been reinstated and in a minor way redresses some of the financial imbalance in ordinary council housing policies. There were over 2,000 applications to the GLC for the 32 flats/bedsits at St. Katharine Dock, Tower Hamlets.

(h) The Home Loans Rate is, at 11 $\frac{3}{4}$ %, well below building society rate and has been for sometime; 100% loans are given but lending is restricted to Inner London.

FINANCE AND ADMINISTRATION

The GLC since 1977 has been committed to value for money and sound financial policies, i.e. good housekeeping. In the two years 1973-75 the GLC precept (equivalent to the rates levied by rating authorities) was raised by Labour by 235% i.e. they ended up nearly three and a half times the original figure. The last four years, in contrast, have seen only a 12% rise, and the prospect for 1980-81, after this four-year virtual standstill, is for a rise of 2p (10 $\frac{1}{2}$ %), which is below the prevailing inflation rate.

(a) Staff

After allowing for transfers the GLC is currently employing 3,320 fewer staff than at May 1977; this is equivalent to about £27 million a year saved. The target for 1981 is a further reduction of about 5,000, of which some 4,000 will transfer with the housing stock. There have been no compulsory redundancies, nor are any likely.

(b) Pay and Industrial Relations

In mid-1979 the GLC concluded a pay-bargain with its staff. The broad range of increase was 15%-23% (average 17%) but in return agreement was reached on

- (1) a cooling-off period plus a ballot before strike and other industrial action;
- (2) the introduction (for the first time) of a disputes procedure;

- (3) no commitment on Clegg;
- (4) guarantee of co-operation from the staff (there had been opposition to GLC policies on political grounds).

In addition the closed shop had been negotiated out previously. Cash limits are in force to deal with staff costs, i.e. higher costs = fewer jobs. Industrial democracy (i.e. staff on GLC committees) had been ruled out previously.

GLC Pay Bill

	£M
1976-7	155.3
77-8	155.1
78-9	159.8
79-80	173.4 (budget)
80-81	178.6 (budget)

These figures include accommodation and other office costs, plus N1 and Superannuation contributions - in all of which there have been increases in cost.

(c) Financial Policy

Quite apart from its recent rates record the GLC has been prominent in financial management. Its Supplies Department, with a turnover of some £130 million a year, serves many local and public bodies and is estimated to save over £6 million a year.

(1) Capital Budgets

In 1979-80 the GLC repaid all of its non-housing capital debt amounting to £123 million. In future it can meet all its non-housing capital expenditure without borrowing a penny. It has achieved this by building up its Capital fund (from rates and from sales) to the point where stability and an expectation of growing availability of resources has been reached.

- (2) An "energy ferret" has been put on the trail of identifying and eliminating wasteful use of energy. Small savings on this and on paper etc. amount to some £1 m a year.

(d) Administration

The GLC's involvement with routine planning matters is largely superfluous, yet it has grown and grown. It has now been reduced by about $\frac{2}{3}$ - from 8,000 cases a year to 3,000.

In addition the incoming GLC in 1977 replaced the existing 130-odd committees with just 27, leading to savings of time, trouble, paper and Members' allowances! Only two further committees have been set up in that time and one of these, having done its job, has been discontinued.

A Scrutiny Committee was one of those created in 1977 and it has been doing valuable work in running the rule over Council activities.

A series of Departmental reviews aimed at streamlining still further the GLC's administration is in hand.

(e) Land Disposal

Proceeds of non-housing land sales exceed £50 million; the money is to be recycled either into funding new projects (such as the Jubilee Line) or into meeting other capital commitments.

(f) Concentration of Resources

In pursuance of its inner city policy some 75% of the GLC's budget is now directed into this area.

SAFETY OF THE CITIZEN

The GLC has a watching brief in certain areas, such as law and order, where it has no actual statutory responsibility. In pursuance of this general duty to look after London's interests it has set up close liaison with the Metropolitan Police. Other issues are:

(a) Thames Flood Barrier

This £400 million project is essential to reduce to a minimum the risk of a £3,500 million flood and a year's disruption of central London. Progress had been laggardly but new completion targets have been set and output has improved considerably. It is now expected to be operational by 1982.

(b) Non-tidal Flooding threatens many areas of London, and this is a problem which has been neglected (on cost grounds) in recent years. The GLC has approved a £30 million programme to bring relief to areas at risk.

(c) The Fire Brigade is under review and a "Green Paper" has been issued. The Labour Government in 1977 sold out both on the pay deal and the 42-hour week in order to settle the strike, but the GLC has resisted irrational pressures merely to recruit pro rata numbers of firemen - no panic measures. (Pro rata a 16% increase in manpower at a cost of £10 million would have been necessary).

(d) The Clean-Up Campaign in London's West End is well under way. The GLC has no powers over private behaviour, nor does it want any, but it has acted under its existing powers to reduce the public display of indecent material which is offensive to many.

TRANSPORT

London has two abiding transport needs - adequate and reliable public transport and safe and **accessible roads**.

(a) Roads

The GLC realises that the environmental implications of major road construction presage caution; nevertheless it has embarked upon a programme which, over 15 years, will cost £800 million. In addition it is keeping up maintenance, which is all too often deferred or shelved with near-disastrous consequences.

(b) Public Transport

The GLC's current-year support for London transport amounts to £200 million - this includes capital grants for new trains, buses, equipment and developments; the cost of old peoples' concessionary and free travel; and the general subsidy to fares.

The GLC's view is that the capital cost of investment in the system is a legitimate charge to public funds; but that indiscriminate subsidies to fares are counter-productive, lead to a worse service long-term and benefit the better-off, longer-distance traveller anyway. Subsidies cannot be eliminated overnight, but will have to be rendered unnecessary by greater efficiency or productivity.

The train service is adequate, if in need of modernisation, overhaul and extension.

The bus service is simply inadequate.

The GLC has no operational responsibility for LT, but merely for overall policy and finance. There is therefore a limit to what can be done, but within the statutory framework the GLC is making every effort, including sanctioning new buses, making available adequate resources, and encouraging operational and managerial changes, to see an improvement brought about.

JOBS AND REDEVELOPMENT

London has 14% unemployment in places. It also has tracts of derelict and near derelict land, principally in Docklands.

(a) Docklands

The GLC part-funds the Docklands joint committee (50%) and is participating in major schemes such as the international marketing of Surrey Docks. The GLC's commitment both to the Jubilee Line and to the Docklands road package derives from the recognition that both are essential prerequisites.

(b) Jobs

The GLC's Industry and Employment Committee and such GLC agencies as the London Industrial Centre are constantly trying to prevent the outflow of jobs from London and to aid in attracting jobs back. The GLC has contributed £5 million towards retaining Earls Court as a major exhibition centre until alternative facilities can be provided, probably in the Docklands.

(c) Covent Garden

Progress continues to be made. Despite a great deal of partisan criticism from pressure groups of the strategy for redevelopment the area is experiencing a revival of outside interest and economic and social activity.

ARTS, RECREATION AND CULTURE

The GLC maintains a leading role in supporting the arts and recreation, and has managed to protect the budget from major depredation. Notable happenings are the "sale" of "Alexandra Palace" to Haringey Borough Council, thus solving a twenty-year-old problem, and grants to the Royal Opera House (£1m) and Westminster Abbey (£ $\frac{1}{4}$ m) on a self-help basis; together with a grant towards restoring HMS Discovery from the proceeds of the GLC lottery.

GLC INITIATIVES

Apart from the policy changes already mentioned the GLC has been taking a leading role in

(a) The Future of London Government

Sir Frank Marshall was asked to inquire into the GLC's own functions and his report is to be considered (after public consultation) by the GLC shortly. The GLC aims to become the strategic authority which it was intended to be, but never became.

(b) Olympics 1988, World Fair 1987

The GLC has promoted a first-stage feasibility study of the former and it is considering the implications of the latter.

(c) ILEA

The GLC is in the forefront of questioning whether there is a future for ILEA.

ELECTION ISSUES 1981

These are almost certain to be: London Transport (bus service); future of ILEA; rates 1980 and 81; sales of Council houses, option schemes and mortgage availability/interest rates; traffic congestion and environmental issues; safety of the citizen.