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My ref: B/PSO/19748/85

Your ref:

17 December 1985

*Jim M. ch,*

*NBPM*

RATE SUPPORT GRANT SETTLEMENT 1986/87  
PRESENTATION OF THE JOINT BOARDS' PRECEPTS

Thank you for your letter of 28 November.

*will request if required*

I agree that now that the settlement has been agreed, we all need to concentrate on presenting it. As you know Douglas Hurd, John MacGregor and I exchanged letters on 28 November and 3 December about the resources for the police service in 1986/87. As a result Douglas made a reference to this during his first Order Questions on 5 December (Hansard Column 412).

A group of Home Office, Treasury and DOE officials is to meet for the first time on Friday 20 December to discuss the position of the police boards in relation to our public commitments on law and order. This exercise arises out the special nature of the police service within the local government framework. I do not think colleagues would necessarily accept that similar considerations apply to the transport joint boards.

My officials will ensure that yours receive copies of relevant background material prepared for my RSG settlement statement on Wednesday.

One of the key points we must get across is the irresponsible way the metropolitan county councils have used balances and financial reserves to keep their precepts down in 1985/86, and hence to conceal the true costs of their policies from the ratepayers. One result of this is that four out of the six redetermined ELs you propose are substantially above the level of expenditure for the same services in the MCCs' budgets for 1985/86. On top of that all but one of the counties have used creative accounting to reduce the overall level of their precepts over and above any use of Passenger Transport Executive balances. The message is that these



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financial manouevres inevitably have a cost for ratepayers in 1986/87. This would have been true without abolition. For subsequent years you will no doubt be stressing that you intend to use your precept control powers to reduce that spending to more reasonable levels.

✓ I am copying this letter to the recipients of yours.

*Kenneth Baker*

KENNETH BAKER

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The Rt Hon Nicholas Ridley MP







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*Oddi wrth Ysgrifennydd Gwladol Cymru*

The Rt Hon Nicholas Edwards MP

*From The Secretary of State for Wales*

WBS9.

18 December 1985

*D. Douglas*

**PROVISION FOR POLICE CURRENT EXPENDITURE**

*Will request if required.*

Your letter of 26 November expressed your concern about the difficulty officials have experienced this year in agreeing on a figure to be included in the Wales RSG report. I too am unhappy with the arrangements for forecasting police expenditure for Wales. The way they have operated has had the effect of eroding provision for other services which are also under pressure. The figure finally agreed for 1986/87, following protracted negotiation between our officials, was £3.8 million. This represents the same percentage of the additional current expenditure provision in Wales as was the case in England. It would have been unrealistic for me to go any further, particularly when the projection using my own ESG methodology indicated that spending would be lower than the finally agreed figure.

As for the future I am content that your expenditure sub-group separately identify Welsh figures. There will still, however, be a problem in reconciling these forecasts with the projections generated by my own ESG methodology, which covers all the services within my responsibility. My figures are based on authorities own projections, and form part of my consideration of the expenditure requirements of each of the services provided by local government in Wales. A better interface between the Expenditure Sub-Groups is clearly essential and I hope this will be arranged. This will be even more important next year when we shall have no realistic figures in the 1987/88 expenditure plans for comparison.

The problem we face, in effect, was the one highlighted in our recent discussion in E(LA) and which is to be considered by the study we have set up to look at public spending. It is clearly essential that the overall level of provision agreed for the RSG settlements is adequate, not only to meet the expenditure demands arising from the Prime Minister's commitment at Blackpool, but also to leave a reasonable allowance for other services.

In pointing the ...

The Rt Hon Douglas Hurd CBE MP  
Secretary of State  
Home Office  
Queen Anne's Gate  
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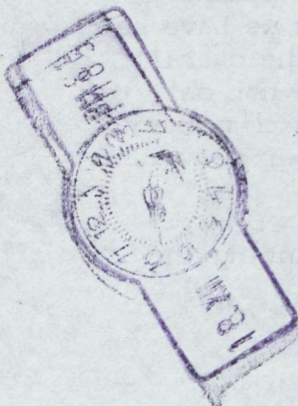
In pointing the way forward the study should take account of the position in Wales. While overall current expenditure provision for 1986/87 is the same, in real terms, as in 1979/80, police expenditure has grown since then by over 20 per cent in real terms. Other services have inevitably suffered and the lower levels of provision on the remaining services will become increasingly difficult to defend.

In response to queries which may arise when I make my RSG statement on 18 December, I intend to use a form of words along the line proposed in the Chief Secretary's letter of 3 December.

/ I am copying this letter to the Prime Minister and other E(LA) colleagues.

*J. Owen*

*N. S.*





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*cupb*

Treasury Chambers, Parliament Street, SW1P 3AG  
 The Rt Hon Nicholas Ridley AMICE MP  
 Secretary of State for Transport  
 Department of Transport  
 2 Marsham Street  
 London  
 SW1P 3EB

*NBRN*

13 December 1985

*Dear Secretary of State*

**RATE SUPPORT GRANT 1986-87**

Presentation of the joint board's precepts

*Will REQUEST IF NEEDED*

Thank you for sending me a copy of your letter of 28 November to Kenneth Baker. I have also seen his reply dated 17 December.

*ATTACHED*

I agree with the points he makes, and in particular with his final point about stressing your intention to use precept control powers to reduce the level of spending which the transport joint boards will inherit from metropolitan county councils to more reasonable levels. I know that you will be doing this, and that we agree about its great importance; in the light of our conversations on this year's Expenditure Limits for the joint boards', I hope that you will be able to exert continuing downward pressure in future years.

I am copying this letter to the Prime Minister, members of E(LA) and to Sir Robert Armstrong.

*Yours sincerely*

*[Signature]*

for JOHN MacGREGOR

*[Approved by the Chief Secretary]*

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LOCAL GOVT PT 29

RELATIONS

