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

November 1984

*Dear Patrick*

GRE ASSESSMENT FOR JOINT BOARDS

*will request if required*

I am most concerned by your reply of 14 November to my letter of 26 October.

When we discussed this in E(LA) there was very full recognition of the exceptional problems that I face in bringing down the grossly excessive expenditure on public transport revenue support by PTEs, and doing that by a precept control for a single purpose authority concurrently with the deregulation of bus services. I must have some flexibility to deal with this limited class of cases if I am to have any prospect of success in cutting back the overspending, and even so there would be major political problems. That is why I proposed that GREs for the joint boards should be set on a judgmental basis. While I recognise that might be thought inconsistent with the rest of the grant system, the work we have done over the last three years shows quite clearly that we cannot devise a national formula which will be defensible for the joint boards.

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I am surprised that you should be under any impression that further work over the next few months can produce acceptable specific proposals for the Met GRE formula. It has taken three years to get to a usable formula for the country as a whole. This year, no less than 12 options were offered, not one of which was supported by any of the local authority associations. The one we have had to choose as the best of a poor bunch is not going to satisfy our supporters or the opposition. If I were to set out to use this formula and to equalise fares and the benefits of service levels, I would have to approve the precepts shown in the attached note. I could not justify such differences as reflecting the different needs or situations in the different areas.

The paper enclosed with my letter of 26 October explained why revenues for public transport were a special case and justified special treatment:

- (a) it is not a service which Local Government delivers but a trading operation to which it gives support;
- (b) the support is the difference between two much larger figures, ie, costs and fare revenue which are influenced by a wide range of factors;
- (c) so far as need can be measured, it varies between areas much more than any other service;
- (d) much more data is available for the metropolitan areas than for the rest of the country.

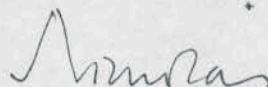
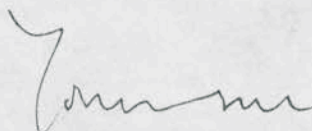
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I was appalled to learn that the provision we need has not been included in the Bill as it will be introduced and indeed that the Instructions that have been prepared have not been sent to Counsel. I have to tell you that Lynda Chalker and I will not be able to defend the abolition proposals for transport to our supporters in the House unless I can give clear assurances about eliminating the overspend with the confidence that I shall have at least the minimum flexibility that I need. This is not a matter of commissioning further exemplifications from officials.

I must therefore ask you to look again urgently at the proposals in my letter.

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



NICHOLAS RIDLEY

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TRANSPORT JOINT BOARDS: PRECEPTS

Table showing precepts of the transport joint boards in 1988/89 assuming national GRE formulae (PWAC X population density for bus subsidies) are applied

	1988/89 <u>Precepts p.</u>
GREATER MANCHESTER	6.1
MERSEYSIDE	12.9
SOUTH YORKS	14.8
TYNE & WEAR	18.4
WEST MIDLANDS	5.6
WEST YORKS	6.6

Note: the precepts are calculated on the basis of 1985/86 block grant mechanisms.

£ Billion	1 1984/5	2 1985/6	3 1985/6	4 1985/6
England and Wales	40% pp housing 50% the rest present allocation policy	Same basis	CST proposal 15% pp, full allowance for acc. receipts	Jenkin proposal 30% pp housing, 50% the rest, 2½% reduction of allocations for non-compliance
<u>Net Survey</u>	2.5	2.0	2.0	2.0
<u>Add</u> estimated in-year receipts	2.1	2.2	2.2	2.2
<u>Gross provision</u>	4.6	4.2	4.2	4.2
<u>Deduct:-</u>				
(i) Allowance for pp in-year receipts	0.9	0.9	0.3	0.8
(ii) Allowance for pp accum. receipts	0	0	0.9	0
(iii) Non-prescribed expenditure	0.2	0.2	0.2	0.2
<u>Allocations</u>	3.5	3.1	2.8	3.2
2½% Reduction				0.1
<u>Revised Allocations</u>	3.5	3.1	2.8	3.1
<u>Add</u>				
Prescribed proportion of in-year <u>and</u> accumulated receipts - say	2.9	3.3	1.2	3.2
Non-prescribed expenditure	0.2	0.2	0.2	0.2
<u>Total spending power available to local authorities</u>	6.6	6.6	4.2	6.5
<u>Deduct</u>				
Gross provision	4.6	4.2	4.2	4.2
<u>Spending power beyond cash limit</u>	2.0	2.4	0	2.3
pp = prescribed proportion				

*ditto numbers*

2.3