



**CONFIDENTIAL**

NBSpm RT 17/12 cc NO  
2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

14 December 1984

Dear Nick,

GRE ASSESSMENTS FOR JOINT BOARDS

Thank you for your letter of 20 November. <sup>Pt 23.</sup>

I am sorry that you were not happy with my letter of 14 November. As you say, we did discuss this in E(LA) in May. The Committee came down firmly against the proposal that we should take powers to set targets and GREs for the passenger transport joint boards on a judgmental basis. But the Committee did agree that your officials should do some further work on GRE's for public transport, exploring two alternatives:

- i. a single GRE formula for both the shire and metropolitan areas, in the same way as for all other services;
- ii. a two-tier approach, with separate GRE formulae for the metropolitan and shire areas.

I made it clear at the time that I was not happy with the two-tier option. In my view even this departure from general principles would cause us real problems in relation to our local government finance policies. GRE's are no longer of importance only for the distribution of block grant. We have used them in successive years as a major factor in local authorities' expenditure targets. They now also carry a heavy weight in the selection of authorities for rate capping in 1985/86, and this is a feature which is bound to continue in future years. If we drop the requirement of operating on the basis of general principles, we shall open up a new direction of attack for our opponents on all these policies. There is a real danger of sustained pressure to extend this concession into other areas, which would strike at the foundations of the block grant system. Block grant is an issue which we must look at properly in the context of the local government finance studies, not in response to ad hoc proposals.

Despite these serious reservations, I recognise that E(LA) has taken no decision on this issue. I am therefore prepared to consider the matter in the light of the outcome of the work which the Committee commissioned. But it would need to be demonstrated that no single formula could adequately reflect spending needs in both the shire and metropolitan areas. While I agree that this service does have some special features, I would not accept that it is wholly different from some other services where acceptable GREs have been developed - council housing is an example. I would also need to be convinced that



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there was an acceptable two-tier solution. As I said in my earlier letter, such a solution would have to rest on consistent formulae for the shires and the metropolitan areas. If it did not, we really would be laying ourselves open to the charge that we were manipulating GRE's on a purely judgmental basis.

There is still time for your officials to do the work E(LA) asked for. This is an essential prerequisite before we could take an informed decision on whether a new and inevitably highly controversial provision is needed in the Local Government Bill. Ministerial policy approval on this is of course necessary before Parliamentary Counsel can accept instructions.

I am copying this letter to the recipients of yours.

*Your all  
Patric*

PATRICK JENKIN

The Rt Hon Nicholas Ridley MP

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