

CBG



QUEEN ANNE'S GATE LONDON SW1H 9AT

27 November 1987

Dear Secretary of State,

NBM

PASSENGER TRANSPORT AUTHORITIES UNDER THE
NEW LOCAL GOVERNMENT FINANCE REGIME

I have seen Nicholas Ridley's reply to you of 23 November agreeing to change the status of PTAs from precepting to billing authorities in the new local government finance legislation.

I am content with this provided the decision can be presented and argued in terms which do not raise difficulties for the joint police and joint fire and civil defence authorities. In particular, I would not wish to see you stress the need to improve "accountability" in a way which might cast doubt on the degree of accountability which exists for the police and the fire services. I am sure you will understand that this is a sensitive area (for the police service in particular).

I would prefer, therefore, that your case focussed on the need to encourage district-based arrangements for transport, which no doubt underlies Nicholas Ridley's points about secession. This is not however a practicable proposition as far as the joint police or joint fire and civil defence authorities are concerned.

I am copying this letter to the Prime Minister, Members of E(LF), Sir Robert Armstrong and the Chief Whip.

*Yours sincerely
N. J. Swanson
(Approved by the Home Secretary in his absence)*

The Rt Hon Paul Channon, MP

local Gov. Relations p 33

cc BG



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Paul Channon MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

23 November 1987

Dear Paul

N BRN

PTAs UNDER THE NEW LOCAL GOVERNMENT REGIME

Thank you for your letter of 23 October.

I accept your view that abolition of PTAs is not an immediate option though we must retain that as a longer term objective. We are therefore left with your proposal to change the status of PTAs from precepting to billing authorities.

I remain concerned that your proposed change will improve accountability only if secession is perceived as a real option by metropolitan districts. I can therefore agree to the change only on the understanding that this point is highlighted and that every encouragement is given to metropolitan districts to secede. On that basis I am content for our officials to sort out the necessary changes to the Local Government Finance Bill, which will have to be introduced in Committee.

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

NICHOLAS RIDLEY

LOCAL GOVT

RELATIONS

PT 33



CCBG



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

23 OCT 1987

NBRM

Dear Nicky,

PTAs UNDER THE NEW LOCAL GOVERNMENT REGIME

Thank you for your letter of ³⁰ September attaching a note by officials on the treatment of Passenger Transport Authorities under the new Local Government Finance regime.

I agree that the case for changing the status of PTAs from precepting to billing authorities hinges on accountability. My own view is that the need for metropolitan district councils to consider the contribution to PTA expenditure as an integral part of their budgets must lead them to think more responsibly about whether the decisions being made by PTAs are the right ones for their electorates. That can only improve the accountability which the district councillors who form the PTA will bear to their community chargepayers.

The difference as I see it between the PTAs and the police and fire joint boards is that, since bus deregulation, we see secession by district councils as a real option which we would like to encourage. If Wirral for example believes that bus service provision for their residents is more expensive than can reasonably be afforded by community chargepayers, then the district ought to be allowed to make its own decisions.

I am not claiming that the change would resolve the intractable public transport GRE problems. But they would no longer have such a high profile if they were incorporated in the other services GRE to produce the Met districts total spending needs. Public transport spending only constitutes about 5% of total local authority spending in Met areas so they are not going to be very significant for districts even if they have to remain as a separate GRE. But when that spending is the sole responsibility of a separate authority

accountable for its spending in relation to GRE, the difficulties are brought into much greater relief, as has been only too clear in the past two years of precept control. It would therefore put at greater risk the accountability we are seeking.

I am anxious to promote the secession option with all metropolitan districts, and a change from precepting to billing would be a suitable opportunity. As the officials' note indicates, secession is possible under existing legislation, though districts have shown little interest so far. It is possible under the legislation to secede in respect of bus services but not rail services, so I do not see the present role of the PTAs in supporting local rail services as an insuperable difficulty. An Order enabling partial secession could be much simpler if it did not have to include complex provisions for differential precepting.

Grant arrangements for dealing with secession would also be simplified. If PTAs remain precepting authorities, a seceding district council would have to be allotted a separate GRE for the public transport functions it took over. These would probably not include Section 20 support to BR, and would probably be limited to bus services. To accommodate secession we would therefore need to have separate GRE formulae in the new block grant system for bus services, Section 20 and other services' support. This would run completely counter to our aim of simplifying GREs. The change I am suggesting would avoid this difficulty as all the public transport element of the GREs, however simplified, would go to the districts whether or not they seceded.

I agree with you that my arguments lead to the question whether there is a real need for the PTAs in the longer term. Indeed it may well be that the effect of my proposals will be that in some areas PTAs will 'wither away'. But I believe it would be premature to announce any intention of wholesale abolition as yet. Legislation would be very complex as it would have to deal with transfer of powers and assets from PTEs as well as PTAs. It would also have to deal with the bus companies owned by PTAs (I am currently giving further thought to their future), and with tunnels, ferries and the Tyne & Wear Metro as well as BR services.

Abolition would also be very controversial, particularly because it could be presented by our opponents as a means of breaking up country-wide concessionary fare schemes outside London. It would also be thought that we were seeking to diminish the prospects of new light rail schemes currently under consideration. I do not therefore agree that abolition is a practicable alternative to a billing mechanism within the new local government finance regime. It would be much easier to explain, particularly to our supporters, that we were offering districts freedom of choice in deciding whether or not to assume responsibility for their own transport decisions.

CONFIDENTIAL

I hope that in the light of these arguments you can now agree that the Local Government Finance Bill should include provisions to change the financial relationship between PTAs and metropolitan districts from precepting to billing.

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

Yours,
Paul

PAUL CHANNON

CONFIDENTIAL

LOCAL GOVT: Relations PT33





The Rt Hon Paul Channon MP
 Secretary of State
 Department of Transport
 2 Marsham Street
 LONDON
 SW1P 3EB

2 MARSHAM STREET
 LONDON SW1P 3EB
 01-212 3434

My ref:

Your ref:

30 September 1987

Dear Paul

PTAs UNDER THE NEW LOCAL GOVERNMENT REGIME

Thank you for your letter of 6 August in which you suggest that officials should consider further your proposal to change PTAs from precepting to billing authorities. Officials have now met and a note summarising their views is attached.

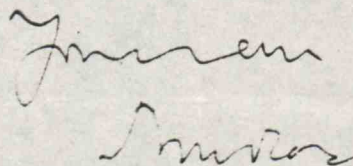
The conclusions are as follows:-

- a. the proposal enhances accountability to the extent that individual districts can influence expenditure decisions of PTAs. Where districts have little influence on the PTA accountability is increased only if the district can secede from the PTA. Secession is possible under existing legislation, although it may be difficult with the present role of PTAs supporting local rail services.
- b. the proposal does not resolve problems with GREs. The inadequacies of the current methodology would merely be transferred from PTAs to metropolitan districts. Whereas the proposal would mean that PTAs could not be selected on the basis of "inadequate" GREs for community charge capping, any worsening of the needs assessments for districts would provide a less reliable basis for capping districts.
- c. neither accountability nor secession are seen as real issues concerning police or fire joint boards.
- d. careful public presentation of the proposals would be needed for the change so soon after the creation of PTAs. The change in circumstances - particularly as a result of bus deregulation - would need to be stressed as would the scope for districts to secede. It would also be necessary to demonstrate why similar arrangements were not being recommended for police and fire boards.

The case for changing the status of PTAs from precepting to billing authorities rests crucially on whether accountability will really be improved. I remain concerned that this will not be the result: PTAs themselves will be one step further removed from scrutiny by the community chargepayer and individual districts

will always be able to claim that they did not have a decisive voice in PTA affairs, unless secession is a realistic option for them. But if, as you argue, districts are the right level at which to assign responsibility for decisions on public transport expenditure - and secession is a realistic option - then it seems that the presentational and the political advantages lie in abolishing PTAs altogether and giving metropolitan district councils full responsibility for public passenger transport matters. (If districts wished they could still set up joint committees to co-ordinate transport policy across wider areas.) Abolition would significantly strengthen accountability arguments. Moreover grasping the nettle and abolishing PTAs altogether should be easier to present to the public than a change to billing authority status. There would also be a clearer justification for dealing with PTAs differently to police and fire joint boards. I would certainly wish to see this option fully explored before agreeing to the change in precepting status that you suggest.

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



NICHOLAS RIDLEY

THE TREATMENT OF PASSENGER TRANSPORT AUTHORITIES UNDER
THE NEW LOCAL GOVERNMENT FINANCE REGIME

1. The Secretary of State for Transport has proposed that the forthcoming Local Government Finance Bill should include provisions to change the financial relationship between PTAs and metropolitan districts from precepting to billing. The effect of the change would be:-

(i) that no PTA precept would appear on the charge payer's bill;

(ii) rather their expenditure and needs assessment would be included in the budget and GRE of each metropolitan district, but would not be separately identifiable.

The Secretary of State for Transport argues that this change is necessary if spending decisions of PTAs are more closely to reflect the wishes of the electorate under the community charge scheme. This requires greater accountability through the ballot box which, in metropolitan areas, is only exercised in voting for district members.

Ministers have already agreed that GREs should be simplified under the new grant arrangements, and are looking for an approach that will command widespread acceptance as realistic assessments of need. This is more likely to be achieved if the GREs are included within district assessments rather than having separate assessments for PTAs.

2. This note sets out the main considerations for and against the Secretary of State's proposal.

Accountability

3. PTA members are not directly elected, but are appointed by constituent districts, so with existing precepting powers there is no direct accountability of the PTA to the electorate other than through district elections. One drawback of the present precepting arrangements is that it enhances the PTAs' independence and allows districts

to distance themselves from PTA expenditure for which their members are collectively responsible. Changing the status of PTAs to billing authorities would strengthen the link between expenditure and the ballot box because electors would rightly conclude that the only way they can influence this expenditure is through their vote in district elections. Awareness of this should encourage districts to consider the level of public transport expenditure and require their representatives to represent the district's point of view in PTA discussions..

4. On the other hand, it is not obvious that this accountability can operate effectively unless electors have the necessary information on which to judge how much PTAs are spending. Electors would depend on information provided about their district's budget which normally accompanies the local tax demand. However, under the DTP proposal, charge payers would not be able to distinguish from their community charge note the budget of the PTA or the need to spend on public transport. So overspending by a profligate PTA would appear solely as the responsibility of the constituent districts, whereas in practice individual districts may have very little influence over the collective decisions of a PTA.

5. The DTP proposal therefore only enhances accountability to the extent that individual districts can influence expenditure on passenger transport support and concessionary fares. Individual districts do have the opportunity to take their own decisions on spending on these matters by seceding from the PTA. This is possible under Section 42 of the Local Government Act 1985, and the change to a billing arrangement may encourage districts to consider this step. Under the legislation districts may secede from all or any of the functions of the PTA, with the consent of the Secretary of State for Transport. Secession is however difficult at present with the role of PTAs supporting provision of local rail services.

GRE Issues

6. Present GRE arrangements have not produced assessments that command general support as indicating relative need to spend by PTAs in order to provide a standard level of service. Proposals to simplify GREs would, if anything, be likely to worsen the problem if separate assessments were still to be produced for PTAs. While it is reasonable to expect authorities with a wide range of functions and GREs to absorb a certain amount of rough justice, on the grounds that losses from some GREs would be offset by gains on others, the PTA as a single service authority is dependent on only one or two current expenditure GREs.

7. Against this, transferring public transport GREs to districts would not resolve the inadequacies of the methodologies: rather it would worsen the needs assessments of districts and thereby provide a less reliable basis for charge capping districts. The problems of producing realistic needs assessments for public transport need to be properly addressed and not swept under the carpet. The additional responsibilities of PTAs for supporting rail services would be difficult to handle in district GREs, which adds weight to reconsider these responsibilities. The GRE issue needs to be resolved whatever arrangements are finally determined for financing PTAs.

COMMUNITY CHARGE CAPPING

8. If PTAs continue to precept they will fall within the proposed community charge capping regime. Where selection was based on year-on-year increase in the precept there would be no difficulties. To the extent that GREs were perceived to be inadequate they would be criticised as a poor basis for selection in relation to absolute levels of spending. We could, however, seek to adjust the principles for selection to reflect this.

9. If PTAs move to billing they will escape capping, unless special arrangements are made to include them alone among billing authorities in the capping scheme, and their spending and GRE will fall to be considered in selecting the districts

for capping. The districts would then suffer from any perceived inadequacy in the GRE in so far as this could not be reflected in the principles for selection. In addition districts could argue that their representatives, if in a minority, were not responsible for PTA spending decisions which could push them into capping.

Implications for other joint boards and ILEA

10. The considerations that have led to the proposed change in status of PTAs do not necessarily apply to police and fire joint boards and to ILEA. Although members of the police and fire boards are, as for PTAs appointed by constituent councils - with, for police boards, the addition of members nominated by the joint magistrates committee - accountability is not seen as a real issue. No such issue arises with ILEA as its members are directly elected. For neither police nor fire joint boards is secession by constituent districts regarded as a realistic option in terms of the operational efficiency of the services. Nor has the question of secession from these boards on financial or accountability grounds been seriously raised. Further, the mismatch between GREs and actual spend is less of a problem for the police and fire joint boards than with PTAs, although it is still a matter of real concern in respect of the fire joint boards. It is hoped, however, that further work on the fire GRE will produce more acceptable assessments. The police and fire joint boards would therefore not feel obliged to follow the PTAs if they were to adopt a billing rather than a precepting arrangement.

Public Presentation

11. If this proposal were to proceed, it would require careful presentation, especially on why different arrangements were desirable for PTAs than for other joint boards, and why the position had changed since PTAs were established in 1985. It would be necessary to stress that the position of the PTAs was now different as a result of bus deregulation which meant that they no longer provided a full public transport operation, but simply provided finance for services that would not otherwise be provided by commercial undertakings. If

arguments on accountability were to be used, it would be necessary to play up the possibilities of secession from PTAs and to draw a distinction between PTAs and other joint boards. Withdrawal of responsibilities for local rail services would strengthen the public case for the change.

12. One potential presentational difficulty would be to explain why it was necessary to retain PTAs at all if circumstances had changed so radically that prime responsibility for decisions on public transport expenditure rested at district level rather than at county level.

25 September 1987

LOCAL GOVT - Relations - p633





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Our Ref : C/PSO/7797/87

The Rt Hon Nicholas Ridley MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

F-6 AUG 1987

wbjm

Nick

**PASSENGER TRANSPORT AUTHORITIES UNDER THE NEW LOCAL
GOVERNMENT FINANCE REGIME**

Thank you for your letter of 30 July. You will also have seen those of Douglas Hurd and John Major.

I am sorry that your view on this question does not coincide with my own and that of John Major. Clearly this is a scenario where our respective policy responsibilities - mine for the Passenger Transport bodies and yours for local government generally - overlap. I think, however, that the position expressed in your letter may have been based on a misunderstanding of what I was intending to achieve and I hope that, on reflection, you will feel able to agree my proposal.

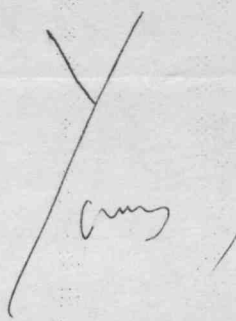
I agree with you entirely that one of our prime objectives should be to increase the accountability of local government to the electorate so that they can in turn exercise a restraining influence on local authority expenditure. Indeed, my proposal is intended to increase accountability for public transport expenditure, not diminish it. As John Major has noted, my proposal is an improvement on the present system of precepting because it strengthens the link between expenditure and the ballot box. The essential point is that the PTAs are not directly elected local authorities and we cannot therefore secure accountability by treating them as if they were. Local electors can only exert any influence over the expenditure of their PTA through the constituent districts which appoint PTA members. It is therefore of the utmost importance that the local voter holds his district council responsible for the policies of the PTA because that is the only way in which PTAs are accountable. The draw-back of the present precepting arrangement is that it enhances the PTAs independence and allows the constituent district councils to distance themselves from PTA expenditure for which, by collective decision, they are responsible.

My proposal will not make the PTAs directly accountable to the local voters. I do not think that any of us wish to go that route. What it will do is strengthen the link in the voter's mind between his local council and his PTA's expenditure. There is, as you point out, the possibility that a low spending district which is in the minority on a PTA will appear responsible for high spending PTA policies which it was unable to prevent. But the district is not entirely powerless in this situation. As you will recall, section 42 of the Local Government Act 1985 contains power for district councils to secede from PTAs. One of the merits of my proposal is that in such situations, districts will be forced to consider the possibility of secession, rather than simply washing their hands of PTA expenditure which their electors have to fund. If anything, this represents a gain in accountability.

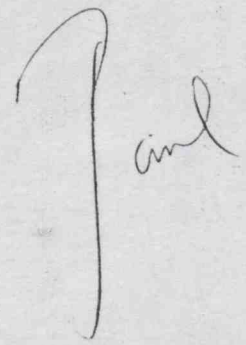
My proposal does, of course, have the other advantages in respect of GREs which I pointed out in my previous letter. I was interested from his letter to me of 28 July, that Douglas Hurd has experienced similar difficulties.

I hope therefore that you will, on reflection, agree that my proposal merits further consideration. Clearly, it would have been desirable for colleagues on E(LF) to have considered the matter when I first wrote, though it was perhaps inevitable that other, more pressing considerations, would have to take precedence. I suggest, therefore, that officials from interested Departments should urgently consider my proposal and report back to us as soon as possible. (They will also need to look at the question of the public transport GREs, such as the future of local rail support, to which the enclosure to my last letter alluded.)

Copies of this letter go to the Prime Minister, other members of E(LF) and to Sir Robert Armstrong.



PAUL CHANNON



Local Gov't: Reels PT32

