

CONFIDENTIAL

cc BG



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

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

- 6 JUN 1988

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Dear Nicky,

PTAs UNDER THE NEW LOCAL GOVERNMENT FINANCE REGIME

Thank you for your letter of 31 May ^{at 11.45} about the provisions in the Local Government Finance Bill for the PTAs to become billing rather than precepting authorities.

In our consultation paper on the proposed change, we did indeed - as you requested - highlight the option of secession for districts which considered that their PTAs were overspending. We gave a clear signal in the paper that this was something which the Government would look on favourably. The paper was cleared with your officials before it issued.

It was, however, never the intention that secession should be the main objective of the proposal or that we would push authorities into secession. But most of the replies which we received have been hostile to the proposal because it was seen as a backdoor way of forcing secession. I should add that the concern about secession came not just from the PTAs and the Opposition but from our own supporters who have expressed very considerable unease. Amendments have now been tabled from the Conservative benches in the Lords to negate the billing provisions. The handling of this matter in the Lords is by no means going to be easy, and there is a real risk that we may lose these provisions.

In these circumstances, it was a necessary tactical decision not to play up the secession option for the time being, and to point out that the provisions were not aimed at pressing secession.

But I do not wish to discourage secession. On the contrary, I believe that it is an option which we should encourage the more peripheral districts in particular to consider very seriously (we have in fact already received indications of interest in secession from two districts in Merseyside). For the moment, however, I believe that our main priority should be to get

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the billing provisions on to the Statute Book. There will be time enough thereafter to highlight the secession option as the inevitable stresses between districts and PTAs begin to show. I am, however, asking Ivon Brabazon, insofar as the mood of the Lords allows, to make clear in the imminent debate that we see the option of secession as a necessary part of accountability.

I should add that the other main fear of the Opposition and the PTAs about the billing provisions is that they will lead to downward pressure on public spending on public transport in the Metropolitan areas, as districts will fear that over-large PTA bills will inflate their own precept on the collection fund and possibly bring them within the charge-capping range. This is precisely the point which we do want to emphasise. We can expect a much better measure of support from our supporters, as it clearly indicates the greater accountability that we want to achieve.

I am sending copies of this letter to the Prime Minister, other members of E(LF) and to Sir Robin Butler.

Y
ms

PAUL CHANNON

Paul

LOCAL GOV'T: Relations
Pt 35



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nbpm ccsq



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LONDON SW1P 3EB
01-212 3434

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Department of Transport
2 Marsham Street
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SW1P 3EB

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I was therefore most surprised to read in Hansard (extract attached), that in debating this change at Commons Report, David Mitchell said on several occasions that the amendment was not designed to bring about secession, that he had no reason to believe that it would do so, and that the House could be reassured that secession would not result.

In the light of our earlier agreement, I must ask that you take an early opportunity to stress that in order to improve accountability secession is indeed an option for metropolitan districts in the context of the new system, and that you would look favourably at any applications to secede where PTAs are spending excessively.

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

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[Mr. Allen McKay]

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We need time to get over the legislation that has already been introduced, and we need this provision like we need a hole in the head. We are trying to get over the destruction that has been caused by previous policies, and they should not be compounded now. We want to leave matters as they are and wait to see whether the Government were right in the views that they earlier expressed.

Those are some of the matters that concern us, but to allow others to speak I shall stop now and hope that we will return to these matters on another day.

Mrs. Alice Mahon (Halifax): Can the Minister give an assurance that Calderdale, which has been mentioned by my hon. Friend, will not be squeezed out of the new area? We are desperate because, either way, we shall lose. I will not go over my hon. Friend's arguments but will the Minister give a guarantee that Calderdale will be given some form of protection?

9.45 pm

Mr. David Mitchell: I thought that a number of other hon. Members would rise to seek to catch your eye, Mr. Deputy Speaker, but I am happy to have the opportunity to reply to the points that have been raised.

The right hon. Member for Morley and Leeds, South (Mr. Rees) complained about the short period for consultation. We issued the discussion paper on 22 January, and asked for responses by 15 February. However, we have continued to receive responses subsequent to that date. We took full account of those responses, including a meeting that I had with the Association of Metropolitan Authorities on 2 March. Moreover, as last as 28 March I met Manchester Members of Parliament to hear their views. While I entirely understand why the right hon. Gentleman raised that point, I feel that that will reassure him.

My hon. Friend the Member for Keighley (Mr. Waller), the hon. Member for West Bromwich, East (Mr. Snape), the right hon. Member for Morley and Leeds, South and others asked a series of questions about the secession. I noticed in particular that the hon. Member for Tyne Bridge (Mr. Clelland) claimed that the Department of Transport was actively canvassing secession. That is entirely untrue. Indeed, let me go further and tell the House that when the Transport Act 1985 was going through the House we were told that it would lead to a massive amount of secession. That has not happened: not a single metropolitan district has seceded. The reality has not borne out the assertions made by the hon. Gentleman and many others during our debates in 1985.

Mr. Clelland: Is it not a fact that it is because that situation has not arisen that this measure has been brought before the House tonight? That is what I mean by openly canvassing secession.

Mr. Mitchell: I can reassure the hon. Gentleman that that is not the purpose of the measure. In a moment, I shall give the reasons that lie behind it.

The point that I am trying to make is that we were assured previously of wild rumours of a massive degree of secession, and it has not materialised. One district came to us and made inquiries about the conditions that would be attached to secession, but did not return with further proposals. I have no reason to believe that the measure will lead to secession by districts. I do not anticipate any secession. And I can give any hon. Members who are genuinely worried on that score an assurance that if any authority asks for secession, my right hon. Friend the Secretary of State will look very carefully at the proposals and the conditions that will have to be met. On that ground, hon. Members can be considered reassured that secession will not result.

Mr. Rees: What sort of conditions is the Minister likely to lay down? I do not quite follow him.

Mr. Mitchell: For example, if the passenger transport authority is sustaining a rail network, the condition might well be attached that any district that sought to secede would still have to contribute towards that network. We are seeking to ensure fairness if secession were ever to take place.

Let me repeat, however, that the amendment is not designed to bring about secession. I should like to explain what it is designed to do, and why it has been introduced.

Mr. Snape: Before the Minister does that, may I ask him a question arising from the sentence that he has just uttered? If a district council opted for part secession, continuing to contribute towards the railway network but not towards certain aspects of the bus network, how would the affairs of the passenger transport authority be debated and decided upon? Would that part-seceding district council be allowed to speak and vote on matters on which it had partly seceded?

Mr. Mitchell: If a metropolitan district secedes, it loses its representation and its commitment to being involved in or contributing to the expense of the PTA.

Mr. Favell: This may be slightly outside my hon. Friend's remit, but can he deal with the point raised by the hon. Member for West Bromwich, East (Mr. Snape)? Why are police and firemen not included under the same provisions? Many Conservative Members who were involved with the old metropolitan counties believe that there should be similar provisions for them. There is no earthly reason why there should be a countywide fire, and possibly police service in Greater Manchester.

Mr. Mitchell: There are considerable differences between the police and fire services and PTAs. My hon. Friend should be aware that the Home Secretary already controls 51 per cent. of the finance of the police, and there are inspectorates for the police and fire services to ensure efficiency and standards of service. So they are very different. This case is left very much to the PTA, in the case of the fire and police service, standards are set, so there is not the same degree of discretion.

Mr. Robert Hughes (Aberdeen, North): Why the change?

Mr. Mitchell: I am coming to that. I want first to deal with the point raised by my hon. Friend the Member for Keighley, who asked whether accountability could not be increased by directly elected PTAs. As the expenditure of the PTAs amounts to only about 6 per cent. of the

expenditure of the districts it would not be realistic or practicable to have an election merely to control such a small expenditure.

Mr. Bob Clay (Sunderland, North): The Minister spoke about the conditions that the Secretary of State would want to be met for secession and part-secession. What would be the position on historic debt charges? The hon. Gentleman answered one example about revenue costs. Tyne and Wear has huge debt charges because of the Metro system. Would the Minister oblige a district council that wanted to secede to make a contribution to historic debt costs?

Mr. Mitchell: It would be wrong for me to give a detailed answer to a hypothetical question, as no district in Tyne and Wear has expressed an interest in seeking to secede under these provisions.

It is right that I should now come to the point that the hon. Member for Aberdeen, North (Mr. Hughes) has been pressing me to answer—the central issue of this group of amendments, which is accountability. The Bill provided for the costs arising from PTA policies to be met by precepting on the charge payers at large—broadly, the electorate. However, the PTA membership is not chosen by the electorate and we wish to improve its accountability to the electors by bringing the districts and PTAs closer together in the decision-making process. It is the metropolitan councillors who are directly elected, so the metropolitan district councils must be accountable, and seen to be so, for the expenditure. Under the proposals they will receive the PTA's bills. They can consider them and instruct their representatives on the PTA on the future level of service provision and spending that they want.

Mr. Robert Hughes: They can do that now.

Mr. Mitchell: The big difference is that if the electorate at large receives the bill but does not elect the PTA it can have no direct influence on the PTA's policies. This measure will mean that the district council will receive the bill, consider it and instruct its representatives about what future bills will be acceptable—or unacceptable. Hon. Members may doubt the importance of accountability, but experience with transport services in metropolitan counties before the introduction of precept control is a good example of what happens if there is not adequate accountability.

Mr. Robert Hughes: The Minister must justify why, after the Bill was published, revelation and enthusiasm for accountability suddenly came to him like a bolt of lightning. Did he fall or was he pushed by the Treasury, if by whom?

Mr. Mitchell: I can reassure the hon. Gentleman on that point. The reason that it has come about is the recognition that, as events have unfolded, districts have taken little interest in what has been happening with PTAs. The reason they have taken little interest is that they were not going to pick up the bill. The hon. Gentleman and other Opposition Members are annoyed because it means that districts will pick up the bill, scrutinise it, and consider what is or is not acceptable in it.

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when it was being considered in Committee, did he suddenly decide to change the legislation in the way that he now proposes?

Mr. Mitchell: I have just explained to the hon. Gentleman why that is. I must ask him to accept that explanation. Accountability is the gravamen of the whole case. If we look at the period before precept capping came along, we can clearly see the real problem. Subsidising bus services, either by lower fares or by increased services, is popular—

Mrs. Mahon rose—

Mr. Mitchell: I shall finish this point and then I shall give way.

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Mrs. Mahon: The Minister has not answered the question—[*Interruption.*]

Mr. Speaker: Order. The hon. Lady has spoken. *Amendment agreed to.*

Clause 32

DUTY TO SET SUBSTITUTED AMOUNTS

Amendment proposed: No. 23, in page 19, leave out line 13.—[*Mr. David Mitchell.*]

Question put. That the amendment be made:—
The House divided: Ayes 337, Noes 222.

Division No. 269]

[9.59 pm

AYES

Aitken, Jonathan
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Mrs. Mahon: The Minister has not answered the question—[*Interruption.*]

Mr. Speaker: Order. The hon. Lady has spoken. *Amendment agreed to.*

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