

CONFIDENTIAL

FROM: T J SUTTON
29 August 1985

- 010
1. MR REVOLTA
 2. CHIEF SECRETARY

I agree. I think that it is helpful to your tactics for this bilateral to make a tough reply.

29/8 30/8

cc PPS
PS/FST
PS/EST
PS/MST
Sir P Middleton
Mr Bailey
Mr Anson o/r
Mr Gilmore
Mr Scholar o/r
Mr Wicks / *seen*
Mr C Allan
Mr Gray
Mr Norton
Mr Perfect
Mr Scott
Mr Cropper
Mr Lord

will request if req.

PES 1985: HOME OFFICE ADDITIONAL BIDS

The Home Secretary's letter of 15 August asks you to accept additional bids of +£9.3m, +£4.3m and +£4.3m for the three Survey years because of the rise in the prison population. Some elements of the bids are a straightforward consequential for Survey years of the conversion this year of RAF Lindholme for use as a prison for 600 inmates which was recently agreed (Economic Secretary's letter of 2 August) at a potential maximum cost to the Reserve this year of £17.5m. It would be illogical not to accept these elements as additional bids to be discussed in the bilateral. The other elements relate to further development of Lindholme and other demand-led costs of the prison service. Accepting these as bids would cut across your strategy for the bilateral; we recommend that you reject them but keep them in reserve as a useful card to play during PES discussions.

Background

2. The prison population has grown faster than anticipated. At over 48,000 it is around 3,500 above Home Office expectations and 8,500 over the numbers that the system can accommodate. Your bidding letter proposes a radical review of options for reducing the prison population. The proposal to convert the former RAF station at Lindholme near Doncaster for use as a prison was agreed provided it replaced one of the prisons already in the building programme. The Home Secretary did not accept this but deferred further discussion to the bilateral, where one of your options for reduction is a one-year moratorium on major new projects while we take stock of the scope for policy changes that might make those prisons unnecessary.

3. The Lindholme proposal was accepted primarily for tactical reasons: an outright refusal (which we judged would not have secured Prime Ministerial support) followed by a forced compromise would have seriously undermined the PES strategy in which additional bids of over £100m are at stake. A further consideration was that it opens the way for replacing a new prison not yet started (average cost £25-30m) with a half-price prison. Lindholme will be converted to standards making it acceptable as a permanent addition to the prison estate; it is not a temporary expedient.

Late bids consequential on Lindholme

4. Lindholme also required a net increase in prison service complement of 200. These staff are being found from those the Home Office had budgeted to recruit gradually during 1986-87 as part of an attempt to cut overtime in the prison service. In practice, baseline costings assume half the full year cost of the staff recruited in that year. As the staff for Lindholme will be in place from the beginning of the year, the agreement already given on Lindholme entails extra costs for 1986-87 to cover the other half of the full year cost of those staff (£2.1m) - hence the reference to half-year cost in the Annex to the Home Secretary's letter. It would be illogical having agreed Lindholme for this year not to accept for discussion this element of the additional bid for next year, and we recommend that you accept it. Accepting the late bid for discussion does not of course mean agreeing that you will concede it at the bilateral.

Remainder of late bids

5. The Prison Service have reinspected the RAF camp more carefully and now judge that it can accommodate 750 inmates not 600 at no increased capital cost, but requiring a further 30 prison officers. Taken in the same way from the Prison Service's 'budget' of staff to be recruited to reduce overtime, the additional cost for 1986-87 is £0.3m. This is a small sum for which it should be easy to find offsetting savings but which would equally be conceded at the bilateral without much difficulty. It also stands up well on merits: allowing Lindholme to take an extra 150 places represents a more cost effective use of the capital expenditure recently agreed.

6. Admitting ^{this particular} the late bid now would however weaken the stance you have taken for the bilateral, which is to demand a moratorium on new prison building while alternatives are reviewed. You can legitimately stick on the agreement to 600 places at Lindholme. This was the most the Home Secretary felt it

appropriate to request by way of emergency additional places only one month ago; things can hardly have changed that dramatically since. The intrinsic merit of this bid for £0.3m ^{makes} it ~~an~~ useful bargaining counter for bilateral discussion, either as an acceptable substitute for another bid the Home Secretary presses you to concede (few if any bids could match 150 prison places at £2,000 each for value for money), or even as an outright concession if tactics suggest this is appropriate. Accordingly, we recommend that you refuse to accept the bid for discussion, but be prepared to concede it in the bilateral.

7. Most of the rest of the bid relates to the costs of "Lindholme Phase II". The capital cost of converting extra accommodation on the site to provide a further 250 places is £4m in 1986-87 and the cost of the extra 95 staff this would require is £0.8m, £2.1m, £2.1m for the three Survey years. As with the bid for 30 staff first discussed we judge that accepting these elements of the bids would cut across the PES strategy.

8. It is highly probable that Lindholme Phase II will be the cheapest way (short of measures such as doubling-up in cells unacceptable in the context of the commitment to end overcrowding) of providing an extra 250 places. But this makes it a worthwhile bargaining counter during PES discussions. Its worth will be the greater if you have not accepted the bid; it can then be accepted as an alternative to continuing part of the building programme without interruption, as the Home Secretary has indicated in this letter he is likely to insist. We therefore recommend that you refuse to accept these elements of the late bids.

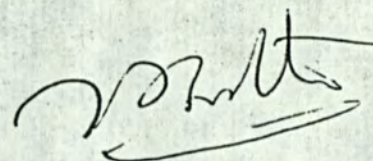
9. The final element of the late bids ("Other" in the Annex) represents a 9% increase in those items of prison expenditure which respond directly to increases or decreases in the prison population (victualling, medical services, prisoners' mail and earnings, discharge grants, etc). The increase sought reflects the amount by which the population has grown ahead of Home Office projections. As it relates to future years rather than the current year, it too falls within the scope of the PES strategy of cutting these costs by cutting the number of prisoners. Accepting these bids would therefore cut across your strategy in just the same way as would accepting the Lindholme II bids, and we recommend that you refuse to accept them.

Conclusion

10. We recommend that:

- (i) you accept the elements of the late bids that flow directly from the Lindholme proposals previously agreed (£2.1m in 1986-87);
- (ii) but that you refuse to accept all the remaining late bids, leaving the Home Secretary to press the case for them at the bilateral, when agreeing to take them onto the table can be fitted into the negotiating strategy as it emerges.

11. A draft reply on these lines is attached.



T J SUTTON

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DRAFT LETTER FROM CHIEF SECRETARY TO
HOME SECRETARY

PES 1985: HOME OFFICE

In your letter of 15 August you propose substantial late additional bids for this year's PES round. It may be helpful if I let you know in advance of our bilateral discussions my reaction to these.

2. Ian Stewart's letter of 2 August conveyed our agreement to the conversion of RAF Lindholme into a prison of 600 inmate places subject to several provisions, one of which was that the net increase in your manpower ceiling needed to staff it was regarded as anticipating recruitment already allowed for in the PES baseline. I understand that the cost over existing provision for 1986-87 of these staff is £2.1m, and as this is a direct consequence of the Lindholme project in the form already agreed, I am prepared despite the lateness of the bid, to agree that it should also be on the table at the bilateral.

3. However I cannot say the same for the other elements of the bids you put forward. I find it hard to believe that events can have moved on rapidly enough in the last month to justify 400 places more than you felt it appropriate to seek provision for in your letter of 29 July. In any case, as you acknowledge, these late bids and those for the other items of prisons expenditure which rise or fall as a direct consequence of changes in the prison population cut across the proposals in my bidding letter. I have proposed a set of options for reductions and a stock-taking of our policy in the light of the increase in the prison population. Our officials are preparing a paper about ways of reducing the population as a basis for our discussions at the bilateral. It would be premature for me to accept now bids which are based on the assumption that no alternative ways of alleviating the problems of the prison population will prove possible. Indeed, the fact that you now see a need for the staff for a further 150 places, and a second ^{phase} place of development at

£2.1m

Lindholme serves to underline the importance of a consideration of alternatives to the provision of ever-increasing numbers of prison places.

4. I am therefore unable to accept as bids for discussion any of your proposals beyond the £2.1m for 1986-87 which is a direct consequence of staffing Lindholme to provide the 600 extra places we have so recently agreed. I must also make quite clear that my accepting that the extra £2.1m can be included in our discussions implies no readiness to provide additional resources to meet the bid. Rather I shall expect us to pay proportionately more attention to the substantial offsetting savings which I have already indicated I shall be looking to you to find.

5. I am copying this letter to George Younger.