



QUEEN ANNE'S GATE LONDON SW1H 9AT

22 May 1989

mbm

PLG

23/5

Dear John,

PES 1989: BIDS FOR LOCAL AUTHORITY SERVICES

In accordance with the requirements of the new system for dealing with local authority expenditure I am writing to give you my provisional bids for specific grant and credit approvals for the local authority services for which I have responsibility and to let you know the estimated 'need to spend' (and credit approval requirements) for the fire service and minor services which are not supported by specific grant. Firmer figures will be available early in June once I have had the opportunity to see what local authorities have said about their estimate of likely needs.

In seeking increases across the board in respect of each of my local authority services, I must underline that the size of the specific and capital grant bids is artificially heightened by the way in which the baselines have been calculated. This has had the effect of artificially depressing even the focus year baselines. In contrast to the position in central PES the existing baselines certainly cannot be said to represent a realistic or previously agreed estimate of what we are likely to spend, even without in-year pay and price increases. It is essential to bear this in mind when considering our bids.

I have of course sought wherever possible to identify savings and improved efficiency from all my services particularly the major ones. The Department is doing a good deal to promote the development of output and performance measures and the need for value for money in all the services, but this inevitably takes time and you will be well aware of the limitations of our controls over the spending authorities. We must also face the fact that, particularly in services such as the police and probation, government policy continues to generate pressure for growth because of the drive against crime and the need to reduce the number of people given custodial sentences.

/The table

The Rt Hon John Major, MP
Chief Secretary to the Treasury

.... The table annexed sets out in summary form my requirements for England and Wales ((with the exception of my bid for police manpower, for reasons explained below). The following paragraphs outline the basis for my bids for each of my services.

POLICE

At this stage I am bidding for increases in specific grant for current expenditure in order to make realistic provision for police pay (now forecast to rise in the current year by 9%) and to cover increased running costs. We shall also need to make provision for the further programme of substantial increases in police manpower to which we have committed ourselves over the PES period. I shall write to you separately about my proposed increases in manpower in a couple of weeks' time, once I have had the opportunity to consider the right size of the programme for the PES period.

The bids for increases to capital grant and credit approvals reflect the need to make adequate provision for both major and minor building works to ensure the proper maintenance of the police estate as well as to make sufficient provision for the purchase of vehicles, plant and machinery (VPM). I attach importance to these bids not least because on the estate front we are facing a critical report from the National Audit Office on the lack of funding and poor condition of the Metropolitan Police estate and we know that such criticisms can be replicated across the country. Over the coming year we shall be drawing up a strategy for the police estate over the medium term, which may result in further bids in next year's Survey. I am also concerned that the amount of funds available for minor works is now such that only 25% of bids for funds can be met in the current financial year. This can only lead to greater expenditure later. In respect of VPM I need to ensure that I have adequate provision at the outset to meet projected demands now that this expenditure will be cash limited.

MAGISTRATES COURTS' SERVICE

You are well aware of the problems facing me over the recruitment and retention of magistrates' courts clerks where vacancies are now running at 23%. This is having an adverse effect on the throughput and overall efficiency of the courts, as sittings are cancelled for lack of staff. It is essential to ensure competitive salaries in the service in order to attract good quality staff prepared to make a career in the service. My bid for extra current grant reflects the corresponding need to provide for realistic pay settlements in the PES round as well as to take account of the effects of the delayed 1988 pay agreement

/which are

which are starting to work through the system. I am also seeking provision for 150 extra fine enforcement staff to ensure an adequate level of enforcement. These staff represent excellent value for money as they will more than pay for themselves from the extra revenue collected; without them the level of fine default will inevitably increase. Manpower increases are also required to staff new courts due to come into operation during the PES period.

The bids for grant and credit approvals for the capital programme are required to meet outstanding commitments on building projects already in the pipeline as well as to fund new proposals which we assess are necessary. They would also allow for a continued programme of computerisation of the magistrates' courts which should yield manpower savings in due course. As in the case of police capital a good part of the extra provision required is to cope with escalating building costs.

PROBATION SERVICE

My bids this year for current grant reflect the need to make provision for continuing growth in manpower (which I have no power to control) of 1.4% per year to match increases in projected caseloads under existing policies, as well as further growth to meet the demands of our new initiatives on diversion and supervision in the community. I am not making bids at this stage for provision to implement Part III of the Green Paper on Punishment, Custody and the Community or any proposal that may arise as a result of our consideration of the Carlisle Report on Parole.

The capital bids include a cash bid to take account of the rise in the cost of purchasing properties (which is the principal source of expenditure on buildings). They also include volume bids to fund two new day centres in 1991/92 and three in 1992/93. These day centres form part of the programme for diversion of young offenders from custody which we are pursuing under Part II of the Green Paper "Punishment, Custody and the Community". They will be mainly for Inner London, where provision is poor compared with other urban areas and where the numbers of young offenders committed to custody are high.

CIVIL DEFENCE

The main feature of my bids for civil defence is the size of the increase in provision for capital expenditure. This has two causes: a large percentage increase in building costs and a bid of £1 million for volume growth in 1990/91 (carried through to subsequent years) to allow an increased rate of growth in the

/construction

construction equipping and maintenance of local wartime emergency centres. This is in line with my wish to encourage an improvement in the slow rate of progress to date on that front.

COMMONWEALTH IMMIGRANTS (SECTION 11) GRANT

This is the first year in which expenditure on section 11 grant has appeared above the line in the PES process. There is still outstanding action to implement the efficiency scrutiny which was completed last December, including the possibility that we may decide to transfer to DES responsibility for the education component of section 11. At this stage it therefore seems sensible for me to submit bids, which are necessarily provisional, in respect of the entire programme. The bids assume the same level of growth as in recent years in the number of section 11 posts that will come on stream in 1990/91 (300 additional posts). The provisional bids for years 2 and 3 therefore cover only salary inflation. We shall have to consider in future PES years as new arrangements are implemented whether bids for real growth will be needed.

OTHER SERVICES

The rest of my letter outlines my estimates of the need to spend on the non-specific grant services. Except in respect of capital expenditure for the fire service, no estimates have been made for years 2 and 3 of the survey. As I understand it, these are not required at this stage.

FIRE SERVICE

I estimate a "need to spend" on the fire service for England and Wales for 1990/91 of £983 million. Our starting point in arriving at this figure is the preliminary information that we are now receiving about local authorities' budgets for the current year. The estimate assumes a 9% pay factor for firefighters this year, a manpower standstill and some savings on staff costs through changed working practices. It also includes provision of £5.5M to take account of the part-year effect of the proposed switch of the Fire Service College from central to local authority funding (as we agreed in last year's PES round).

The bid for credit approvals reflects the results of a detailed assessment of fire and civil defence authority capital needs over the survey period as well as a fire inspectorate survey of the requirements in the shires. This brings the expenditure plans more in line with expected actual capital spending, which in previous years has exceeded provision.

/MINOR SERVICES

MINOR SERVICES

The assessment for the minor services for which I am responsible takes account of pay and price inflation.

My officials will be writing shortly with a more detailed analysis of my bids for individual specific grant services and supporting output measures and performance indicators.

I am copying this letter to the Prime Minister, Nicholas Ridley and Peter Walker.

Yours,
Tony M.

SUMMARY OF PES BIDS FOR LOCAL AUTHORITY SERVICES

fm	1990/91	1991/92	1992/93
<u>POLICE</u>			
Current grant			
Baseline	2000.10	2050.10	2101.35
Bid	[+213.76]	[+311.31]	[414.93]
Capital grant			
Baseline	80.93	82.95	85.03
Bid	+19.96	+26.99	+31.87
Capital			
Credit approvals			
Baseline	27.59	28.28	28.99
Bid	+19.05	+25.75	+30.42
Special grants	0.1	0.103	0.106
(token bid)			
<u>MAGISTRATES COURTS</u>			
<u>SERVICE</u>			
Current grant			
Baseline	168.37	172.59	176.90
Bid	+17.20	+28.58	+36.71
Capital grant			
Baseline	34.60	35.47	36.35
Bid	+14.38	+17.99	+21.27
Capital			
Credit approvals			
Baseline	7.90	8.10	8.30
Bid	+3.54	+4.45	+5.26

<u>PROBATION SERVICE</u>	1990/91	1991/92	1992/93
Current grant			
Baseline	186.52	188.92	193.64
Bid	15.20	+30.82	+42.14
Capital grant			
Baseline	7.31	7.49	7.68
Bid	+1.51	+1.16	+1.46
Capital			
Credit approvals			
Baseline	1.50	1.54	1.58
Bid	+0.41	+0.32	+0.39
<u>CIVIL DEFENCE</u>			
Current grant			
Baseline	19.33	19.81	20.30
Bid	+0.63	+0.55	+1.03
Capital grant			
Baseline	2.57	2.63	2.70
Bid	+1.27	+1.59	+1.94
Capital			
Credit approvals			
Baseline	0.80	0.82	0.84
Bid	+0.48	+0.59	0.71
<u>COMMONWEALTH</u>			
<u>IMMIGRANTS</u>			
<u>(SECTION 11)</u>			
Current grant	118.01	120.96	123.98
Bid	+2.48	+6.29	+10.17

FIRE

Current expenditure	983.0	N/A	N/A
---------------------	-------	-----	-----

(£M)

Capital Credit approvals Baseline	36.1	37.0	38.0
Bid	+12.5	+11.7	+15.5

MINOR SERVICES

(Current)	1990/91	1991/92	1992/93
School Crossing patrols	28.8	N/A	N/A
Registration of electors	34.9	N/A	N/A
Other Courts	24.6	N/A	N/A

The bids for specific grant and credit approvals for specific grant aided services are being made against estimated levels of total expenditure on the services as follows:

£M	1990/91	1991/92	1992/93
POLICE	4567.97	4868.53	5183.40
MAGISTRATES COURTS	295.61	320.24	340.48
PROBATION SERVICE	271.92	292.93	313.52
CIVIL DEFENCE	24.76	26.23	27.77
COMMONWEALTH IMMIGRANTS (SECTION 11)	161.78	170.55	179.79

PES89BLA.NN