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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

7th July 1989

Dear Douglas,

PUBLIC EXPENDITURE SURVEY 1989: CURRENT GRANT BIDS FOR LOCAL AUTHORITY SERVICES
WILL REQUEST IF REQUIRED

Thank you for your letters of 22 May and 13 June setting out your provisional bids for specific grant and credit approvals for your local authority services.

2. We agreed our aim would be to decide as far as possible in July, current specific grants for 1990-91. This letter sets out my proposals for a provisional settlement for 1990-91. I suggest that we leave substantive discussions on current grants in the later Survey years until the Autumn. I also propose to take your bids for capital grants and credit approvals in the main Survey.

Police

3. I am content with your assumptions about pay increases for the police in 1989-90 and 1990-91. I am concerned, however, about a number of your other pay and price assumptions for the Metropolitan Police, notably about running costs and civilian pay but to a lesser extent in other areas. I am also surprised about the volume assumptions implicit in your bids for a number of items, particularly on training budgets and superannuation. I understand that our officials have discussed your assumption about training in the provinces and in the light of this I propose a reduction of £2.7 million to your bid.

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4. Our officials have also discussed a number of changes to the assumptions regarding the Metropolitan Police. These would reduce your bid by around £12.9 million. But even after taking account of this reduction your bids would still imply a 11.6 per cent increase in the Met's budget in 1990-91. I consider this to be too high and would be grateful if you would look carefully again at your bids for the Met with the objective of bringing the increase more into line with the growth rate implied by your bids for the provinces of around 9½ per cent. I would also be grateful if your officials would provide mine with full supporting material on your proposed budget for the Met including explanations of all the volume assumptions implicit in your bids.

5. Your bids for the police do not take account of the contributions made by police authorities towards common police services by way of adjustment to specific grant. I understand a reduction of £44.1 million in your bids is warranted on this count.

6. Turning to police manpower, I am disappointed that despite the fall in the crime rate, the declared efficiency improvements in the police and the fact that police authorities have bid for significantly fewer men this year than last, you still propose manpower increases substantially higher in 1990-91 than we agreed last year and almost twice the level of the annual increases in the manpower programme we agreed in 1986.

7. I suggest that we leave substantive discussion of your manpower bids until our bilateral in the autumn, but perhaps I could make two general observations. The joint Home Office/Treasury manpower study report recommended that forces should start to develop three year efficiency plans and I agree that it is a sensible aim to attempt to plan manpower increases for three forward years. But I am very reluctant to do so until your bids are much better supported. This would involve forecasting workloads on the police and also take account of increases in police efficiency.

8. Secondly, you make a case that there has been an increase in workload in a number of areas of police activity. However, you do not balance this by describing the areas where there has been a decrease in workload. Also, while I welcome the progress on civilianisation and the efforts being made to improve police efficiency, you do not explain how far these factors have enabled your bids to be reduced. Perhaps our officials could pursue these points in advance of our bilateral.

9. For the purpose of the present exercise I propose that we assume, without prejudice to our discussions, that half your bids will be successful. This would imply a reduction in your bid of £6.6 million after taking account of end year adjustments and would mean that the maximum adjustment necessary later to take account of a manpower settlement would be around £6.3 million, either up or down.

10. Taken together, the reductions in your police bids I have described amount to £66.3 million. I therefore propose a settlement of an increase on baseline of £160.4 million in police current specific grant in 1990-91 subject to amendment in the light of our discussions on manpower.

Magistrates' Courts

11. I appreciate the problems that you are facing regarding recruitment and retention of magistrates' courts clerks. I accept that significant pay increases may be necessary to assist in solving this situation, but I am very concerned about the size of your pay assumption for 1989-90. I understand that our officials have discussed the need to reduce this. The necessary adjustment will of course have only a marginal effect on your bids in view of the small number of staff involved.

12. I note your bid for 150 additional fixed penalty and fine enforcement officers and 75 additional training support posts. I would be grateful if you would look again at the realism of recruiting all the enforcement officers in one year and whether it might not be more sensible to plan for a phased recruitment over the Survey period. I would be grateful if you would also review the need for so many training support posts.

13. We can discuss these points in the autumn. For the moment I am content to agree a settlement on the basis of your bid of £17.2 million.

Probation Service

14. I understand that our officials have identified a number of errors in the methodology for calculating your bids. Taking these into account, I am prepared to offer a settlement of an increase of £7.1 million on your baseline for 1990-91.

Commonwealth Immigrants

15. As I said in my letter of 5 June, I believe there is a case for making substantial reductions in section 11 grants. As you say, however, there are still outstanding policy issues arising from the scrutiny. I do not think we can sensibly discuss changes in provision until those have been resolved. I propose therefore that we leave substantive discussion of your bids until the autumn and agree a provisional settlement on the basis of existing provision.

Civil Defence

16. I am content to agree a settlement on the basis of your bid for an additional £0.6 million of grant in 1990-91.

17. A summary of my proposals for a provisional settlement for ... 1990-91 is at Annex.

1991-92 and 1992-93

18. A number of the reductions in your 1990-91 bids which I have proposed are also relevant to your bids for later years. You will no doubt wish to revise your bids for 1991-92 and 1992-93 accordingly. I would also be grateful if you would look again at the assumptions underlying your bids in later years, particularly for police pay - where I consider the assumptions used to be excessively high - and those which do not decline in line with the projected path for inflation. I would be grateful if you would let me know in due course what changes to your bids you propose.

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

Your Ever, John

JOHN MAJOR

ANNEX

SUMMARY OF PROPOSED PROVISIONAL SETTLEMENT
FOR CURRENT GRANTS IN 1990-91

	Police	Magistrates' Courts	Probation	Commonwealth Immigrants	Civil Defence
Baseline	2000.1	168.4	187.3	118.0	19.3
Proposed addition	160.4	17.2	7.1	0	0.6
Proposed settlement	2160.5	185.6	194.4	118.0	19.9