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The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1P 3AG

31 March 1982

Dear Sir,

PUBLIC EXPENDITURE SURVEY 1982

Thank you for sending me a copy of your recent minute to the Prime Minister. I am in general content with the arrangements you propose for the 1982 Survey. There are, however, some points arising out of your paper which I think it would be right for me to record at this stage. We may need to revert to some of them at a later stage.

We have already corresponded about the new proposals for handling local authority current expenditure. In my letter of 10 March I indicated that I should be happy to endorse the proposals on the understanding that they did not imply giving less weight than in the past to the rating effects of expenditure decisions.

On the treatment of accommodation expenditure, it is of course right that the new arrangements to operate from 1983-84 should be reflected in the baseline for the 1982 exercise but I understand that officials have not yet agreed on the basis for allocating accommodation expenditure among departments. It will be important to reach an agreed and equitable allocation if the new arrangements are to get off on the right foot and achieve the purposes for which they were devised. I presume that if officials cannot agree on such an allocation you and Michael Heseltine will bring the matter before departmental Ministers.

You refer in paragraph 7.5 of your minute to consultations with local authority representatives. I propose to follow the traditional arrangements in Scotland which entail consultation with the Convention of Scottish Local Authorities over total provision for individual services in the following financial year but not on option reductions which are dealt with internally by my Departments.

Like Jim Prior I set great store by the block/formula arrangement. But I ought perhaps to put on record my concern at the increasing problems which I shall face in dealing with local authority current expenditure. I may wish to write to you again about this when I have had a further opportunity to consider the picture which is now emerging and the prospects for rate levels in 1983.

I am sending copies of this letter to Cabinet colleagues and to Sir Robert Armstrong.

Yours sincerely,
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