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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

10 October 1984

Dear Secretary of State

NEW BURDENS ON LOCAL GOVERNMENT

I have seen your letter of 12 September to Willie Whitelaw. I am sure you are right to draw attention to this. While individually the sums look de minimis, they do, as you say, mount up. Rate capping and precept control of joint boards will highlight this problem.

2 I welcome your intention to tackle it but, notwithstanding the points made by Keith Joseph in his letter, believe we should go further than you propose.

3 When central government departments want to increase their own Vote-borne expenditure, they have to find offsetting savings in order to ensure that aggregate public expenditure does not increase. We do not apply the same rules to local authority expenditure but in principle we should.

4 In particular, I propose that where a department's plans add to local authority expenditure, the department should make suitable transfers from its central government programmes into the baselines for local authority current provision for future years. This would avoid any net increase in public expenditure in future years, and also answer the local authorities' charge that central government was prepared to transfer functions but not provision.

5 This would bring treatment of additions to local authority functions into line with what we already do for central government. But I would be prepared to make an exception to this rule where a Department could specifically identify a function or duty that would be dropped in order to generate an equal saving, and took appropriate steps to ensure that local authorities were under no obligation to perform it. I also would not seek to apply the rule where local authorities are affected as, for example, any other employer.

6 I do not believe that this is a breach of the normal "ringfence" rules. We all realise that adding to local authorities' tasks will add to spending; the principle of the ringfence is that we cannot ensure that any local authority savings we identify will be delivered. I realise that my exception is open to the same criticism, but I would nonetheless be prepared to accept it where it is clear that some linked action is being taken which will have the effect of reducing pressures on expenditure. In this context, I recognise that our bias should be towards dropping the number of functions performed by the public sector. I am not trying to change the other aspect of the ringfence; I accept that corresponding central government programmes should not automatically be reduced in the face of a prospective local authority overspend which departments have not, over the relevant period, directly generated.

7 Of course focussing on "new burdens" should not in any way distract us from the more important problem on existing functions - of conflicting signals given by individual service departments on their services and by the pressure for restraint in aggregate.

8 Copies go to the Prime Minister, the Lord President, members of E(LA) and Sir Robert Armstrong.

Yours sincerely

Richard Brooker

for PETER REES

[Approved by the Chief Secretary]



N/SPT

AT

12/10

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DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1

October 16 1976

NEW BURDENS ON LOCAL GOVERNMENT

PT 22

Thank you for sending me a copy of your letter of 12 September to Willie Whitelaw about central government initiatives which make it more difficult for local authorities to economise.

I entirely agree that it is important to keep new initiatives to a minimum. We have tried to do this in the DHSS field, and to keep your Department and the Treasury informed of all prospective developments. While I accept the aim of the proposals at b. and c. of your letter I wonder how practical they will prove to be. For example, it may be that only by preliminary consultation with the local authority associations can we achieve the degree of precision in estimating costs that DOE and the Treasury are likely to want.

I have no additions to propose to the list annexed to your letter, but the DHSS items could be more accurately described. I am enclosing a revision of that part of the list. Three of the items need further comment.

- Item 3 relates to a side effect of recent legislation to increase the private market for spectacles (with savings for the NHS); this involves improved consumer protection. There has been the fullest consultation between Departments, and a PES transfer of up to £0.5 million is proposed from the health and personal social services programme to consumer protection spending by local authorities.
- I really think item 4 should be omitted, and hence the brackets in my list. If local authorities have to spend more on drug misusers this is a consequence of increased drug misuse; it is to this, not to any proposals we have made, that local authorities must react.
- On item 5, I do not accept that the setting up of the Social Services Inspectorate I propose would result "in due course" in "pressure for additional resources." I have corresponded exhaustively with you and with Peter Rees on the subject, and you have accepted that the basis on which consultations are now being pursued with the local authority associations does not involve unacceptable implications for the future.

Proposal	Originating Dept	Financial and Manpower implications	Current status where known
1. Consultation paper on child abuse.	DHSS	Aim - to make better use of existing resources.	Consultation at official level.
2. Children in care			
a. - Guardians ad litem - Separate representation for care proceedings - Various adoption provisions.	DHSS	a. £1.0m.	a. Already implemented
b. - Custodianship, review of children in care.	DHSS	b. No additional net cost expected.	b. Consultation at official level.
3. Consumer protection for purchasers of spectacles.	DHSS	+ £0.2 - 0.4m.	Consequential on measures in the Health and Social Security Act 1984 to break the opticians monopoly, reduce NHS provision and increase the private market.
[4. Treatment and rehabilitation of drug misusers.	DHSS	not quantified.	Consequence of public alarm at increased drug misuse. Regional health authorities have been asked to consult local authorities in assessing scale of problem and action to deal with it.]
5. Social Services Inspectorate.	DHSS	More effective use of existing resources.	Consultations with local authority associations on announcement not yet concluded.
6. Ethnic minorities under Fives report	DHSS/Inter Departmental	Intended to help more effective use of existing resources but also implied pressure for additional spending by LAs.	To be promulgated by DHSS.



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QUEEN ANNE'S GATE LONDON SW1H 9AT

26 October 1984

P. Patrick

NEW BURDENS ON LOCAL GOVERNMENT

This is in response to your letter of 12 September to Willie Whitelaw on which Keith Joseph, Norman Fowler and Peter Rees have already commented.

I am sure you are right to remind us of the cumulative effect of policies which affect local authority expenditure, and of the need for us all to have a sound answer to those who say that, whether in relation to this or that policy or in the aggregate, we are generating new requirements which are inconsistent with our intention to reduce local authority expenditure. I also entirely welcome your emphasis on the rigorous costing of policy changes or developments which will affect local authority expenditure. Clearly, we must, before endorsing any such changes or developments, be satisfied that they are consistent with our approach to local authority expenditure as a whole, and to expenditure on individual services.

This requires us to look further: we need to be as rigorous about the financing of any changes and developments as about their costs. Costings tell only part of the story. We also have to weigh up the financial benefits - which may include savings elsewhere or in the longer term, and to assess the capacity of the service to meet any costs within its total provision, by reductions elsewhere or improvements in efficiency. We need to take account of developments - including our own initiatives - that should be reducing costs as well as those that incur them.

Your letter prompts me to wonder whether we are always as explicit or rigorous as we should be in what we say to our services and the local authority associations about how we expect new developments to be financed. Where it is reasonable to expect expenditure on relatively low cost developments to be absorbed, I believe we should make this abundantly clear. That is my intention in relation to the services for which I am responsible.

I am afraid I have strong reservations about your suggestion that all proposals for change that would affect local government should be put first to your Department and the Treasury. I question whether such a requirement would be manageable, given the longstanding and close relationship between Departments and particular services which gives rise to a great deal of consultation at various levels and at different stages in the development of proposals, some of which may come to nothing. Such exchanges are an integral part of policy development and your proposal, however operated, would inevitably create a serious handicap for Departments. I must also question the usefulness of such a requirement. The agreed planned provision for services already reflects our collective view of priorities. Within the agreed total provision, Departmental Ministers must be able to talk to their services and local authorities, and be prepared to lead them in worthwhile directions. We should not, I suggest, think in terms of an embargo on new developments - even those which have costs - which would be inconsistent with the dynamism which must be our aim in the pursuit of increased economy, efficiency and effectiveness. I have similar reservations about any attempt to list all projects having "costs". That would give a very distorted picture, would be expensive in manpower, and time consuming; and I do not see what useful purpose would be served.

We already decide collectively on major policy issues and there are advance consultations with your Department about any circulars to local authorities which involve any significant additions to local authority expenditure or manpower. Instead of creating new machinery I suggest that it would be helpful to codify the broad principles within which Departments should operate when

The Rt Hon Patrick Jenkin, M.P.

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considering developments of any significance. This would avoid unnecessary and expensive bureaucracy. Such principles, I suggest, should include:

- (i) rigorous assessment of costs and benefits;
- (ii) full consultation with the local authority associations, on the basis of our common interest in securing better value for money, as well as with services; and
- (iii) a clear statement to services and local authorities about how any decisions we take that have expenditure implications are expected to be financed (such statements being consistent, of course, with the total provision for the service in question in the Government's expenditure plans).

If in any particular case the local authority associations felt a Department was taking an inconsistent or unreasonable line, they would be free to raise the matter with you.

I have arranged for my officials to send your Department comments on the Home Office items in the Annex to your letter.

Copies of this letter go to the recipients of yours.

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[Handwritten signature]



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AT

30/10

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

30 October 1984

Dear Peter,

*File
w-m FES*

Thank you for sending me a copy of your letter of 10 October to Patrick Jenkin.

What local government chooses to call new burdens arising from Government initiatives need to be considered in the context of our general concern to increase value for money in the way that services provided by local authorities are delivered. My aim in which I have had the support of colleagues is to increase value for money within a total of local authority current expenditure on education of over £10.5 billion. In the result substantial savings have been achieved: for example, through the removal of surplus school places, the tightening of staffing standards within advanced further education and in economies on school cleaning and the school meal service. Our public expenditure plans envisage further progress and I agree that we must maintain the pressure on savings and on redeployment. But at the same time the total provision for services needs to be set in such a way that necessary changes essential to the delivery of effective services can be brought about in the most cost-effective way. Hence my concern that we set realistic totals for future years compatible with our policies for individual services.

There is no flexibility within the science or universities budgets already subject to substantial efficiency savings within the PES period and I cannot therefore agree to your proposal that initiatives that might on the margin add to local authority expenditure on education in the pursuit of greater cost-effectiveness should be covered by suitable transfer from elsewhere in my programme. Nor is your suggestion that such initiatives be matched by dropping functions or duties involving

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The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
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equivalent savings practicable for education. To the extent that a reduction in duties and functions has been possible we have already acted, particularly in the 1980 Education Act which created the climate and the opportunity for the substantial economies of manpower and expenditure already secured on the school meals service. Local authorities' duties and responsibilities for education are drawn very widely: the question is not whether any of them could sensibly be dropped but rather how existing duties might be performed with better regard to value for money.

More generally, in my view, you appear far too ready to accept at face value what the local authority associations tell us about the consequences of central government initiatives. We should not be blind to the fact that as a basic negotiating tactic the local government side has always tried to seize upon every plausible opportunity to plead the case for new money to justify what they call new burdens, whatever the strength of their argument. I see no reason at all why we should swallow their view wholesale. For the education service at least I continue to believe that where we are able to identify small but cost-effective ways in which the performance and value for money of the service can be enhanced, any small additional costs of the kind identified in Patrick Jenkin's list should be absorbed within our overall plans for local authority expenditure.

Copies of this letter go to the Prime Minister, the Lord President, members of E(LA) and Sir Robert Armstrong.

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

31 October 1984

WBSM

Dear Peter

NEW BURDENS ON LOCAL GOVERNMENT

You sent me a copy of your letter of 10 October to Patrick Jenkin, which suggested that Central Government Departments should, when planning to increase local authority expenditure, have to make corresponding transfers from Central Government programmes into local authority current provision.

This seems a good idea in principle, but I have serious doubts about whether it will work in practice. I think all spending Ministers now appreciate the need to keep any new burdens falling on local government to a minimum. There are two particular factors that point this need up. The first is that despite the "ring fence" you are unlikely to forget any increase in a Department's local programmes when that Department's central spending is under discussion. The second is that local authorities complain very loudly if we ask them to do anything extra.

An inevitable part of that complaint is disagreement about the dimensions of the additional task we are imposing. It is already virtually impossible to reach any common

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perception with local authorities on the extra costs involved in new policies. I think your proposal would make the figures much more important. It would increase the pressure on the spending department, out of understandable self-interest, to minimise the figure, and act in the opposite fashion on local authorities. The scope for argument would be endless, and any hope you had that we would be answering the charge that Central Government was adding to local government's functions but not their provision would be forlorn. All we would do is add to the tensions between central and local government.

Let me take my buses policy as an example. As I explained in my letter of 4 October to Willie Whitelaw, I see considerable cost savings arising from it from which local authorities will benefit. It was with that at least partly in mind that colleagues approved it. But at the moment many local authorities can only see the immediate direct costs - which they often exaggerate. So I do not know how we could agree what the additional costs were. But even if we could, I would not expect any transfer to be necessary (incidentally, I could not find in your letter any reference to an increase in Central Government programmes when policies achieve or are expected to achieve local savings!).

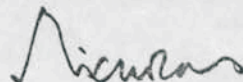
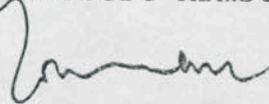
Like you, I am committed to seeing reductions in public expenditure. I think, however, that the way to achieve them in this context is for Ministers when considering a new initiative, and colleagues before giving it policy approval, to examine very carefully the balance of the public expenditure consequences, recognising that the exact total of consequential expenditure in any one year is often unlikely

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to be definable. I think that we are more likely in that way to achieve real savings here than if we try to apply to policy matters procedures inappropriately borrowed from bilateral negotiations.

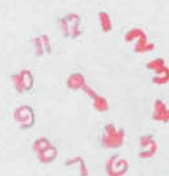
I am sending copies to the Prime Minister, the Lord President, members of E(A) and Sir Robert Armstrong.



NICHOLAS RIDLEY

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22 NOV 1984



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NBSM AT 14/4 Ce NO.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

13 November 1984

Dear Peter,

NEW BURDENS ON LOCAL GOVERNMENT

Thank you for your letter of 10 October. I am grateful too for those from Keith Joseph, Norman Fowler and Leon Brittan.

I cannot go along with Keith Joseph's view that the existing arrangements are adequate to ensure that we do not add to the pressures on local authority manpower and expenditure unnecessarily. In meetings with individual authorities, one of the commonest complaints is the number of new burdens imposed on them by Government departments, which they not unreasonably ask me to help them over. Naturally, I accept that 'H' Committee provides a forum for collective decisions on whether or not a proposal should proceed having regard to all the circumstances. But I am concerned that such decisions should only be taken after proper consultation and quantification of the resource implications for local government. It is the cumulative effect of a number of burdens, which when considered in isolation might be regarded as insignificant, that is crucial. We cannot continue to add to local authorities' responsibilities and duties at the same time as we are asking them to exercise stringent restraint on their expenditure. Nor can we seriously expect authorities to be able indefinitely to re-order their priorities within available resources, particularly when we know that a large number of authorities cannot spend even up to GRE level without incurring holdback.

Nevertheless, I think your proposal to seek offsetting savings from Departments' own vote-borne expenditure, goes too far. Whilst it would provide some defence to the accusation that we do not transfer PES provision with functions and duties, I am not convinced that in practice such an arrangement would ensure sufficient resource cover for the additional local authority expenditure involved - nor would it help achieve our overall aim of reducing the level of local authority expenditure. I do of course agree that we must continue to press for value for money and economy in the provision of local authority services as part and parcel of our efforts to reduce excessive local authority current spending. But the fact remains that local authorities in aggregate are substantially overspending on provision and to assume that identifiable new burdens can be accommodated within public expenditure plans that take no specific account of them will only add to the overspend.

I do not accept Leon and Keith's suggestion that my proposals for prior consultation would hinder the transaction of government business. We surely all agree that it is important to get an accurate quantification of the likely financial and manpower implications of any new proposal; and I cannot see that it is an unduly onerous task to consult your Department and mine first.

I therefore still believe that the best way to proceed is as proposed in my earlier letter: a regularly updated list of potential new burdens will serve as a constant reminder of the extra tasks that we are asking local authorities to undertake; and proper quantification of the costs and savings will show whether they can indeed be accommodated within existing plans. The experience within my Department is that most new burdens are not properly quantified by the Departments proposing them.

I do however take Norman Fowler's point that it may be necessary in certain cases to have preliminary consultations with the local authority associations in order to achieve a realistic estimate of the resource implications for local government. That seems a much more sensible procedure than happens in several cases now when discussions within Government, which result in subsequent consultation with local government, are based on Department's estimates, or lack of them, which can be shown to be inadequate.

Copies go to the Prime Minister, the Lord President, members of E(LA) and Sir Robert Armstrong.

You ever
Pat

PATRICK JENKIN

