

LOCAL AUTHORITY CAPITAL SPENDING

The options are:

1. Accept the Chief Secretary's proposal; but that means an element of retrospection.
2. Accept Patrick Jenkin's proposal; but that means big spending.
3. Revise the Chief Secretary's proposal so that it affects only receipts acquired from 1986/7 onwards; but that will be described as 'appallingly tough'.
4. Do nothing since there won't be much double counting this year anyway; but that will let the pile of accumulated receipts go on growing.
5. Ask ministers to consider (1) ending redistribution and (2) separating the prescribed proportions for in-year and accumulated receipts; that gives more flexibility, but it still won't be popular. - as per para 11' of Cabinet Office brief.
6. Tell everyone to get a move on with this part of the local finance review, so that a proper new system of capital controls can be put into place in the 1985/6 Parliamentary Session. This could mean:
  - 100% spending of in-year receipts, but no carrying over of permissions into future years;
  - freedom to spend from rate-fund on capital, subject only to normal block-grant pressures and rate-caps;
  - borrowing controls instead of capital allocations;
  - freedom to use up 10% of accumulated receipts each year, until the pile has disappeared.

On reflection, we strongly recommend option 6. There is really no need to have another year of misery.

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