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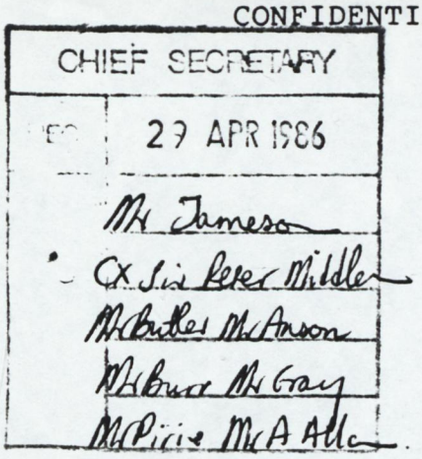


2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

28 April 1986

Dear John,

HANDLING OF THE 1986 PUBLIC EXPENDITURE ROUND

I have received a copy of Keith's letter to you of 8 April about consideration of individual local authority services in the coming E(LA) round, and of your reply of 18 April.

I cetainly have sympathy with Keith's view that information on individual services should be available during the E(LA) round to illuminate our discussion of expenditure and grant aggregates. I intend to provide colleagues with a breakdown of service spending for E(LA)'s first meeting on this in May.

I am less clear, however, given the extent to which we can actually control overall local spending and its component parts, that we should be seeking, as Keith suggests, to work from a consideration of individual services towards the total of LA current provision. For similar reasons, although I strongly favour moves towards achieving better value for money in local government, I do think we must be careful not to get bogged down in E(LA) in consideration of output and performance measures and targets. We could so easily involve ourselves in a great deal of work which was nullified by local government's own decisions.

I would, however, be happy to consider this further in E(LA), following discussions between officials as you suggest. We must of course begin our discussions in E(LA) within a very few weeks now if we are to keep on course for a November settlement.

I am copying this letter to Willie Whitelaw, Keith Joseph and the other members of E(LA) and to Sir Robert Armstrong.

Yours ever,
Kenneth.

KENNETH BAKER

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The Rt Hon John MacGregor MP