2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

3 February 1989

Dear John

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

I wrote to Kenneth Baker last July about arrangements for consultation with local government on finance issues. I have now seen your letter of 31 January about the handling of discussions on local authority current expenditure in the 1989 survey and will be responding to your proposals separately. This letter sets out my further proposals for handling the 1989 round of consultation with the local authority associations.

We are required by statute to consult formally only about the quantum of needs grant. There is no requirement in statute to consult on either what authorities will spend, or need to spend. The "need to spend" figure will, however, have an important influence over the distribution of grant and will also provide the benchmark against which authorities will be judged. I therefore think that we should have a discussion on expenditure issues as well as on grant with the local authority associations before we announce our proposals. Indeed, such discussions might help to inform our own decisions, although other factors such as affordability and our own priorities between services will also be important.

I have already proposed that the existing Consultative Council on Local Government Finance (CCLGF) should be retained as the principal forum for the associations to meet Ministers and put across their views. For 1989 I envisage CCLGF might meet twice, once in June or July before we reach decisions on the aggregate amount of grants and need to spend, and once in the Autumn on distributional issues. In order to prepare papers for CCLGF and to carry forward discussion on more technical matters, I am proposing to establish a Settlement Working Group (SWG). This would replace the existing Grants Working Group, but would also have a role in discussing expenditure issues as well as grant. SWG would be a joint group of Government officials and representatives of the associations.

I envisage that through SWG the local authority associations would be invited to submit information on factors affecting the need to spend. The remit I have in mind is attached. Unlike the remit for existing Expenditure Working Groups, there is no reference to reaching agreement on projections of likely spending, or of need to spend. I believe it is important that we should avoid any attempt at agreement in these official level discussions before we make our decisions on the aggregate need to spend and its distribution between services. In the past the existence of "agreed" figures has only served to be a rod for our own backs.

I know that a number of departments have policy groups at official level with the local authority associations which in the past have discussed expenditure matters. There would, of course, be no objection to such groups continuing and taking forward discussion of expenditure on particular service areas on behalf of the SWG. I would ask, however, that these groups should not seek to reach agreements that would prejudice our internal decisions on allocations between services, and that they should take their lead on this aspect of their work from SWG, on which all main service departments will, of course, be represented.

We must shortly tell the local authority associations how we plan to handle the first year of the new system. I would therefore be grateful for early agreement on the form consultation should take.

I am copying this letter to the Prime Minister, members of E(LA) and Sir Robin Butler.

Yours ever
Nicholas

NICHOLAS RIDLEY

ANNEX A

REMIT FOR DISCUSSIONS ON LOCAL AUTHORITIES' NEED TO SPEND

1. As part of the Revenue Support Grant Settlement, the Government will need to decide on a figure representing what local authorities need to spend on revenue services to provide a standard level of service, both at the aggregate level and for each of the main services covered by a separate component of the needs assessment. In order to inform this decision, the Government invites the local authority associations to comment or provide information on the following issues:

(1) latest estimates of likely service expenditure outturn in the period before the first Survey year [1987-88, 1988-89 and 1989-90];

(2) the scope for increased efficiency in existing services, particularly through the extension of best practice and in other areas where scope for improvement has been identified by the Audit Commission;

(3) the scope for other savings, including re-ordering of priorities and increasing revenue income; and

(4) the identification of new demands on local authorities, arising from new responsibilities, Government initiatives or from unavoidable pressures such a demographic change, and assessment of the costs of meeting such demands with maximum efficiency.

The discussions should assume where necessary the Government's projection of inflation.

2. The associations are invited to present their views for discussion with officials in the Settlement Working Group, which will summarise the local authority associations' views and present them in a report to CCLGF. If appropriate, the Settlement Working Group may establish sub-groups to discuss particular services, or alternatively invite other existing policy groups operated by service departments to provide the forum for any discussions prior to consideration in the Settlement Working Group.

LOCAL GOVT: Relations

ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

16 August 1988.

CONSULTATION WITH LOCAL GOVERNMENT

I have much sympathy with the proposal in your letter to me of 28 July to limit the number of meetings with local authorities on local government finance matters. I would prefer however not to reach a final view at this stage. John Major has accepted that we need further advice from officials on the arrangements for settling local authority finance. I made it clear in my letter of 19 July to John about the New Planning Total that one of the points to be considered was the method for consulting local authorities. I think it would be right to await the further advice before we settle the future of the CCLGF arrangements. I also have another set of consultative arrangements with LEAs which mesh into CCLGF - it's normally meeting the same people again and again. We should look at this in the round.

I am sending copies of this to the Prime Minister, the Home Secretary, the Secretary of State for Energy, Employment, Social Services and Transport, the Chief Secretary, the Minister for the Arts and to Sir Robin Butler.

Local Govt: Relations
Pt 36

SMD/3643p

DEPARTMENT OF HEALTH

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State
for Health

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

- 3 MAY 1989

Dear Nick,

LOCAL GOVERNMENT FINANCE:
CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

Thank you for copying to me your letter of 14 March to John Major on the discussions between your officials and the Local Authority Associations, in the light of which you have proposed that there should be arrangements for discussions in specialist groups on each of the main services and that these should allow an exchange of information. I have also seen John's reply to you of 20 March.

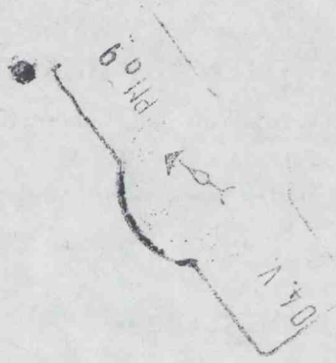
I am naturally prepared to go along with these arrangements for the current round but must stress that I regard it as extremely important that the discussion role of service groups is emphasised and that reports from the specialist groups to the Settlement Working Group should do no more than put forward the Associations' views as explored and discussed in the specialist sub-groups. We must above all ensure that we do not get drawn into anything akin to the previous arrangements which sought to "agree" forecasts. I should say also that I would wish to have a review of the arrangements in good time for next year's survey so that we may assess their effectiveness.

I am copying this letter to the Prime Minister, members of E(LA) and Sir Robin Butler.

Yours ever,

KENNETH CLARKE

LOCAL GOVERNMENT: Finance Part 36.



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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

20th March 1989

Dear Nick,

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

Thank you for your letter of 14 March suggesting some amendments to the proposals for consulting the Local Authority Associations during the 1989 Survey.

I recognise that the local authorities are concerned that, under the original remit we proposed, discussions would amount to a oneway exchange of information in which they submitted their views without any dialogue. I agree that we need to go some way to meet these concerns and I am content with the proposed re-draft of the remit attached to your letter. Clearly in any exchange of information or views we will need to be careful not to give the impression to the Local Authority Associations that we have reached agreement on any of the issues discussed at these meetings. It does, however, give us an opportunity to emphasise the scope for efficiency savings and, in several cases, we will be able to point to independent studies such as those by the Audit Commission to highlight particular areas where best practice could be spread more widely.

I am also content with your proposal that there should be arrangements for discussions of all the mainservices, including the Other Services block.

I am copying this letter to the Prime Minister, members of E(LA) and Sir Robin Butler.

Yours Ever, John

JOHN MAJOR

Local Govt Relations Pt 36.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

14 March 1989

Dear John

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

Following your letter of 14 February agreeing to my proposals for consulting the Local Authority Associations during the 1989 Survey, I wrote to Councillor Pettit of the ACC outlining what we propose. My officials have had some discussions with the Local Authority Associations about these arrangements and about the draft remit for discussions on need to spend.

While the Associations are pleased that there are to be discussions both at official level and at member level at CCLGF, they are concerned that what we propose amounts to an opportunity for them to submit views rather than a dialogue. They are also concerned that there should be an opportunity for discussion in separate groups on all main services. I know that some colleagues had intended to hold such discussions anyway and I propose that there should be arrangements for discussions on all the blocks, including the Other Services block. This can sweep up all the minor services, unless colleagues particularly wish to retain the individual groups on very small functions.

You will wish to see the revised remit for the discussions on need to spend which my officials are putting to the Associations. This makes it clear that there will be discussions in specialist groups on all the main service blocks and rephrases the invitation to the Associations to make it clear that we are offering them an opportunity to exchange information and provide views. I do not think this greatly affects the role of the Settlement Working Group. In any case I am sure its work can most usefully be carried out by way of a dialogue, albeit one that stops short of agreement. That way officials will be able to emphasise the scope for efficiency savings.

I am copying this letter to the Prime Minister, Members of E(LA) and Sir Robin Butler.

Yours ever

NICHOLAS RIDLEY

C

REVISED

REMIT FOR DISCUSSIONS ON LOCAL AUTHORITIES' NEED TO SPEND

1. As part of the Revenue Support Grant Settlement, the Government will need to decide on a figure representing what local authorities need to spend on revenue services to provide a standard level of service, both at the aggregate level and for each of the main services covered by a separate component of the needs assessment. In order to inform this decision, the Government invites the local authority associations to exchange information and provide views on the following issues:

(1) latest estimates of likely service expenditure outturn in the period before the first Survey year 1987-88, 1988-9 and 1989-90;

(2) for 1990-91 the scope for increased efficiency in existing services, particularly through the extension of best practice and in other areas where scope for improvement has been identified by the Audit Commission;

(3) for 1990-91 the scope for other savings, including re-ordering of priorities and increasing revenue income; and

(4) for 1990-91 the identification of new demands on local authorities, arising from new responsibilities, Government initiatives or from unavoidable pressures such as demographic change, and assessment of the costs of meeting such demands with maximum efficiency.

The discussions should assume where necessary the Government's projection of inflation.

2. The discussions should take place in specialist groups covering Education, Personal Social Services, Transport, Home Office Services and Other Services. The views expressed in these specialist or sub groups will be presented to the Settlement Working Group which will in turn present them in a report to CCLGF.

LOCAL GOVT: Relations PT36.

0895A

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for ~~Social Services~~ Health

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

1 March 1989

Dear Nicholas,

LOCAL GOVERNMENT FINANCE

I have seen your letter of 3 February to John Major setting out proposals for this year's consultations with local authority associations, and of 7 February on the treatment of local authority expenditure in the 1989 Survey. I understand that you have now put your consultation proposals to the associations.

I welcome your recognition that 1990-91, the first year of the Survey is different, both in the way current expenditure is to be handled in this year's Survey, and the related consultation arrangements with local authority interest.

I am content both with the consultation procedures you have outlined for 1990-91, and with the remit you propose. I note also that you see the overview of changing services needs formed in the light of consultations with the local authority associations being brought together for the Consultative Council on Local Government Finance.

I am copying this letter to the Prime Minister, members of E(LA) and Sir Robin Butler.

Yours ever,

KENNETH CLARKE

LOCAL GOVT : Relations pt 86

SWYDDFA GYMREIG
GWYDYR HOUSE
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WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru **The Rt Hon Peter Walker MBE MP** *From The Secretary of State for Wales*

CT/6040/89

17 February 1989

NBPM
FREG
17/2

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

Nicholas Ridley wrote to you on 3 February with his proposals for consultation arrangements in England in 1989. They differ only in detail from my own proposals to meet the different circumstances in Wales.

Like Nicholas I envisage only two, or possibly three, meetings of the principal forum, the Welsh Consultative Council on Local Government Finance. The more technical issues will be considered at the Settlement Working Group (which already exists in Wales) and related official working groups. I am, however, proposing to retain an Expenditure Sub-Group to consider aggregate need to spend, though its remit will not extend to reaching agreement on any projected figures.

I am copying this letter to the Prime Minister, to members of E(LA) and to Sir Robin Butler.

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

LOCAL GOUT : Relatum P936

8

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CHIEF SECRETARY TO THE TREASURY

NBPM
PREM
4/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

14 February 1989

Dear Secretary of State

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

FILE WITH PQ.

Thank you for your letter of 3 February outlining your proposals for consulting the local authority associations during the 1989 Survey.

I very much support the form of consultation you propose. I believe that colleagues will welcome the continuing opportunity for their officials to discuss with the local authority associations details of the factors affecting the total need to spend on the services for which they have policy responsibility. The Settlement Working Group will provide an appropriate forum for such discussions.

We have already agreed that the Consultative Council on Local Government Finance (CCLGF) should continue as the main forum for Ministers to meet local authority associations. I am therefore content for the new Settlement Working Group to report to the CCLGF. I also agree that it will probably be necessary for CCLGF to meet twice a year: first, in June or July, before we reach decisions on the aggregate amount of grants and need to spend, and second, in the Autumn, before we reach decisions on the distribution of the aggregate need to spend.

It would, however, be highly undesirable for the Settlement Working Group, or policy groups on individual services, to seek agreement with the local authority associations. I believe that the remit attached to your letter provides an appropriate summary

LOCAL GOVT: Circulars PT36.

of the issues we would wish to discuss with the associations. But it will be important to make it clear that the Settlement Working Group is seeking the associations own views; we will wish to form our own assessment of the factors affecting the need to spend and then use this information to decide on the aggregate need to spend and its distribution between services. Any attempt to seek agreement with the local authority associations is likely to be no more successful than the existing arrangements and is likely to make consultation on the quantum of grant more difficult.

Colleagues will clearly wish to use the information that they derive from consultations with the local authority associations to inform their views on the appropriate level of spending needs on particular services. But it will be important, as I am sure colleagues recognise, to scrutinise carefully the associations views on the scope for efficiency savings, through the extension of best practice, and the scope for other savings, through the re-ordering of priorities and increased income. And in reaching our collective decision on need to spend, departments views on this basis will need to be set alongside our other prime considerations - affordability and overall public expenditure constraints.

I am copying this letter to the Prime Minister, members of E(LA) and Sir Robin Butler.

Yours sincerely

Cary's Evans

JOHN MAJOR

(approved by the Chief Secretary and signed in his absence)

ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

14 February 1989

Dear Nick,

LOCAL GOVERNMENT FINANCE: CONSULTATION WITH LOCAL AUTHORITY ASSOCIATIONS

Thank you for sending me a copy of your letter to John Major of 3 February.

I agree with you that it is right to move away from the old Expenditure Working Group arrangements under which officials were expected to reach agreement with the local authority associations about projections of local authority spending. However, the local authorities remain an important source of the information we need in coming to a view of the need to spend on education and I welcome the proposal to establish a Settlement Working Group as a means of securing that input. I expect to retain a group to take forward discussions on education spending: I suggest that we leave it to officials to resolve the details of the interface between this and other departmental groups and the new Settlement Working Group. I am content with the remit which you propose.

I am sending copies of this letter to the Prime Minister, Cecil Parkinson and other members of E(LA), and to Sir Robin Butler.

Yours sincerely,

Kenneth

LOCAL GOVT: Relations PTBG.