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QUEEN ANNE'S GATE LONDON SW1H 9AT

12 September 1989

Dear Minister

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COMMUNITY CHARGES: STANDARD SPENDING ASSESSMENTS

You copied to me your letter of 21 August to John MacGregor concerning your proposals for standard spending assessments for a range of local authority services. I am generally content with your proposals as far as my services are concerned save for that of fire and civil defence.

You will be aware from your officials how difficult it has proved to arrive at a distributional formula which uses reliable data, is intrinsically defensible and which reflects real spending needs, especially in respect of the Fire and Civil Defence Authorities. It is particularly important that the assessment is a realistic reflection of their needs since they have no other service assessments. The "package" approach does not work for them

Our officials have examined with the Local Authority Associations various options for standard spending, none of which unfortunately provide the answer we were looking for. I understand the approach you propose is that supported by the Association of Metropolitan Authorities. It has a number of positive features: in particular it uses data (population plus fire and false alarm calls) which have a correlation to the real demands on fire service resources and it does not depend on subjective judgments which can be open to challenge. It would have the effect of skewing additional resources to the FCDAs and in particular would resolve the difficulty experienced by West Yorkshire under the existing GRE formula. Although the shires would suffer a small loss, by far the biggest "loser" would be the London FCDA. I do think we need to consider very carefully the consequences for London of adopting your proposal. The effect for this year would have been to reduce their assessed spending need from £162.551 million to £143.678 million, a reduction of about £19 million. This needs to be compared with their budget expenditure for 1989/90 of around £190 million. The spending assessment would also fall below the expenditure level we set for the authority under precept controls in 1986/87.

David Hunt, Esq., MP.  
Minister for Local Government and Inner Cities  
Department of the Environment  
2 Marsham Street  
LONDON SW1P 3EB



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This result for London is therefore both politically and practically most damaging. Of all the single purpose authorities London has displayed by far the most rigorous management of resources: it is led by an energetic and imaginative Chief Officer who has a most difficult task before him to achieve a major restructuring of the brigade. A level of assessed needs so far below its actual spending must raise a strong risk of precept limitation in 1990/91 and I wonder whether it might also expose you to challenge by way of judicial review on grounds of reasonableness. I have little doubt that it would be seen as a rebuke to the present management - and would be very damaging to Mr Clarkson's efforts.

It would also throw serious doubt on the Government's claim that we are not associated with Mr Clarkson's present manpower plans: critics would argue that either Mr Clarkson's plans are not operationally justifiable, but are rather an attempt to tailor his expenditure to what he knows will be a severely reduced allocation; or on the other hand that we regard the present plans as a foregone conclusion and are making commensurate financial provisions.

You will therefore understand my reluctance to agree to the use of this approach. I do think we need to be satisfied that it really is the best option we can come up with and that there is no better alternative.

I understand that our officials have discussed a number of other approaches to the problem; in particular the use of establishments and having separate control totals for the FCDAs and shire counties. I appreciate your Department's concerns about being able to defend the establishment figures used for individual brigades. Although we cannot offer the assurances in the form you seek, I do think it is worth considering further whether we could not devise a form of words acceptable to both of us. We would particularly welcome reconsideration of the idea of separate control totals which in our view would be the system which would most fairly address the requirements of the FCDAs.

I would be grateful for your views.

I am copying this letter to the recipients of yours.



*Catherine Bannister*

APPROVED BY THE HOME SECRETARY  
AND SIGNED IN HIS ABSENCE

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