



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB

01-276 3000

My ref:

HU/PSO/29901/89

Your ref:

NBLm

PLC6

29/9

28 SEP 1989

file with PG

In Cecil.

Thank you for your letter of 4 September to David Hunt outlining your views on my proposals for Standard Spending Assessments (SSAs). These were set out in the Annex to David Hunt's letter to John Macgregor of 21 August.

I am glad that you support my conclusions on the transport element.

On capital financing, I am proposing to use Credit Approvals as the basis for assessing future financing needs. Within the new capital system, credit approvals for individual authorities will take account of a proportion of their capital receipts. This will tend to benefit authorities such as Shire Counties with less potential for generating receipts, as you suggest in your letter, than District Authorities (with their stock of housing assets).

However, one of the aims of the new capital system is to encourage authorities to dispose of surplus assets. My proposal to distribute capital receipts set aside in proportion to the remainder of the capital financing element is a simple way of retaining some incentive for authorities to generate receipts. I feel that your compromise option would add unnecessary complexity to the assessment whilst diluting this incentive effect still further. I think that all authorities have scope for an increase in the disposal of assets. Although Shire Counties may have a higher proportion of some assets (eg roads) which are difficult to realise, they also have others such as playing fields and other land for which there is a ready market.

Overall I feel that my proposal for the capital financing element of SSAs strikes a reasonable balance between recognising the position of individual authorities with regard to capital receipts and providing the desired incentive to dispose of surplus assets.

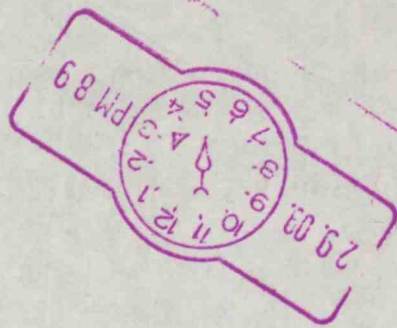
I am copying this letter to other members of E(LG) and Sir Robin Butler.

CHRISTOPHER CHOPE

The Rt Hon Cecil Parkinson MP



LOCAL GOVT: Rates PMU



7%

COMMUNITY CHARGE : TRANSITIONAL HOUSEHOLD RELIEF

A possible scheme

Threshold: £2.50 per week

Eligibility: pensioners and those on community charge benefit

Cost: £130 million in 1990-91 (including Scotland, Wales, and administration).

Caseload: 1.1 million (including estimate for Scotland and Wales)

of which: 600,000 pensioners
500,000 non-pensioners on community charge benefit.

Definition of loss: "real terms", as in Cabinet Office paper.

Duration of scheme: 2 years. Transitional payments would be reduced by 50 per cent in Year 2.

1200
—

84-85 50% —
40% —

£350

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