

13 October 1989

COMMUNITY CHARGES: STANDARD SPENDING ASSESSMENTS

File with R
Chris Patten's minute of 10 September. *October?*

This follows extensive correspondence and reflects broad agreements among Departments including the Treasury. On the one outstanding point - the precise treatment of capital receipts - I see no grounds for questioning the judgement which Chris Patten has exercised. (The detailed arguments for his position are in Christopher Chope's letter of 28 September).

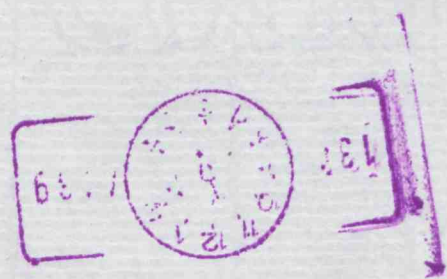
It is worth noting the effects on distribution of grant. In broad terms, the new arrangements mean a small overall shift from the counties to London (both inner and outer). This may become a useful debating point, but the main issue in the consultations with local authorities will be not this so much as the details of the new, streamlined indicators or 'need'. Whatever criticisms are levelled against them, the Government will be able to claim credit for making a valuable step forward from the impenetrable old system. And if they lead to some small redistribution, that is only in accordance with the evidence.

RECOMMENDATION

The Prime Minister should endorse Chris Patten's proposals, including in particular his approach on the treatment of capital receipts.

John Mills

JOHN MILLS



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MR. MILLS

PHASING OUT OF TRANSITIONAL GRANTS

Thank you for your note of 12 October.

I agree that we ought to be very cautious about the phasing out of the new transitional relief; and that was very much the Prime Minister's own reaction when she saw the papers earlier in the week prior to Wednesday's announcement. I gather that DOE are now doing further work which she requested, and it may be a few days before we see anything more from them. Perhaps we can take stock when that material is available.

PAUL GRAY

13 October 1989

C: GRANTS (slh)