

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

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

14 February 1990

Dear Chris

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

When John Major and Nicholas Ridley decided on the handling of local authority current issues in last year's public expenditure Survey, they agreed to review the arrangements, in the light of experience, before the 1990 Survey. In particular, they agreed to review whether to continue with decisions and an announcement in July of the main elements of the settlement for local authority current expenditure: figures for Aggregate Exchequer Finance (AEF), Total Standard Spending (TSS) and the Community Charge for Standard Spending (CCSS). Officials have now discussed the various issues, and I am writing to set out, in the light of their discussion, how I think it will be best to carry out this aspect of the 1990 Survey.

2. All of us involved in decisions on local authority expenditure and finance will, I think, agree that the issues raised are both technically complex and politically sensitive. We need to ensure that the arrangements for the Survey enable those decisions to be taken on as sound a basis as possible.

Main Decisions in July

3. It is useful to consider our experience of last year's timetable. It was, and will be, no easy matter to take decisions on these matters in July. But at least we know that last year's timetable works from the practical point of view. It means that consultation on the settlement can start as soon as possible after we have final figures for distributable amount of National Non Domestic Rates. And the service breakdown of TSS and any changes to the Standard Spending Assessments, can be finalised within a firm figure for the total.

CONFIDENTIAL

CONFIDENTIAL

4. Your officials, and those from other departments, have wondered whether an announcement in July might make it impossible for us to take full account of information relevant to the settlement, which emerges slightly later in the year. Clearly, we need to take our decisions in the light of the best possible information about all the relevant circumstances - including the prospects for the economy and public expenditure generally, as well as local authorities' costs. I have therefore carefully reconsidered the extent to which it is possible to ensure that decisions taken in July are taken on the basis of sound information.

5. As a starting point, I think it would be possible and helpful for officials to work out a more systematic way of bringing together the implications of the numbers under discussion, well before discussions begin. This may be an area where you would like your officials to take the lead, but mine will be happy to give whatever help they can. Departments have for example suggested that more attention should be paid to the likely service breakdown of TSS at an earlier stage; perhaps officials could again consider how exemplifications of this could be incorporated into the material provided for E(LG).

6. I know that colleagues are particularly concerned that, if decisions are taken in July, proper account should be taken of the outlook for pay settlements which affect local authority groups. The increase in police pay is linked to the underlying increase in average earnings over the year to May, which is published in mid-July, and can be predicted fairly accurately at an earlier stage. The other element of local authorities' costs for which central government has some responsibility is teachers' pay, on which we shall need to look to John MacGregor for guidance (though I understand that it is unlikely that negotiations will have been concluded by October 1990). There is of course a good chance that decisions about expenditure in July will precede the outcome of local authorities' own pay negotiations. But in that case, I can only say that I think it is important for our announcement to seek to influence those decisions, rather than for us to come under pressure to validate what may be excessive increases later in the year.

All Decisions in the Autumn

7. So much for the disadvantages which officials have suggested may accompany a July decision. I should like now to consider a little more closely what would be involved in practice in postponing all decisions to the Autumn. I understand that, to meet the timetable for finalising the local authority settlement, you need to begin consultation no later than this year's date of 6 November, and that an earlier start would be helpful. I understand also that your officials need two weeks or so after final decisions have been taken, to check the numbers and prepare the exemplifications. The timetable will be even tighter for Malcolm Rifkind, since budgets in Scotland have to be set by the end of January.

CONFIDENTIAL

CONFIDENTIAL

8. This is a tall order. To meet your timetable, we should have to fit in at least two, and possibly three, meetings of E(LG) between the end of the holiday season and, realistically, the Party Conference. And we should either have to decide the service breakdown at the same time, which would make for an even more complex set of decisions, or finalise it very quickly afterwards. In addition the timing of the announcement of decisions on local authority current would be difficult. The announcement of the outcome should come in the Autumn Statement - the Chancellor and I would see grave difficulties, not least in terms of market management, if you and colleagues were to announce programmes totalling almost one-sixth of the Planning Total shortly before the Autumn Statement. We certainly could not guarantee that the Autumn Statement would be before your deadline of 6 November - that was not possible last year, for example.

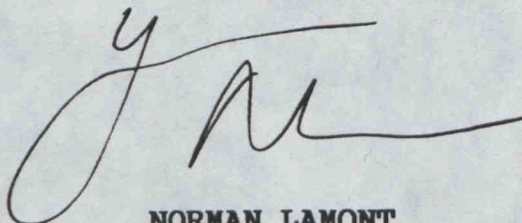
Assessment

9. All this suggests to me that there is a strong case for retaining a July announcement. I understand that officials considered another possibility, of doing most of the work in July, with a final decision delayed until September. But I do not find this half-way house attractive or indeed practical. It has the disadvantage of requiring an announcement in the middle of the Survey. The announcement would also fall during the recess - though it is obviously for you to judge whether this would be acceptable to colleagues in the House. Moreover, I suspect it would prove unrealistic to expect to reach useful decisions in July, given the other pressures at that time, if we knew that they could be looked at again in September.

10. I come back to the starting point of this letter. Decisions about support for local authorities are inevitably complicated and difficult. With the best will in the world, I doubt that, against the background of all the other decisions which have to be taken in the Survey, we can realistically hope to determine the settlement, from start to finish, in the few weeks between the end of the summer holiday and the start of November. Given the other advantages of announcing the main aggregates in July, and provided that we can take the steps I have proposed to ensure that we have the best available information at that stage, I hope that you and colleagues will be content for us to continue to plan for a July announcement of the main aggregates.

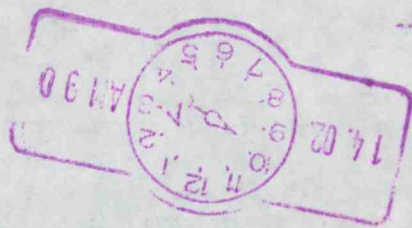
11. I should be grateful for an early response, if possible, so that we can incorporate our decisions in the wider Survey guidelines.

12. I am copying this to the Prime Minister and other members of E(LG).



NORMAN LAMONT

CONFIDENTIAL



TLP
DAS

bc PU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 February 1990

Dear Carys,

LOCAL AUTHORITY CURRENT EXPENDITURE:
ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

The Prime Minister has seen the Chief Secretary's letter of 14 February to the Secretary of State for the Environment. Her inclination is that it is right to stay with the present system and to continue to plan for a July announcement of the main aggregates; she feels that there have already been enough changes without trying to absorb any more.

I am copying this letter to the Private Secretaries to members of E(LG).

*Yours,
P.G.*

PAUL GRAY

Miss Carys Evans
Chief Secretary's Office
H.M. Treasury

CONFIDENTIAL

EA

PRIME MINISTER

ARRANGEMENTS FOR HANDLING LOCAL AUTHORITY EXPENDITURE
FOR 1991-92

While we are still heavily embroiled in issues affecting local authority spending in 1990-91 it seems strange to be thinking about the arrangements for 1991-92. But it is necessary to do this if the process is to be orderly. You may like to glance at the attached letter from the Chief Secretary setting out his proposals.

The essential issue is whether to continue with the traditional pattern of announcing the main aggregates in July with the further details following later; or to switch to a system in which there are no announcements in July and everything is handled over a relatively short period during the Autumn. The Chief Secretary concludes that we should stick with effectively the status quo. His reasoning seems persuasive to me. You may however prefer to await reactions from colleagues before giving your own views.

i) Content to await colleagues reactions?

Or

ii) Do you want to give a firm view at this stage?

ACG.

PAUL GRAY
16 FEBRUARY 1990

a:\economic\local.mrm

↓
Yes - I should stay with
the present system. We have already
had enough changes without
trying to absorb any more
not

CONFIDENTIAL



THE DEPARTMENT OF TRANSPORT



NBRM

Acc 17/2

copy

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

My Ref:

Your Ref:

Dear Norman,

26 FEB 1990

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

Thank you for sending me a copy of your letter of 14 February to Chris Patten.

The proposal to produce a better informed decision in July is welcome, and I can agree to a July announcement on that basis. My officials will wish to take part in preparing the exemplifications which go to E(LG) as a basis for the July decisions.

I remain concerned that the service breakdowns provided in July will only be illustrative, and that there is no safeguard against the smaller service blocks subsequently being "squeezed". I am content to see how the new arrangements which you have proposed work out this year, but if we again find, as we did last year, that lower provision is made for the smaller service blocks than the Government intended, this will be interpreted by local authorities as an indication of low priority, and we shall have to find ways another year to adjust the system accordingly.

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

Cecil Parkinson

CECIL PARKINSON

CONFIDENTIAL

LOCAL Soc 19: Relations

1927



CONFIDENTIAL

CEJO



QUEEN ANNE'S GATE LONDON SW1H 9AT

23 February 1990

Norman,

*NB for Dr King
see
face
vdr*

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR
HANDLING THE 1990 SURVEY

leaf
You copied to me your letter of 14 February to Chris Patten. It is important that we should determine Total Standard Spending on the best possible information. There is a particular consideration as regards the police since the amount of specific grant agreed in PES will need to be translated into spending and found from within TSS. While we are likely by July to have a good idea of the police pay increase, it seems most unlikely that by that date we will have reached agreement on any future programme of manpower increases.

The later we leave the announcement the more reliable the information on spending needs across all services. I therefore favour an autumn announcement but recognise the practical difficulties that this would present. John McGregor's suggestion that we reach preliminary decisions on the aggregates in July but delay the announcement until the autumn may offer a way forward. Such an arrangement would spread the task we face and enable us to review TSS in the light of more up-to-date information on the demands faced by local authority services and of the discussions on PES bids which officials will hold over the summer. It would be helpful if officials could examine whether a satisfactory timetable could be devised on that basis.

I am copying this letter to the recipients of yours.

*James
Lamont*

The Rt Hon Norman Lamont, MP.
Chief Secretary
Treasury Chambers
Parliament Street, S.W.1.

CONFIDENTIAL

LOCAL AUTH: Relations Pt 37





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

MR
Re 6
2/12

20 February 1990

Dear Norman

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

Thank you for copying to me your letter of 14 February.

For my part, I feel the timetable in 1989 worked reasonably well. While I can understand some of the concerns expressed both by DOE and other Departments about the information base on which July decisions are made and how this might be brought more up to date in respect of pay and inflation factors if we wait until the Autumn, I feel strongly that we should stay with decisions and announcement in July.

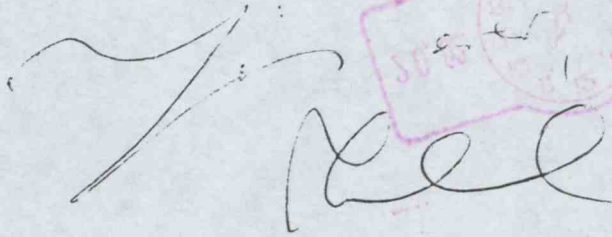
As you point out, local authorities' budgeting timetable is much tighter in Scotland and it is helpful for them to have an indication of the overall settlement as early as possible. Like you I believe it is important to give authorities a signal through early announcement of the settlement to influence their decisions on local authority pay, rather than putting us in the position of either responding to those decisions or being seen to ignore them by deferring our own decisions to the Autumn. Moreover, I would not favour an announcement of this important matter during the Recess. We must consult Scottish local authorities on the grant distribution proposals by the beginning of November. Ideally, it should be earlier, but in practical terms, it simply would not be feasible to achieve consultation on grant proposals by early November if we delayed our decisions on the settlement until September. Given the complications we had in Scotland this year over non-domestic rates and the effects of revaluation, I believe a measure of stability in the arrangements this year would be most helpful.

I therefore strongly support your conclusion that decisions and announcement on the local authority settlement should continue to take place in July.

CONFIDENTIAL

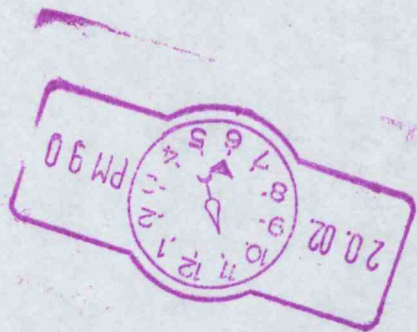
CONFIDENTIAL

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



MALCOLM RIFKIND

CONFIDENTIAL



ccp



CONFIDENTIAL

NBPR at this stage.
Rec 6
20/2

Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

19 February 1990

Dear Norman,

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

Thank you for sending me a copy of your letter of 14 February to Chris Patten.

Whenever we take these decisions we must do so on the basis of the best possible information about all the relevant circumstances including a realistic view of service requirements for the year ahead. We should also be aware of the likely implications for individual service standard spending totals of any level of total standard spending we agree upon. While we continue to place so much emphasis on the adequacy of total standard spending and therefore the accuracy of the community charge figure for standard spending, we must have service totals which we can defend in the light of new pressures on services as well as by reference to the scope for greater efficiency.

I think these factors are more important than the exact timing of the decision making process, and I agree that leaving all decisions and announcements until the Autumn might well mean that decisions have to be rushed in the time available before the Party Conference.

I am not, however, convinced that we are right to rule out the possibility of most of the work and provisional decisions being taken in July, with final confirmation and announcement of those decisions in late September. This would allow us to have a very careful airing of the issues in July, but to take a final look at the overall implications of those decisions, including their likely impact in terms of SSAs and community charges, in September before any announcements are made.

We are still discussing what new machinery might apply for the determination of teachers' pay in 1991-92, but whatever arrangements are made there will need to be a figure for an increase in teachers' pay within education standard spending

which can be defended as fair and reasonable. It may well be that we should leave ourselves scope to take a final look at this figure in September rather than having to agree in July a total that will have to accommodate it.

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

Yours ever,

Jed

LOCAL COST: (Malaya) PT37.





CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

19 February 1990

NBLm

RCCG

20/2

Dear Chief Secretary

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

Thank you for your letter of 14 February about the handling of the 1991/92 Grant Settlement in this year's public expenditure survey.

Personally I think that I would have preferred to have a single announcement about local authority finance in the autumn rather than a preliminary announcement in July and final announcement in November. This is particularly so this year, since I think that by July the House will have had more than enough of local government finance and would have appreciated a short break before next year's round begins. As we know from this year, a July announcement prolongs the period during which our proposals are open to criticism. In addition, by the autumn we would have a better view of the pressures on local authority spending in 1991/92.

I see the practical difficulties which this alternative involves. If we do opt for an announcement in July, I agree it is important that we should bring together in a systematic way all the implications of our decisions against a realistic assessment of the spending pressures authorities will face, and I shall be making proposals as to how we might do this.

If other colleagues are inclined to agree with you, I am prepared to accept your proposal to continue to plan for a July announcement of the main aggregates of the settlement.

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

Yours sincerely

CHRIS PATTEN

PP

(Approved by the Secretary of State
and signed in his absence)

Handwritten text: *Handwritten Series: Relations*

Handwritten text: *A 37*

