



The Rt Hon John MacGregor OBE MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

NBRM

Bees

1/2

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

My ref:

Your ref:

2 March 1990

Dear Secretary of State

1991/92 LOCAL AUTHORITY GRANT SETTLEMENT

at hand
Thank you for your letter of 21 February about the arrangements for discussing expenditure and Standard Spending Assessments with the local authority associations.

On SSAs, I would propose that a report on the work of the official group, which will examine any new ideas which are suggested, should be put to the Consultative Council for Local Government Finance in July. This has been the practice in previous years, when changes have been proposed to GREs in the old system. The Associations would have a further opportunity to comment at the September meeting of CCLGF. But I would not make known my proposals until I began formal consultation, no earlier than October.

I envisage that we would be able to take a preliminary look with colleagues at the outcome of the work in our discussions in June, so as to inform our decisions on aggregates, and would be able to give it fuller consideration in September enabling us to reach final decisions by early October. I think this timetable, which is much as in earlier years, would meet your concerns.

As to the remit for the expenditure discussions, I take your point about the Audit Commission's work. Nonetheless, it provides us with an independent assessment of at least some opportunities for savings or greater efficiency and thus gives us a good starting point. I have re-instated the words to which you refer which had inadvertently been left out. I have also added the words you propose which I think are helpful in making it clear that the starting point for the whole discussion, and not just that part of it relating to savings, should be the 1990/91 settlement.

I attach a revised version of the remit, with the amendments underlined. My officials will be putting it to the associations at the first meeting of the Settlement Working Group on 9 March.

Copies go to the Prime Minister, other members of E(LG) and to Sir Robin Butler.

Yours sincerely,

Chris Patten

CHRIS PATTEN

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

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REMIT FOR DISCUSSIONS ON LOCAL AUTHORITIES' EXPENDITURE

1. As part of the Revenue Support Grant Settlement, the Government will need to decide on a figure representing what it would be appropriate for authorities to spend in order 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 Standing Spending Assessments. In order to inform this decision, the Government invites the local authority associations to exchange information and provide views on the following issues in the light of the assumptions underlying the 1990/91 local authority grant settlement:

- (1) latest estimates of likely service expenditure outturn in the period before the first Survey year, 1988-9, 1989-90 and 1990/91;
- (2) for 1991-92 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 1991-92 the scope for other savings, including re-ordering of priorities and increasing revenue income; and
- (4) for 1991-92 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.

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