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The Rt Hon John MacGregor OBE MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
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N.B. P.M.
24/4

24 April 1990

Dear Secretary of State,

1991-92 LOCAL AUTHORITY GRANT SETTLEMENT

ref pt 37

clap pt 37

clap pt 38

In recent correspondence (my letter of 12 February, your reply of 21 February and my further letter of 2 March) we agreed a form of words for the remit of the Working Groups which are shortly to consider local authority expenditure as part of the 1991-92 settlement round.

The remit was put to the local authority associations at a meeting of the Settlement Working Group on 9 March. The associations tabled their own version which differed in a number of respects from that which we had agreed. I am enclosing copies of both versions and a note on the differences between the two.

I have looked carefully at the changes which the associations want to make, and have concluded that we could accommodate some of them by making some very minor changes to the original remit. Annexed to this letter is a revision which reflects these changes. As you will see, there are very few changes of substance. We have, however, sought to make it absolutely clear that the exercise is not aimed at reaching an agreed view. If you and colleagues are content I propose to send it to the local authority associations as the final version.

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

Yours sincerely

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

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.

FLG/DOE
February 1990

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Alternative remit proposed by the local authority Association

REMIT FOR DISCUSSIONS ON LOCAL AUTHORITIES' EXPENDITURE

1. The working groups are invited to provide an assessment of the likely level of local authority revenue expenditure for 1991/92. In reaching this assessment they are invited to:
 - (i) identify new demands on local authorities, arising from new responsibilities, Government initiatives or from unavoidable pressures such as demographic change, and to assess the costs of meeting such demands with maximum efficiency;
 - (ii) identify new developments in service provision;
 - (iii) examine the scope for increased efficiency in existing services, particularly through the extension of best practice and in areas where scope for improvement has been identified by the Audit Commission;
 - (iv) identify the scope for other savings including increasing revenue income;
 - (v) take account of the new system of capital finance;

The assessment should be in cash terms using realistic inflation assumptions.

As part of the Revenue Support Grant Settlement the Government will determine Total Standard Spending and its breakdown between services. The information provided by the working groups will be used to inform these decisions.

2. Revised estimates of current expenditure for 1989/90 and 1990/91 are invited.
3. Forecasts of likely levels of capital expenditure for 1991/92 are also invited where possible from the local authority associations.
4. The discussions should take place in specialist groups covering Education, Personal Social Services, Transport, Home Office Services and Other Services. A separate sub group will be established to consider Capital Financing issues. The views expressed in these specialist groups will be presented to the Settlement Working Group which will in turn present them in a report to CCLGF in July 1990.

LAA/DOE
 March 1990
 MG/ajj
 5.3.90

DIFFERENCES BETWEEN GOVERNMENT'S EXPENDITURE WORKING GROUP REMIT AND THAT PROPOSED BY THE LOCAL AUTHORITY ASSOCIATIONS

- a. The Government remit is geared towards arriving at a figure representing what it would be appropriate for authorities to spend in order to provide a standard level of service. The local authority association version seeks to arrive at an assessment of the "likely level of local authority expenditure for 1991-92", though further down the page their draft refers to the determination of Total Standard Spending and its breakdown between services.
- b. the local authority version contains a remit to "identify new developments in service provision" which is not included in the Government's remit. The associations explained that this referred to new ways of carrying out functions (eg privatisation).
- c. In the section on the scope for other savings the local authority version omits any reference to the re-ordering of priorities.
- d. The local authority version wishes the remit to take account of the new system of capital finance and to consider forecasts of likely levels of capital expenditure. To this end it posits the establishment of a separate sub-group to consider capital financing issues. Although this is not mentioned in the Government's remit, the covering SWG paper proposed that there should be discussions on capital financing costs, and invited consideration of the establishment a separate technical sub-group.
- e. The local authority version wants the assessment to be in cash terms using "realistic" inflation assumptions; the Government version requires the Government's projection of inflation to be assumed where necessary.
- f. The Government version invites the groups to consider service expenditure outturn in the period before the first Survey year, 1988-89, 1989-90 and 1990-91. The local authority version wishes to limit consideration to revised estimates of current expenditure in 1989-90 and 1990-91.
- g. Finally the local authority version puts a date on the CCLGF meeting at which the SWG report on the service working group discussions will be taken - July.

REVISED REMIT FOR DISCUSSION OF LOCAL AUTHORITIES' EXPENDITURE

The local authority associations are invited to take part in discussions in specialist groups covering Education, Personal Social Services, Transport, Home Office Services, and Other Services in order to inform the Government's decision on Total Standard Spending for the purposes of the 1991-92 revenue support grant settlement, both at the aggregate level and for each of the main services covered by a separate component of the Standard Spending Assessments. The purpose of the discussions is:

- a. to exchange information and obtain the local authority associations' views on the topics set out below in the light of the assumptions underlying the 1990-91 local authority grant settlement; and
- b. to summarise this information and these views for the Settlement Working Group, which will in turn present them in a report for CCLGF to consider in July.

The discussions are intended to enable Ministers to be aware of the views of the Local Authority Associations: it is not intended that an agreed view should be obtained.

The topics referred to above are:

- (1) latest estimates of likely service expenditure outturn in the period before the first Survey year, 1988-89, 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;

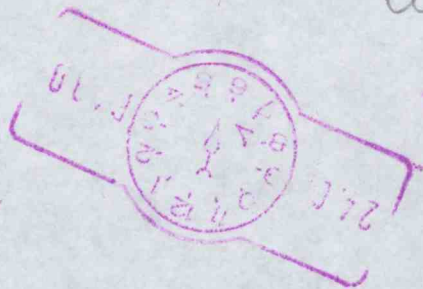
- (3) for 1991-92 the scope for other savings, including -ordering of priorities and increasing revenue income;
- (4) for 1991-92 the identification of new demands on local authorities, arising from new responsibilities, new developments in service provision, Government initiatives or from unavoidable 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, but may take into account such information on movements in pay and prices as is available to the groups. The reports of the groups should make clear the basis of their assumptions on inflation.

In addition, the associations are invited to take part in discussions in a technical Sub-Group of the Settlement Working Group to discuss the issues involved in the costs of capital financing and to identify for the Settlement Working Group the factors affecting this expenditure.

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