

THE RT. HON. DAVID HOWELL, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Prime Minister²

David Howell was anxious
for you to see this.

I have acknowledged. Chris Patten
will send a substantive reply.

I do not think Mr Howell
makes a very persuasive case.

8th July 1990

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

All authorities found
the same way upwards.

Dear Chris,

I have been thinking about the figures you used in your letter to me of May 10th in which you referred to increases by Guildford Borough and Surrey County Council in precept 'take' of 62.4 percent and 18.5 percent over last year. You and other Ministers have several times said that such figures must be 'justified'.

My concern is that these figures, which were also used by the Prime Minister in her letter to me of May 21st, are, if not inaccurate then downright misleading. They imply some degree of 'overspending' which simply does not exist.

It worries me greatly that they should be used in this fashion. We simply must have integrity in our arguments or they will not, and will not deserve to, carry the day.

Both Surrey and Guildford Borough are low spending councils by any standards.

Take Surrey first, which accounts for the overwhelming share of the community charge in my area. The increase in 90/91, said to be 'unjustifiable' - on top of a spending total for 89/90 which the Government also believes was too high - was predominantly made up of wage and salary increases negotiated nationally and far exceeding Treasury assumptions. (Around £40 million) Substantial economies partly offset these or the rise would have been greater.

The increase in real spending was therefore minute and more than accounted for by 'unavoidables' like gale damage, new legislation, and new government capital controls. The precept increase was much higher because the County ran down balances by £17 million in 89/90 but had reached the minimum prudent level by 90/91.

If the argument is that the 1990 base was too high in the first place, then again when one looks at that, it turns out that the increase from the previous year was largely driven by overall inflation factors (again higher than the Treasury's optimistic guesses) offset by economies, and not by any expansion of real services at all, from their thoroughly inadequate levels.

To be told against this background that low spending Surrey, with one of the



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lowest ratios of staff per 1000 inhabitants in the country, is spending too much and raising its spending too fast is simply not good enough. Strip out the higher than planned inflation and government requirements and the true figure is zero extra spending (in fact reductions) against considerably increased needs, especially in traffic and policing (although in my view our schools too are distinctly underfunded).

So there may be other reasons for Surrey's high community charge but high spending is not one of them and demands for justification of changes in the precept miss the point altogether.

Maybe this is all we can afford as a nation and maybe the policy of keeping grants below the inflation rate, with consequent real cuts, is unavoidable. Let us say that openly. But it is just not right, when the consequence is snaring community charge levels even to hold service levels, to describe this as excessive spending or brandish the utterly misleading 19% figure as some measure of that overspend.

As for the Guildford figure this too implies a huge spending increase in the Borough which has just not taken place. Guildford's current year spending figure looks so much higher because the Borough have stopped raiding balances and added to reserves.

Actual spending on services has hardly increased in real terms (and is anyway below SSA). Like Surrey, it also reflects quite significant offsetting economies. To reach the 62% figure one has to take out all the contribution from balances in 89/90 and then compare the figure with the net spend in 90/91.

In short, in neither the County nor the Borough case has there been big overspending which has somehow to be 'justified'. In both cases the appallingly high community charge arises in lesser degree from the authorities' decisions on capital balances and to a far far greater degree from the grotesque underprovision for inflation in both years in the grant structure and from a general failure of that structure to take account of the fast rising social pressures (especially from traffic and on environment) in these 'rich' home counties which contain so many far from 'rich' people.

That is the central issue to be addressed in any proposed reforms of the whole Community charge policy.

To tell thousands of people on modest means, although above the rebate level, that they are living in an overspending area is absurd, whatever may be the position in the genuinely overspending areas elsewhere in the UK.

At the very least Government argument and presentation should distinguish between the two quite different categories of local authority.

Until we do so, and as long as Community Charge policy relies on the use of misleading figures to make palpably implausible assertions about differing local conditions, it does not deserve support.

I am copying this letter to the PM's private secretary and to the Chief Whip.

Yours ever

David