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QUEEN ANNE'S GATE LONDON SW1H 9AT

18 September 1990

*Norman*

NEW BURDENS ON LOCAL GOVERNMENT *at flap*

Thank you for copying to me your letter of 14 August to Chris Patten suggesting ways in which we might evaluate policy proposals which would place additional burdens on local authorities.

I agree, of course, that additional demands on local authorities should be kept to the minimum, and I am broadly in agreement with your suggestions for achieving this. It is however important to distinguish between resource burdens which arise from genuinely new activities and those which result from a transfer of responsibility from central to local government. In the case of the latter there may often be significant savings to central government and such a transfer may well produce better value for money. A number of the new burdens which result from Home Office activities fall into this category and have been encouraged by the Treasury on these grounds. I think it might be a mistake if we were to apply too rigidly your suggestion that any proposal which could not be offset by a reduction in central government spending should automatically attract a low priority. This would, for example, catch our proposals for diverting offenders from custody because, although there would be longer term savings on prisons expenditure, these would inevitably take time to emerge; in the meantime we should need to provide additional probation service resources in order to ensure that the policy had any chance of success. A number of my Department's proposals in the law and order field, while imposing additional burdens on local authorities, are designed to bring about equivalent reductions in central government expenditure (eg the introduction of direct charging for the Forensic Science Service).

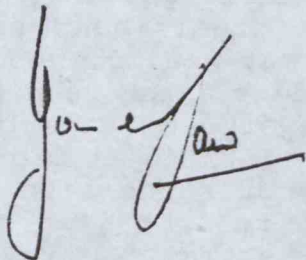
The Rt Hon Norman Lamont MP  
Chief Secretary  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

/over

I think it follows that, if the principle of equivalent savings from central government cannot universally be applied, nor can your suggestion that additional burdens may not be prayed in aid to support increases in AEF or other expenditure within the planning total. I am inclined to agree with Chris Patten that there may be cases where we judge that in imposing a particular new burden on local government we should not expect it to be financed solely by community charge payers. I agree, however, that in putting forward a proposed new burden, colleagues should seek to make it clear how it will be financed.

Your other suggestion that policy proposals submitted to a Cabinet Committee should identify and cost any burden on local authorities clearly has merit. There are inevitably difficulties in some instances of forecasting precise costs, but there seems a good case for trying to quantify the cost of new burdens more accurately than we do at present.

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

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a long horizontal flourish extending to the right.