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DEPARTMENT OF HEALTH

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 071 210 3000
From the Secretary of
State for Health

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London SW1

Dear Norman,

NEW BURDENS ON LOCAL GOVERNMENT

Thank you for sending me a copy of your letter of 14 August to Chris Patten giving your ideas for improving our control over local authority expenditure. I agree that we should be rigorous in costing the effect of policies affecting local authorities' spending, and in searching for reductions to offset inescapable or high priority increases. It is all too easy, given the very large sums involved, to be less than rigorous, with potentially disastrous results on levels of community charge.

I therefore support the case that all new policy proposals submitted to a Cabinet Committee should properly cost the effects of these policies on local Government spending and that the cumulative effect should be considered in the round. I have a particular interest, of course, in the implementation of our community care policies, which involve substantial transfers from central to local Government and some new tasks for local authorities. In the long run implementation of these changes offers the prospect of improving the appropriateness and quality of care provided. Once we have decided, through proper investment appraisal, that a policy should be implemented, a decision to go ahead must depend on its affordability within the overall limits on public spending, taking account of whatever can be achieved through offsetting savings. We must not rule out, in my view, investment in worthwhile projects that can be afforded, although their costs cannot be fully offset; and we should recognise that investments take time to pay off.

Whilst I agree that we should always be alert for potential savings in existing expenditure, whether on central Government programmes or - perhaps even more - in local Government expenditure, I do not agree that any difficulty in finding offsetting savings implies that a policy must be of low priority.

Finally we must be careful not to tie our hands too tightly when considering AEF. New burdens and other pressures on local authorities should be allowed for adequately. If we choose to ignore some new burdens or demographic pressures then we run the risk of forcing up community charge and we will lose the argument on accountability.

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

KENNETH CLARKE

LOCAL GOVT. Relations 1938