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My ref

Your ref

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

5 October 1990

Dear Chief Secretary, file with BP

Thank you for your letter of 21 September setting out proposals for service split of TSS for 1991/92.

In my view, option I would have been the most appropriate split. This takes as its starting point the actual distribution of local authority spending this year. The difference between that and the figures we proposed last year for TSS reflects the constraints of last year's settlement. Even option I implies that spending on other services should increase by only 5.5% over expenditure this year, at a time when District Councils face increasing pressures on issues such as homelessness, and will be expected to implement the Environment Protection Bill and other policies which form an important part of our environmental programme. It is also important that district councils' SSAs, which apart from capital financing are based entirely on the Other Services Block, should be realistic this year given the election cycle.

Nevertheless, I recognise the strength of feeling of other Ministers. I am prepared to accept option II reluctantly, therefore.

There are two other points I should make. First, as you say officials have accepted that it is inevitable that police expenditure and teachers' pay should be top sliced this year.

This does, however, significantly constrain our decision. Given the change in the teachers' negotiating machinery, I would not expect it to be necessary to make any special arrangements for that service next year. On police expenditure, cash limiting the police grant would break the automatic link between TSS provision and grant provision and so give us considerably more freedom to set TSS at an appropriate level.

Secondly, I note what John MacGregor says about funding of the Work-Related Further Education Programme. If this proposal, which was not mentioned at the time we agreed on the figures of TSS and AEF for 1990/91, were to go ahead local authorities would no doubt argue that they would need to make up much of the funding. Given the need to avoid adding new burdens to local authorities, I must ask that this proposal is not pursued this year.

I am copying this letter to members of E(LG) and to Sir Robin Butler.

Yours sincerely

CHRIS PATTEN

Approved by the Secretary of State and signed in his absence

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