



PRIME MINISTER

**LOCAL AUTHORITY FINANCE 1991/92: WALES**

Like Chris Patten I too plan shortly to publish my proposals for the revenue support grant settlement and to explain my decision on community charge capping; I propose to do so on the same day as Chris by Written Answer.

I have already consulted and reached full agreement with the local authority associations here on SSAs. I expect to be ready to lay the necessary orders before Parliament in week commencing 10 December and to make an oral statement on that occasion.

I have decided after very careful consideration that local government in Wales should be made aware that I am prepared to adopt the same charge capping criteria for Wales as those proposed by Chris for England. For tactical and presentational reasons however I do not wish to follow Chris in announcing them now. I propose therefore to make it clear to Welsh local authorities that I shall not hesitate to introduce capping measures in Wales if it should prove necessary, that I expect them to make every effort to budget for spending in line with plans and that I will be looking for commensurately greater efforts on the part of those with present spending above SSA to set budgets which will bring them much closer to SSAs. I will also make it clear that if, in the event, I judge that the efforts they have made, given all the relevant considerations, are inadequate then I will not hesitate to exercise my capping powers using criteria similar to those applied in England.

The criteria do of course have to be adjusted to take account of the different collection fund arrangements in Wales but will be set to ensure that the downward pressure on spending exerted by the criteria parallels that in England. I would also wish, as has been done in England this year, to include a de minimis provision which would have the effect of ensuring that I would not have to designate in cases where only trivial reductions in expenditure would result.

I am confident that this is the best way to secure our objectives in Wales. We are not faced here with councils who have deliberately sought to ignore our calls for realistic spending decisions. On the contrary Welsh local authorities have for many years spent closer to our plans than their counterparts in England. I expect a continuing good performance for 1991/92 because in setting their budgets authorities will be facing the full rigours of the new system - there are no safety nets in operation here, and the Welsh charge demand makes it very clear where accountability rests. The 1991 elections at district level will also be a relevant constraining factor.

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This approach is the right one for Wales and it will exert the right level of pressure on local authorities in reaching their spending decisions. I shall be doing my best to avoid damaging confrontation which would only serve to hinder severely the good progress we are making in Wales. I believe in this way we shall achieve our common objectives.

I am copying this letter to E(LG) colleagues, Nick Lyell and to Sir Robin Butler.

19 October 1990

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