



HOUSE OF COMMONS
LONDON SW1A 0AA

CPM

John Gifford

*- see statement 21
at HQ*

31st October 1990

As you know, I have now announced details of my proposed distribution of grant to local authorities in England for 1991/2, together with my intentions about chargecapping for next year and the outcome of our consultations on the standard Community Charge. I am writing in order to emphasise some of the key political points arising out of these announcements.

The extra £3 billion to finance local spending next year is a fair settlement by any standards. It means that there will be absolutely no excuse for large increases in the Community Charge anywhere next year. Many councils could and should be looking for actual cuts in their level of Community Charge. I hope that Conservative authorities will be particularly alive to these possibilities, as should be Conservative groups in opposition preparing their election strategies.

The proposed rules about capping for next year are fair, but deliberately tough. The Government's first duty is to ensure that the benefits of a very good settlement go where they are intended - to the chargepayers. The threat of capping remains necessary until we complete the transition to the new local government finance system.

There will inevitably be speculation in the days and weeks to come about how many councils will be capped. The truth is that no authority need be capped if it behaves responsibly. We have set out today what authorities need to do to avoid chargecapping - as councils requested we should. These criteria represent the upper limit of the amount of spending we are prepared to tolerate. Councils now have the option of getting under these limits voluntarily.

Every council will see a substantial increase in its standard spending assessment next year - averaging out at 19.4% above this year's figure. I must emphasise, though, that there is absolutely no reason why the level of any council's spending should rise by anything like this amount. Certainly inflation is well below that figure and will be falling during next year. Every authority needs to make a judgement, not of what it would like to spend, but of what it has to spend and what its chargepayers can afford.



Many Conservative councils had, for many years, been spending below their GRE - the equivalent of the SSA under the old system. That was a sign that they were efficient and cost-effective. Spending below the SSA is equally the hallmark of a prudent authority. It is an achievement of which any Conservative council should be proud. I want to make it absolutely clear that the SSA is not a target for any council to aim at. The objective for Conservative councils must be to provide quality services for the least cost.

Councils which do spend below SSA can set lower charges. Just as every pound spent above the SSA has to be met by the chargepayer alone, so too every pound spent below SSA is a benefit which the council shares with nobody but its electors. This provides a great opportunity for Conservative councils.

I appreciate the fact that there will be special difficulties in areas where the withdrawal of the Safety Net will begin. You may remember that in July we announced that this withdrawal will be limited to no more than £25 per chargepayer everywhere. More importantly we also announced more generous arrangements for transitional relief. Under these arrangements, every household currently benefitting from transitional relief will receive an additional £52 of help next year. For a couple, this will at least offset any increase from the withdrawal of Safety Net help. It remains, of course, for the local authority itself to budget sensibly and avoid any increase in charge above what is necessary. Some authorities are already spending well in excess of what they should be.

The key political priority now must be to show a clear gap between the level of charge set by Conservative councils and Labour or SLD authorities. The experience in this year's council elections of, say, Hillingdon where we took control from Labour, of Southend, where we ousted the SLD, or of Trafford where we held on comfortably in the face of a regional swing towards Labour, all showed how powerful was the message 'Conservative councils cost you less'.

The settlement for next year provides the best possible opportunity to demonstrate the truth of this in every area. This is particularly the case in areas where the local council will benefit from the ending next year of a substantial Safety Net contribution. I am sure that those colleagues concerned will want to press their council to make plans for ensuring that this benefit is passed on to chargepayers. In some areas where the Safety Net contribution was highest, there must be real scope for an actual cut in the Community Charge next year.



To show that Conservative authorities are more prudent and more efficient is good politics. This is not just so for the local government elections which will take place next year everywhere, except in London, but in general. By proving that Conservative councils cost people less, it is a relatively easy step to convince them that the same is also true of Conservative governments.

CHRIS PATTEN

LOCAL GOVT: Later Pt 20

