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Treasury Chambers, Parliament Street, SW1P 3AG

n.b. P.M.
BHP
31P.

The Rt Hon Chris Patten MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

14 August 1990

Dear Chris

NEW BURDENS ON LOCAL GOVERNMENT

FILE WITH CAS

Thank you for sending me a copy of your letter of 23 July to Geoffrey Howe summarising the central government initiatives, notified between September 1989 and March 1990, which have resource implications for local government. I have also seen a copy of the Prime Minister's Private Secretary's letter of 24 July, and of Michael Howard's letter of 2 August.

I fully support your view that additional demands on local government should be kept to an absolute minimum. This is important to our aim of encouraging local authorities to restrain expenditure and winning the argument that high community charges are the result of local authorities' own spending decisions, rather than a reflection of burdens imposed by central government. Loading new burdens onto local authorities pushes up their spending and adds to the upward pressure on AEF settlements and the community charge. I have, therefore, been giving careful consideration to how we might best exercise some discipline over the amounts and extent of these burdens, if we are to guard against these pressures.

You suggest in your letter that departments wishing to impose new burdens on local authorities might be required to negotiate additional financial provision with the Treasury. I doubt whether it would be logically consistent with the New Planning Total arrangements to require departments to find offsetting savings for new local authority spending as such. It is central government's support for local spending that we now plan and control.

On the other hand, additional burdens on local authorities do tend to inflate the planning total by causing upward pressure on AEF settlements. So what should we do?

Agree
N.L.P.M.
BHP
3/8

10 DOWNING STREET

Bunny 07.

SS/DOE to Chancellor 6.8.90.

I spoke to Kate Caulfield about the attached exchange. Her view was that the Treasury may well not press their view. If they do not I see no need to trouble the P.M. If they do I warned Kate that while the PM shares Tory concerns about the way councils operate their financial affairs she would be very unwilling to contemplate fresh L.A. legislation in this Parliament

13/8.

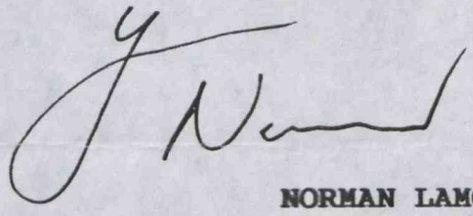
I suggest we look at three ideas. First it would be a useful discipline if colleagues were to ask themselves, before imposing a new burden on local authorities, whether they would be prepared to give up equivalent spending on a central government programme. If they were not, this would indicate that the activity was of a relatively low priority, and colleagues should question whether it needed to go ahead at all.

Second, there is a case for requiring that all policy proposals submitted to a Cabinet Committee clearly identify - and properly cost - burdens on local authorities in terms agreed with your officials, by analogy with the requirement on them to mention financial implications in terms agreed with the Treasury. It would, of course, as now, be for your officials to keep track of these commitments and their cumulative implications for the community charge.

Third, it should be accepted that additional burdens could not be prayed-in-aid to support increases in subsequent year's AEF, or in other expenditure within the planning total, unless colleagues concerned had offered offsetting savings from their own programme.

I would be interested to know your and colleagues' reactions to these ideas.

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



NORMAN LAMONT

LOCAL CALL: Relation PT38