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Treasury Chambers, Parliament Street SW1P 3AG

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

21 September 1990

Dear Chris

**LOCAL AUTHORITY CURRENT: 1991-92 TOTAL STANDARD SPENDING
 DISTRIBUTION BETWEEN SERVICE SHARES**

Following discussion between officials, I am writing to propose a service split of TSS for 1991-92.

2. Officials have agreed that, as last year, three items should be top-sliced from Total Standard Spending of £39 billion. The first is an estimate for capital financing costs next year covering all services. The second is police expenditure, where it has been agreed that standard spending for that service must be consistent with the police specific grant published in the Autumn Statement. The third is teachers' pay, where the figure for the education service share as a whole needs to be consistent with the remit which has been given to the Interim Advisory Committee. I propose an allowance for the increase in teachers' pay of £900 million, which has been discussed by officials and is broadly consistent with the remit which has been given.

3. The remainder of TSS has been divided up pro rata for each of the other main services. Three options are illustrated below which reflect different departmental views on the appropriate starting point to be used, varying from £34.7 billion to £36.6 billion.

4. My own view is that it would be consistent with our general approach to use a starting point of £35.5 billion (option II) which, while not fully endorsing local authority spending decisions this year, goes some way towards taking a realistic account of budgets. This option is a compromise between the interests of different departments. I appreciate that some colleagues would prefer option I, and other option III; but I hope that collectively we can agree that compromise is inevitable, and so settle on option II. I should point out the numbers might be subject to further minor changes reflecting the final decision on the police specific grant and possibly some estimating changes on capital financing, but that need not stand in the way of our decision.

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

Norman Lamont
 NORMAN LAMONT

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LOCAL AUTHORITY CURRENT : 1991-92 TOTAL STANDARD SPENDING
 DISTRIBUTION BETWEEN SERVICE SHARES - OPTIONS

	OPTION 1	OPTION II	OPTION III
Education	17,442	17,467	17,485
Personal Social Services	4,463	4,493	4,514
Police	4,725	4,725	4,725
Fire and Civil Defence	1,020	1,037	1,050
Highway maintenance	1,767	1,782	1,792
Other services	7,460	7,374	7,313
Capital financing	2,122	2,122	2,122

	% increase on budgets	% increase on budgets	% increase on budgets
Education	8.6	8.7	8.8
Personal Social Services	8.1	8.8	9.3
Police	8.6	8.6	8.6
Fire and Civil Defence	5.1	6.8	8.1
Highway maintenance	5.9	6.8	7.4
Other services	5.5	4.3	3.5

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LOCAL GOVT: Relation P738