



n.b. P.M.
BHP 31/10

AS

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30 October 1990

Handwritten signature/initials

LOCAL GOVERNMENT FINANCE 1991-92: AUTUMN ANNOUNCEMENT
AND COMMUNITY CHARGE CAPPING

Thank you for your letter of 26^{at Flap} October in response to mine of 22 October about the effect of your proposed criteria for community charge capping next year. I have seen the comments of the Prime Minister and other colleagues, and in particular John MacGregor's minutes of 23 and 26 October and your response to the earlier one, as well as Norman Lamont's letter of 25 October and your proposed autumn announcement on local government finance.

I do not think you will be surprised to learn that I cannot accept your arguments that the SSA formula for distributing fire provision to individual authorities is not inadequate. I do not think this is the right forum to go into great detail on this question, but I would say that the fact that more options were considered for a fire SSA formula than for any other service does not mean that an ideal solution was eventually found. Rather, it demonstrates the intractable problem of finding a suitable formula, and Douglas Hurd's agreement to the distribution mechanism which was finally adopted was qualified by the comment that "a perfect solution is clearly unobtainable". I would still maintain that the current formula is far from ideal, and that its use to determine the criteria for charge capping would bite unreasonably on fire and civil defence authorities such as West and South Yorkshire. And I remain convinced that single service fire authorities are disadvantaged because, unlike county councils, they have no opportunity to switch resources. County councils' fire SSAs represent only some 3% of their total SSA and so they have a good measure of flexibility. Single service authorities, on the other hand, have none.

Picking up a point from your note of 25 October on John MacGregor's, and my, concerns, you said that capping according to your criteria need not disrupt services and that any disruption would be because of authorities' inability to manage their services. This could not fairly be said in respect of fire authorities. We would not maintain that there is no room for savings but, as I said in my earlier letter, your criteria would require West and South Yorkshire next year to accommodate increased costs, including a pay increase of 9% or more, within increases over this year's budget of 3.9% and 5% respectively. I cannot see that this will be possible without serious cuts in services. Furthermore, there is no evidence that fire authorities are

The Rt Hon Christopher Patten, MP.
Secretary of State for the Environment
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/over...

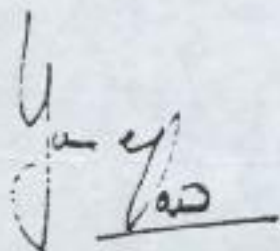
unable to manage their services - in fact independent evidence points the other way. The Audit Commission reported that within the existing constraints of nationally agreed conditions of service (which we are addressing) there were only modest opportunities to secure better value for money, and that in many cases the fire service appeared to be managed notably well.

I turn now to your suggestion that, because the capping criteria you are to issue very shortly are provisional, my misgivings can be addressed when the time comes for actual decisions on capping to be taken. I have to say that I do not find this an entirely acceptable solution. One of the primary aims of announcing the criteria in advance is to encourage local authorities to set budgets at a level which avoids capping. If, for example, South or West Yorkshire were to attempt this they could approach me long before firm decisions on capping were due, seeking approval to reductions in firefighting manpower and appliances which could compromise standards of fire cover. My difficulties in this event would not be eased by the knowledge that the eventual capping criteria might be different and perhaps more relaxed than the publicised provisional ones. Furthermore, although this is essentially a matter for you, it is not clear to me how you could apply criteria at the time of actual capping which were substantially different or less rigorous than your provisional intentions. To do so would run counter to the philosophy of advance warning. It could also leave us open to accusations of bad faith or a lack of even-handedness if prudent authorities which heeded the warning and cut their budgets to avoid capping found that less responsible authorities which ignored the warning were capped less severely, or even escaped capping, due to the actual capping criteria being less stringent than the provisional ones.

Nevertheless, despite these misgivings I am prepared, reluctantly, to agree to accept your undertaking that there will be scope for discussing the problems relating to single service authorities prior to actual capping. In reaching this conclusion I am reassured by the statement in your draft autumn announcement that these criteria are necessarily provisional, and that when you come to make decisions on actual capping you will take into account all appropriate considerations and you might reach different views.

There are, however, two qualifications which I would add. First, I am very concerned that consultation on your provisional capping criteria, which are complex and controversial, have had to be undertaken with such haste. I would hope that between now and the time for actual capping our officials can discuss in a more considered way means by which the problems I perceive for single service fire and police authorities can be alleviated. Second, I would ask that any representations by single service authorities (which will almost certainly be received from fire and civil defence authorities when the provisional criteria are published) are taken fully into account when final criteria and caps are decided.

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

A handwritten signature in dark ink, appearing to be 'J. Lyell', written over a horizontal line.



LOCAL GOVT : Rates Pt 20