PREM 19/2299

MT

PART 31

SECRET

CONFIDENTIAL FILING

Relations between Central and Local Government
Local Authority Expenditure
Local Authority Elections
Abolition of GLC and MCCs
Proposals for a Community charge "Poll Tax"

LOCAL GOVERNMENT

PT 1: May 1979

PT 31: November 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~3.11.86~~		~~29.1.87~~					
~~6.11.86~~		~~5.2.87~~					
~~10.11.86~~		~~9.2.87~~					
~~12.11.86~~		~~11.2.87~~					
~~14.11.86~~		~~18.2.87~~					
~~17.11.86~~		~~12.2.87~~					
~~19.11.86~~		~~18.2.87~~					
~~24/11/86~~		~~23.2.87~~					
~~26.11.86~~		~~25.2.87~~					
~~28.11.86~~		~~3.3.87~~					
~~1.12.86~~		25.2.87					
~~5.12.86~~							
~~8.12.86~~							
~~12.12.86~~							
~~15.12.86~~		PART ENDS					
~~22.12.86~~							
~~31.12.86~~							
~~7.1.87~~							
~~9.1.87~~							
~~16.1.87~~							

PREM 19/2299

PART 31 ends:-

DRN TO PS/LPC 25.2.87

PART 32 begins:-

PS/LPC TO DOE 3.3.87

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(86) 41st Meeting, item 2	11/12/1986
CC(86) 40th Meeting, item 1	05/12/1986
OD(86) 36th Meeting, item 2	06/11/1986

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 21/12/2015

PREM Records Team

CONFIDENTIAL AND CMO (until 23/8/87)

SLH

bc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 February 1987

Dear Joan,

REVIEW OF LOCAL AUTHORITY FEES AND CHARGES

The Prime Minister has seen Mr. Luce's letter of 23 February to the Lord President which discussed the possibility of allowing local authorities discretion to charge for basic library services.

The Prime Minister has reacted strongly against this. She has pointed in particular to the opportunity which public libraries give to everyone for self-education.

I am copying this letter to the Private Secretaries to members of E(LF), Michael Stark (Office of the Minister for the Arts) and Trevor Woolley (Cabinet Office).

Yours,

David.

DAVID NORGROVE

Miss Joan MacNaughton,
Lord President's Office

CONFIDENTIAL AND CMO (until 23/8/87)

ECA

CCBG

OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

Prime Minister 2
DRN
24/2

C87/851

The Rt Hon the Lord Whitelaw CH MC
Lord President of the Council
70 Whitehall
LONDON SW1

No - we must not charge for library services. It is the way open to everyone for self-education. MT

23 February 1987

E(LF) MEETING ON 26 FEBRUARY:
REVIEW OF LOCAL AUTHORITY FEES AND CHARGES

ATTACHED

I see from E(LF)(87)5 that Nicholas Ridley wants to reopen the question of wider charging powers for public libraries services (paragraph 10 of the Paper).

This issue was thoroughly discussed by the Review Group and it agreed to accept my proposals (Annex G(i) paragraphs 26-28 of the Report) to move towards charging for specialised and premium library services, while retaining the free basic library services for the general public. What is already proposed in the Report goes a considerable way towards loosening the constraints on library authorities' abilities to charge, for example for a premium loan service. Nicholas Ridley's proposals, however, go very much further. They would allow local authorities discretion to charge for basic library services. These proposals could be very damaging to us at a politically sensitive time, and would undoubtedly meet stiff resistance from the public and from the library profession.

Only small benefits are likely to arise from such a move to balance against these substantial political risks. The scale of

income arising from charging for basic services is unlikely to make it worthwhile. There would be great pressure for exemptions for students and senior citizens (the main users of the library service) and possibly the unemployed, with all the scope for evasion that would inevitably arise. On the evidence available, it is quite likely that half the existing users of libraries would have to be exempted. It is also likely that many authorities would not take up the discretion given them to charge at all.

Any system of charging for basic services would have serious implications for the library service and its users. It would produce a conflict for library authorities between on the one hand maximising income, and on the other meeting their statutory duty to provide a "comprehensive and efficient service". For instance, library authorities which introduced charges might feel the need to contract reference services in favour of revenue-raising services such as popular pulp fiction. We would then need to recast the stated objectives of the service by fundamental amendment of the Public Libraries and Museums Act 1964, which imposes duties on me to ensure that a comprehensive national library service is maintained.

Although apparently more attractive than mandatory charges, the proposal to introduce discretionary charges is actually the least satisfactory course of all. It seems a recipe for maximum political damage in return for minimum saving in public expenditure. All the blame would fall on the Government: first, initial hostility to what would be described as a licence to destroy our comprehensive national library service, and thereafter a renewed and vigorous campaign against us every time a particular local authority proposed to implement a charging regime. I am therefore opposed to any proposals to charge for basic library services.

If my colleagues want to go further than the Review Group's proposal for charging for specialised and premium library services, I think it would be more profitable to take a wider look at library and information services and the possibility of engaging the private sector more fully in providing them. This would involve an examination of the scope for privatization, more contracting out of services by library authorities, the future of the Net Book Agreement and the future impact of rapid technological developments which are changing both the means of distributing and storing information and the economics of doing so. It would also cover the scope for concentrating public sector resources on the basic services - namely supplying books to individuals - while leaving other demands (audio and video

cassettes, patent documents and the like) to be met entirely by the private sector. This would have to be done in full consultation with all the interested parties and it would be essential to carry the public with us. It should not, in my view, be started while a General Election is in the offing.

Copies of this letter go to the members of E(LF) and Sir Robert Armstrong.

RICHARD LUCE

CONFIDENTIAL

LPO

bc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 February 1987

Dear Robin,

LIVERPOOL

The Prime Minister has seen your Secretary of State's minute of 19 February about the position in Liverpool between any disqualification of Labour Councillors and the Council elections on 7 May.

The Prime Minister agrees most strongly with Mr. Ridley that it would not be right for the Government to intervene in the coming weeks: as Mr. Ridley said, the policy of letting events take their course has served the Government well for the last two years, and the Prime Minister sees no reason to change this policy at this stage.

I am sending copies of this letter to the Private Secretaries to the other members of MISC 109 and to Sir Robert Armstrong.

Yours,

David.

DAVID NORGROVE

Robin Young, Esq.,
Department of the Environment.

CONFIDENTIAL

ECL

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CONFIDENTIAL

CCBA.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NRBM

23rd February 1987

Dear Nicholas,

"PAYING FOR LOCAL GOVERNMENT": PROPOSED 5 PER CENT DISCRETIONARY RATE

Thank you for copying to me your letter of 5 February to Willie Whitelaw. I have also seen at Tab replies from Norman Tebbit, Malcolm Rifkind, Paul Channon, Nicholas Edwards and from David Norgrove at No. 10.

I am not sure whether business appreciated that a 5 per cent discretionary rate would give authorities greater incentive to develop their tax base than the present system, which offsets changes in rates income from this source by grant reductions. However, I recognise that any incentive would be small and I have no objection to dropping the idea of a 5 per cent discretionary non-domestic rate.

Though the general idea of a financial incentive for local authorities to encourage business development is laudable, I think that it will in practice be difficult to design one that is both economic and effective.

I am copying this letter to the Prime Minister and to other members of E(LF), to Peter Walker and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

LOCAL GOVT. Relations PT31



CONFIDENTIAL

CCBG

010

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister'
Agree to endorse this strongly?
DRN 20/2

PRIME MINISTER

Yes
Thanks on
MT

LIVERPOOL

At MISC 109 on 10 February, I was asked to consider the current situation in Liverpool, in particular what is likely to happen during the period between any disqualification of Labour councillors and the Council elections due on 7 May. This minute does that and concludes that we should continue with our policy of "letting events take their course" for the time being.

attached

BACKGROUND

The House of Lords finished hearing on 3 February the appeal by 45 Labour councillors against the certificates of surcharge issued by the District Auditor. Although we have no firm information, the Lords' judgement is unlikely to be delivered before the end of February, and possibly later. If it goes against the councillors, their disqualification will take effect immediately. By-elections must be held within 42 days. If judgements against the councillors were delivered on 3 March, for instance, it could mean by-elections on 7 or 14 April. For four weeks up to 1 April the state of the parties on the Council would be Liberal 34, Labour 13, Conservative 7. This assumes that the Liberals will not themselves resign because of the financial difficulties they will face - described below - in meeting the statutory duty to make a rate by 1 April.

FINANCIAL POSITION

My officials in the Merseyside Task Force support the view which the Bishop and Archbishop expressed to you on 14 January, that an interim Council will be unwilling to attract the odium of imposing a high rate increase. The City Treasurer has forecast expenditure of at least £330m in 1987/88 if present policies are

maintained. This would entail a local rate increase of 60%, some two thirds of which would result from inability to repeat in 1987/88 creative accounting measures used in 1985/86 and 1986/87. Even spending at the rate support grant settlement assumption (£299.5m), which would require savings of £30m, would entail a rate increase of about 12%. If the Liberals take power temporarily, they may well decide to fix a rate increase in line with inflation, but leave the steps necessary to meet the corresponding expenditure figure (£290m) until after the election.

GOVERNMENT INVOLVEMENT

The City Council have not approached me recently for financial help, but we can expect such an approach once the Lords' judgements is delivered. I see no case for giving any reward to the Labour councillors if they should win their case; nor do I believe that it would be sensible to give preferential treatment to a temporary Liberal administration. By taking no action, we would impress upon any interim Council that they were responsible for running the City and for taking decisions about the budget and rate. This would be a period in which the Liberals could demonstrate their ability and responsibility.

After the 7 May elections, we may face more difficult decisions if approached for assistance by a Liberal administration or a more moderate Labour one led by the previous Leader of Merseyside County Council, Keva Coombes. But we cannot be seen to be giving special help to Liverpool to meet problems which are, to some extent, self-inflicted and in substance little different from those of other inner city authorities.

CONCLUSION

The policy of letting events take their course has served the Government well for the last two years, and I recommend we continue it for at least the next few weeks, whilst monitoring the position closely. Liverpool City Council's financial position is notoriously unpredictable. Whichever party controls the City Council after the 7 May elections is likely to seek our help with Liverpool's financial problems. I will obviously need to consider very carefully my response to such an approach.

I am sending copies of this minute to other members of MISC 109 and to Sir Robert Armstrong.

N R

19 February 1987

Mr. Dave Nellist (Coventry, South-East): On a point of order, Mr. Speaker.

Mr. Speaker: I shall take it afterwards.

Local Government Bill

3.54 pm

The Secretary of State for the Environment (Mr. Nicholas Ridley): With permission, Mr. Speaker, I would like to make a statement about the Local Government Bill.

As the House will be aware, the Government had announced that the Bill would include powers to control advanced and deferred purchase arrangements; new powers for local authorities to grant aid housing associations; improvements to the land register system; measures to secure greater competition for council services; measures to stop political abuses of the contractual process; and amendments to the publicity provisions in last Session's Local Government Act.

Due to the time taken to prepare the Local Government Finance Bill, work on parts of the Local Government Bill is running very late. If we were to wait until the last three measures mentioned were completed the Bill could not be introduced for another month or even more. The Government consider that to wait until then to introduce the Bill would make it virtually impossible to secure Royal Assent during this Session.

We have therefore decided, extremely reluctantly, to proceed only with the first three items — deferred purchase controls, local authority grants to housing associations and land register improvements together with minor amendments needed to the legislation governing advanced further education pooling arrangements. The Bill incorporating these items is being introduced this afternoon.

I much regret postponing our proposals for securing greater competition in the provision of local authorities services, for stopping abuses of the contractual processes which many Socialist councils practise, and for improving the legislation preventing political propaganda on the rates. I want to assure the many people who want these proposals enacted that we shall certainly press on with them at the first opportunity, either before, or after, the general election.

Dr. John Cunningham (Copeland): Is this not the third local government Bill in six weeks to be introduced by the right hon. Gentleman? We welcome the fact that he has just announced the abandonment of three major Tory political promises. He has abandoned enforced privatisation of local authority services. He has abandoned legislation to end contract compliance in local government contracts and he has abandoned promises to prevent the use of advertising in the media by local authorities which wish to explain their policies and services to their communities.

Is it not true that a much larger Bill exists in draft form in the Secretary of State's Department? Does he recall authorising the speech by his hapless Parliamentary Under-Secretary of State, the hon. Member for Southampton, Itchen (Mr. Chope) on 4 February which the Department described as "a keynote speech", in which the Under-Secretary of State promised that these very measures which have now been abandoned were soon to be introduced in legislation in the House? What has changed in the two weeks since the Secretary of State's unfortunate ministerial colleague had his speech approved by the right hon. Gentleman?

Is it not a novel technique of Government to blame the administrative incompetence for which the Secretary of

the action taken by the Government undermine the important safeguards that operate in this country for genuine refugees.

Mr. D. N. Campbell-Savours (Workington): On what basis was the British high commission in Colombo able to assure the Minister that these people would not be at risk if they returned?

Mr. Waddington: I am sure that the high commission keeps a close eye on events there. The hon. Gentleman is falling into the trap of his hon. Friend, the hon. Member for Bradford, West (Mr. Madden). The hon. Gentleman is now saying that, even if they are not refugees, we should not return them to Sri Lanka because of the general conditions there. I repeat what I said yesterday. There is no reason to suppose that people who have left Sri Lanka will be ill-treated on their return or that the Sri Lankan Government will take action against them. I am quite sure that our high commission in Colombo knows a lot more about that matter than does the hon. Gentleman.

Mr. Michael Morris (Northampton, South): Is it not a fact that hundreds of Tamils have applied for visas through the British high commission, that they have been granted visas, that there are no queues, that the Tamil community has been contacted by the high commission and asked whether there are complaints, and that there are no complaints? Therefore, is it not extraordinary that these people chose not to apply for visas, unlike their compatriots who applied in the regular way?

Mr. Waddington: I gave the House the figures yesterday. Over 1,000 Tamils in Colombo have been granted visits, either for settlement or for visas here. In the face of those figures, it is quite impossible to mount the argument that we are adopting some sort of oppressive policy towards the Tamils. The figures speak for themselves.

Mr. Jeremy Corbyn (Islington, North): Would the Minister care to remind the House that on Monday afternoon a number of his hon. Members sought stops on the removal of these people, that on Tuesday, after he had refused those stops, outside the terms of the representations agreed by this House, he was informed by the solicitors representing the people due to be removed that they were applying for a judicial review of their case, that he knew that that was going on but that he tried to circumvent the course of justice by hastening their removal from this country? Will he assure the House that in any other case of a political asylum application he will accept a stop from an hon. Member and that he will personally examine the case, as he is required to do, within the terms of the United Nations convention on the status of refugees?

Mr. Waddington: Every case was examined under the terms of the United Nations convention on the status of refugees. We made it quite clear in our statement last October that we would not accept stops in respect of visa nationals who arrived here without visas. We said that there was no change in the arrangements for asylum, but I do not believe for one moment that the House contemplated that a stop would be taken when a claim to asylum was manifestly bogus, and it was never envisaged that we should face the situation that we are facing now, with large numbers of people coming here as a result of well-organised rackets. Finally, far from our not having observed the order of the court, we very swiftly observed it, as the hon. Gentleman knows full well, and took the people who had been loaded on to the plane off it again.

Mr. Roy Galley (Halifax): My right hon. and learned Friend can be assured that the vast majority of the people of this country in all communities, including resident refugees, will support the action that he has taken. We cannot afford an open door policy. We cannot allow our immigration laws to be flouted. We must take the firmest possible steps against fraudulent means to try to enter this country. Will my right hon. and learned Friend assure the House that he will not be deterred on a future occasion, as a result of the irresponsible attitude of the Opposition and of UKIAS, from taking swift and decisive action in similar cases?

Mr. Waddington: I am sure that my hon. Friend is entirely right. As I said yesterday, at least until the middle of last summer, both parties in this House were supposed to be in favour of firm immigration control. There is not the slightest doubt that the overwhelming majority of the people of this country expect us to operate firm immigration control. We should be abdicating our responsibilities if, faced with abuse on this scale, we were just to say, "It is all too difficult; we must listen to the beseechings of hon. Members like those who have spoken this afternoon" and did nothing about it.

Mr. Alfred Dubs (Battersea): Will the Minister confirm that in the Government's White Paper of September 1985 the Government said that there were three safeguards that were relevant at the time to asylum applicants who were refused admission at points of entry — the representations of Members of Parliament, the UKIAS referral procedure and judicial review? Taking together the Minister's statement yesterday, which denied the representations of Members of Parliament and the UKIAS procedure in this instance, and the fact that the Government are seeking to prevent a judicial review, does this not represent a fairly significant change in Government policy, compared with two years ago? In that context, could the Minister say something about the 64 Tamils who arrived and the fact that 58 of them were to be removed yesterday? What has happened to the other six?

Mr. Waddington: They were granted temporary admission, and it was thought sensible to remove those who were in detention first. I should have thought that the hon. Gentleman would be pleased with that decision. I have already said all that it is necessary to say about the representations of Members of Parliament. It was made absolutely plain last autumn that we would no longer accept stops in the case of people who arrived here without visas when they were visa nationals. We said that there would be no change in the arrangements for asylum, but I do not believe that the House contemplated for a moment that a stop would be made when a claim for asylum was manifestly bogus. I do not understand what the hon. Gentleman is saying about a judicial review. If an application were made for a judicial review and the application were granted, we have always taken the view that we should not remove people until the matter has been resolved. The hon. Gentleman now seems to be arguing that in every case when an application is made, before it is even heard, we should not take action. We cannot accept that.

State is now notorious as a cover for the right hon. Gentleman's political misjudgments on these issues? Are not these rather lame and pathetic excuses for the abandonment of major items of Tory policy which the right hon. Gentleman promised to the Conservative party conference? Does the right hon. Gentleman recall saying at the conference:

"Our 'next move forward' is to make local authorities put about eight more services out to competitive tender . . . We will introduce legislation very soon."

Does he recall that these matters were promised to the House in the Queen's Speech? Does he also recall saying in the debate on the Loyal Address that it was his firm intention to legislate on these issues? What has happened to those and many other promises that he made both inside and outside the House to assuage the Right-wing of the Conservative party? Is not the real reason for this major political climb-down the fact that he and his right hon. Friends on the Treasury Bench are running scared of the electoral consequences of undermining thousands of jobs in local government by implementing policies that many of us, and even his Tory colleagues in local authorities, including councillor John Morgan, the Conservative leader of the Association of District Councils, have condemned? Has the right hon. Gentleman been forced to abandon these cherished Right-wing Tory ideas by his right hon. Friends the Patronage Secretary and the Leader of the House, who do not want the business of the House clogged up with contentious legislation?

Is this a recognition of errors of political judgment in local government policy? Is this a principled decision on the right hon. Gentleman's part or is it merely an election expedient?

Mr. Ridley: That long speech would have more sense if the hon. Member for Copeland (Dr. Cunningham) were right in his main assertion that we have abandoned these measures. I made it clear in my statement that they are merely delayed or postponed. I do not want to intrude in the public gloom of the Labour party about its chances at the general election. We shall return to these measures either before the next general election or after it and, as I have said, we shall enact them. The speech of my hon. Friend the Member for Southampton, Itchen, (Mr. Chope), the Under-Secretary of State for the Environment, and my own speech at the Conservative party conference, quite rightly presaged the fact that the measures will be on the statute book either before or after the election.

Mr. John Heddle (Mid-Staffordshire): Will my right hon. Friend accept that, following his statement, there will be widespread disappointment among many ratepayers because of the actions of local authorities that abuse their interests and their money by not putting out services to private competitive tender and waste their money in political advertising?

Has my right hon. Friend considered introducing the clauses in another place? In the meantime, will he ensure that direct labour organisations become more efficient and do not trade at a loss? Will he ensure that every encouragement and incentive is given to local authorities to sell their surplus assets and to enable the realisation of them, to benefit the ratepayers?

Mr. Ridley: I thank my hon. Friend for saying what many millions believe. I wish to assure them through him that the clauses will be brought forward. I think that my hon. Friend will agree with me that to have brought forward a Bill at the end of March that included all the measures that I have referred to with virtually no chance of it reaching the statute book by the end of the Session would have been to disappoint ratepayers even more. There will be widespread disappointment, but those who are disappointed that these measures will not be introduced immediately can have the consolation that supporting the Government will ensure that they come forward after a general election.

Mr. Michael Meadowcroft (Leeds, West): Will the Secretary of State rectify the one omission in his statement and give us the date of the general election? Will he take it from me that the Bill's housing provisions will be supported in many parts of the House if they do not put further constraints on local authorities by requiring the consent of the Secretary of State for further cash to come into housing? We shall wish to judge the housing provisions by the possible alleviation of homelessness. Are the Government not showing a lack of competence by being prepared to promise what will be in Bills that they cannot deliver at the end of the day?

Mr. Ridley: The hon. Gentleman has asked me the date of the general election. According to the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley), an election is imminent because Britain is on the verge of economic collapse. During the week in which he said that the stock exchange rose 65 points, and since then it has risen a great deal higher. I think that later today my right hon. Friend the Chief Secretary to the Treasury will be demonstrating that perhaps the economy can limp on for another few days, weeks, months, or maybe into next year. The hon. Gentleman must ask the right hon. Member for Sparkbrook when he thinks that the economy will collapse.

The hon. Gentleman will see the Bill when it is published this afternoon, and we shall be able to debate the detail of the housing clauses in Committee. I can assure him that the clauses will be favourable in bringing more houses into being for rent within the private sector.

Mr. Robin Squire (Hornchurch): Is my right hon. Friend aware that he will have the sympathy of most Conservative Members for the position in which he finds himself, which is largely not his own responsibility or fault? Is it not fair to say in the meantime to authorities that have not privatised or even tendered out for any service that that option is still open to them and that it would save some money? Secondly, will he confirm, in contrast to a statement made by an Opposition Member from a sedentary position, that far from the Government's policy being deemed unpopular, it is so popular that even NALGO was told recently by MORI that it should not campaign against privatisation because the public were too supportive of it and believed it to be good?

Mr. Ridley: I am grateful to my hon. Friend. I confirm that local authorities can pre-empt the legislation by going ahead and putting their services out to competitive tender right now. If they do so, they will meet one of the other problems about which they have been coming to me a great deal. They have told me that they cannot live within their means without large rate increases, despite the high level of grant that has been paid this year. They will be able

[Mr. Ridley]

to square both problems by going out to competitive tender voluntarily. My hon. Friend is right when he says that NALGO has been advised to drop its campaign against these policies because it was becoming extremely unpopular. For my part, I rather hope that NALGO will continue its campaign.

Mr. Alan Roberts (Bootle): How can the Secretary of State justify dropping proposals for controlling local authority publicity on the ground that the necessary legislation is not sufficiently well advanced in preparation? The same proposals were introduced in a Bill in the previous Session only to be altered and defeated in another place and in this place. Cannot he reintroduce that legislation?

Is not the real reason for taking the course that the right hon. Gentleman has outlined his awareness that interference with freedom of speech in the way that was proposed after the BBC and *New Statesman* fiasco would be unpopular? Is he not clearing the decks to sacrifice Tory councillors for an election on 7 May? A differential turnout in a general election campaign that day would sacrifice Tory local government. It would seem that the Government have written off local government, including Tory councillors.

Mr. Ridley: The previous Bill dealing with political propaganda on the rates was weakened in scope by another place, and the Government undertook to set that right in further amendments. As I have said, those are the amendments that are not yet ready, but we shall proceed to publish the code of practice. It will be available for all local authorities to read and for ratepayers to consider from the point of view of putting pressure on their local authorities to abide by it.

Mr. Ian Gow (Eastbourne): Is my right hon. Friend aware that his statement is as unwelcome to those on the Benches behind him as it is to himself? Bearing in mind his passion for free enterprise, will he look favourably upon the future efforts of those who sit behind him, who may seek to repair the omissions of the parliamentary draftsmen by bringing forward their own clauses that would give effect to his own first intentions?

Mr. Ridley: My admiration of my hon. Friend goes very far. If he can surpass even the skill of the parliamentary draftsmen on this occasion, I am sure that that will be extremely welcome.

Mr. Reg Freeson (Brent, East): Will the Secretary of State please tell us whether he intends to take powers to control and stop local authorities guaranteeing that private finance will go to housing association schemes? It is a simple question; could we have an answer?

Mr. Ridley: We intend to take powers in the Bill to enable local authorities to make contributions to housing associations for projects based on private sector money where they wish to provide houses but cannot afford to do so without grant or at rents that tenants could afford. The right hon. Gentleman will see the details of this legislation in the Bill. He will find it a most valuable way of increasing private rented accommodation without increasing the public sector.

Mr. Patrick McLoughlin (Derbyshire, West): Does my right hon. Friend agree that unions should not oppose this measure, but should welcome it? The measure he has said that he will bring forward to the House in time, if not straight away—and that disappoints many Conservative Members—will lead to lower rates for the ratepayer and a better service throughout our communities. Will he condemn, along with many of my colleagues on the Government Benches, Derbyshire county council's scheme to fight these proposals — which will improve local services—when they come before the House?

Mr. Ridley: I agree with my hon. Friend about the disappointment and about the savings which can be made from competitive tendering. Between 17 and 22 per cent. has been saved in the cost of refuse collection in the areas where councils have taken that action. We have had to stiffen up on the operation of direct labour organisations, which are losing money. We are considering what action to take following a special report on Hackney. My hon. Friend announced today that further requests have been made for special reports from Lambeth and Burnley, and that in future we shall consider action after two consecutive financial failures instead of three. We must insist on higher standards of efficiency from local government, as the hon. Member for Blackburn (Mr. Straw) insisted in an article in a newspaper the other day.

Mr. Nigel Spearing (Newham, South): Will the right hon. Gentleman answer the question asked by my hon. Friend the Member for Bootle (Mr. Roberts)? Are these clauses in draft or are they not? If they are, and the right hon. Gentleman thinks that they are so popular, why cannot they be published to enable the electors to make up their mind in the election of which he speaks?

Mr. Ridley: As I said in my original statement, the parts of the Bill that we are not proceeding with are not yet drafted and that is why we are not proceeding with them and that is why they are not in the Bill. They will not be drafted until a month from now. The only reason why we are not including them in the Bill is that they are not drafted. If they were, they would be in the Bill this afternoon.

Mr. Jerry Hayes (Harlow): Does my right hon. Friend agree that if any heads should be put on spikes they belong to the parliamentary draftsmen? Conservative Member are becoming increasingly alarmed at their degree of incompetence, which knows no bounds. When we finally have the legislation, will my right hon. Friend give an undertaking that there will be a clause putting parliamentary draftsmen out to competitive tender?

Mr. Ridley: My hon. Friend is unfair; I take full ministerial responsibility. I said in the statement, and I repeat, that we did not know at the time of the Gracious Speech that we would have the problem of total expenditure which, as the House will acknowledge, proved to be an exceptionally complex and complicated matter. The truth is—I am not disguising it or blaming anybody —that preparation of the Bill took so much of the time of the skilled draftsmen that the clauses that we are talking about slipped, and that is the reason for our problem. It is not fair to blame the draftsmen.

Mr. Peter Pike (Burnley): Will the Secretary of State admit that the measures that he is deferring are not in the best interests of local government? His Department is more interested in attacking local government. It is the politics of local government with which the Government

are concerned, rather than its efficiency. The efficiency of local government is in serving the people that it represents, and it is far better at that than the Government. Is it not time that the Secretary of State changed direction in his Department, or took the honourable course of action and resigned?

Mr. Ridley: I cannot accept that local government performs efficiently in all cases. There are some extremely efficient councils, but some councils' performances are so grievously inefficient that the House is right to intervene and make them better on behalf of the ratepayers. I should have thought that the hon. Gentleman would share that view, like his hon. Friend the Member for Blackburn. His attitude that it does not matter how inefficient local councils are is extraordinary. The evidence of that inefficiency is in many reports published by the Audit Commission.

Dr. Keith Hampson (Leeds, North-West): Does my right hon. Friend recognise that if he proceeded with clauses to stop propaganda on the rates, he would assuage the feelings, not just of the Right-wing of the Conservative party, but many of us who have to live with that propaganda in places such as Leeds? Ratepayers have been wanting this for a long time. We find it hard to understand why, if there is the will, there is not the way to provide civil servants to draft clauses which my right hon. Friend can bring forward — the necessary clauses, the mere amendments — and which satisfy the requirements that most of us placed on him when we considered the Bill last year.

Mr. Ridley: Those clauses will be brought forward. I say to the many millions of people who would like to see this abuse ended that the return of another Tory Government will secure the matter once and for all.

Mr. Allen McKay (Barnsley, West and Penistone): Will the Secretary of State now answer the question that was put to him? Does he or does he not intend to take powers to stop local authorities moving private finance into housing associations? Has he not proved, once again, that the only fault with local government is central Government and the Department of the Environment?

Mr. Ridley: If the hon. Gentleman studies the Bill, he will discover that no authority is stopped from doing anything that it has done hitherto. In future, consent will be given, subject to certain conditions, for schemes where local authorities seek to assist housing associations or other bodies to provide further private rented housing. What will not be allowed is straight borrowing by local authorities to circumvent the capital controls.

Mr. Spencer Batiste (Elmet): Is my right hon. Friend aware that, although there is considerable disappointment among Conservative Members that the legislation to control the abuses of Left-wing local authorities is not to be introduced immediately, there is, nevertheless, recognition that these councils have in the past left no stone unturned in trying to find loopholes in the legislation? Therefore, it is particularly important that the legislation should be developed carefully and in as watertight a fashion as possible. Can my right hon. Friend confirm that the drafting will continue on these clauses, that they will form a centre point in our manifesto at the next election and that they will be introduced in our first legislative Session in the new Parliament?

Mr. Ridley: I confirm all that my hon. Friend rightly asks me to confirm. That will be done. The Bill contains some carefully drafted means of stopping authorities from borrowing money to maintain a profligate style of life — often at the expense of other authorities and to the detriment of their ratepayers. These measures will do much to contain the extreme Labour councils that are becoming such a menace in our society.

Mr. Dennis Skinner (Bolsover): Is it not becoming clear, as a result of the exchanges in the past few minutes, that what this measure is about is stopping the work of local authorities, which somehow or other, have managed to build a few houses in the public sector during the past few years — despite the Government's attacks, the cuts in rate support grant and all the other efforts that they have made to stop local authorities building bungalows for pensioners and disabled people? This action will prevent local authorities from doing the job that they have been doing on a minimal basis because of Government interference. They will be able to do less than before. Instead of being able to build to about the figure of 20 per cent. in the public sector—as opposed to 100 per cent. in 1979—it will be down even further.

Mr. Ridley: On the contrary, what matters is the total number of houses. The measures in the Bill will enable local authorities to contribute to more houses being built by using private capital for the community.

Mr. Edward Leigh (Gainsborough and Horncastle): Does my right hon. Friend agree that many Conservative-controlled authorities — notably Lincolnshire — have made considerable savings by contracting out? Does not this unfortunate slippage make it even more important for voters and ratepayers in Labour-controlled areas to work for a Conservative victory to ensure that the creative accountancy carried out by Labour authorities is not copied by a Labour Government intent on national bankruptcy?

Mr. Ridley: My hon. Friend is entirely right. I hate to put it this way, but the enactment of these measures would remove a major incentive for people to vote for another Conservative Government. We shall enact them as soon as Parliament resumes.

Mr. Jack Straw (Blackburn): A few moments ago, the Secretary of State sought to justify his incompetence and misjudgments in leaving these three major Conservative promises out of the Bill. Does he recall saying that he did not know at the time of the Gracious Speech of the problems of total expenditure? Does the right hon. Gentleman not recall that the Gracious Speech was on 12 November? He admitted to the House on 16 December and 12 January that he knew by the end of September of the problems of total expenditure and of the need for a local government finance Bill and that he had received the Attorney-General's advice on the matter by the end of October—a good fortnight before the Gracious Speech. In those circumstances, has not the Secretary of State just misled the House? Should he not withdraw what he said?

Mr. Ridley: The hon. Gentleman is trying to make a great deal out of that. May I just take him through what happened? My right hon. and learned Friend the Attorney-General gave us his advice at the end of October

[Mr. Ridley]

that we would need to legislate. That is right. The process of drafting the Local Government Finance Bill took until the middle of December.

Mr. Straw: The right hon. Gentleman knew that.

Mr. Ridley: If the hon. Gentleman would let me reply, he would have better manners. It took six weeks to master the intricacies of what had to be done on the Local Government Finance Bill. The hon. Member for Blackburn and his hon. Friends will know how complicated the legislation was and how difficult they found it to understand the legislation. If I may pass Labour Members a compliment, I do not think that they understand it now. This shows how difficult the matter was.

At the time of the Gracious Speech, the sheer effort and complications involved in introducing the Bill, which, after all, was for the benefit of local authorities in the sense that they could not have received rate support grant without it, caused a delay—I admitted that in my statement—in the preparation of part of the Local Government Bill, with the consequent results which I have put before the House.

Several Hon. Members *rose*——

Mr. Speaker: Order. I shall call the three hon. Members who have been rising regularly. I ask them to be brief.

Mr. Michael Fallon (Darlington): Will my right hon. Friend complete this exhilarating, forward-looking and visionary statement by saying exactly how much might have been saved for ratepayers and taxpayers in a full year by the ending of a monopoly in these eight areas of local government? Can my right hon. Friend say when this legislation will be introduced?

Mr. Ridley: It is difficult to put a figure on the amount saved. The Audit Commission is to publish a paper soon which will give an estimate of the savings. In one service alone—refuse collection—there could be between 20 per cent. and 30 per cent. savings. Any local authority that wishes to make savings of that order can do so now, but many do not wish to do so. I cannot forecast when we shall be able to come forward with the other measures, but it will be as soon as there is a clear opportunity for them to proceed on to the statute book.

Mr. John Mark Taylor (Solihull): Does my right hon. Friend agree that the most important improvement required for the local government land register is that registration should be compulsory? Does he agree that the register will not work properly until it is?

Mr. Ridley: My hon. Friend will see in a schedule to the Bill the powers which are taken. I think that he will find that these will greatly assist my officials to ensure that land that is not used by local and public authorities is quickly brought on to the market.

Mr. Tony Favell (Stockport): It will not have escaped my right hon. Friend's notice that the Labour party wants the country to believe that he is conducting a vendetta against the whole of local government. Will he confirm that he is after the crackpot councils, not the responsible ones, such as Stockport, which spend about half as much per head of population as neighbouring Manchester?

Mr. Ridley: I confirm that many local authorities are extremely well run. It is when the Labour party gets control of local authorities that the trouble starts. That is another reason why Labour will never win control and form the Government.

BALLOT FOR NOTICES OF MOTIONS FOR FRIDAY 6 MARCH

Members successful in the ballot were:

Mr. Tom Cox.
Mr. John Carlisle.
Mr. Derek Spencer.

BILL PRESENTED

Local Government

Mr. Secretary Ridley, supported by the Prime Minister, Mr. Secretary Edwards, Mr. Secretary Baker, Mr. John MacGregor and Dr. Rhodes Boyson, presented a Bill to amend Parts VIII and X of the Local Government, Planning and Land Act 1980; to authorise and regulate the provision of financial assistance by local authorities for certain housing purposes; to make further provision about the adjustment of block grant in connection with education; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 79.]

2765/007

CONFIDENTIAL

CYBG
Q

018

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

R Young Esq
Private Secretary to the
Secretary of State
for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

NBPR

17 February 1987

Dear Robin,

STATEMENT ON LOCAL AUTHORITY DEBT

The Chancellor and the Chief Secretary have seen the draft statement attached to your letter to David Norgrove of 16 February.

WITH DRN

They would like the statement to be re-ordered, with one excision. I attach a possible revised draft answer.

I am copying this letter to David Norgrove at No 10.

Yours,

Jill.

JILL RUTTER
Private Secretary

2765/014

CONFIDENTIAL

REVISED DRAFT ANSWER

A local authority's debt and its creditworthiness have always been its own responsibility. The Government does not stand behind local authority debt. The great majority of local authorities understand the importance of maintaining their creditworthiness and behave in accordance with the rules of financial good practice.

All loan debt is a statutory charge on all the revenues of an authority. If a local authority were to default, creditors - including those who have provided finance for authorities under arrangements such as deferred purchase schemes which do not legally constitute borrowing - might have to take action in the Courts to recover their money. The Public Works Loan Board could not lend to an authority which chose to act illegally or which appeared unable to service and repay the debt, even under its lender of last resort facility.

CCBO

Y [redacted]WYDDFA GYMREIG
[redacted]WYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-2706106 (Direct Line)

From The Secretary of State for Wales

17 February 1987

Dear Nick

NBPR

"PAYING FOR LOCAL GOVERNMENT" - PROPOSED DISCRETIONARY NON-DOMESTIC RATE

Thank you for copying to me your letter of 5 February to Willie Whitelaw. As in England and Scotland, no great enthusiasm has been shown for the proposal in Wales, and I am content that it should be dropped.

I am copying this letter to members of E(LF), Peter Walker and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

LOCAL GOVT
RELATIONS
PT 31



SECRET

file 16 DTS.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 February 1987

Dear Brian,

LOCAL GOVERNMENT BILL

The Prime Minister has seen your letter to me of 16 February, to which was attached a draft statement to announce that certain provisions would be dropped from the Local Government Bill.

The Prime Minister was generally content with the draft statement. However, she felt it would be preferable to drop the phrase "and the diversion of effort required" from the explanation in the first sentence of the second paragraph of the reasons why the Bill is to be shortened. She felt this phrase would be an own goal and that the point is anyway subsumed in the reference to the time taken to prepare the Local Government Finance Bill.

I am copying this letter to Joan MacNaughton (Lord President's Office), Steven Wood (Lord Privy Seal's Office), Murdo MacLean (Chief Whip's Office), Rhodri Walters (Chief Whip's Office, Lords) Andrew Lansley (Chancellor of the Duchy's Office), Jill Rutter (Chief Secretary's Office), Rob Smith (Department of Education), Robert Gordon (Scottish Office) and Jon Shortridge (Welsh Office).

Yours,
David.

D R NORGROVE

B. H. Leonard, Esq.
Department of the Environment

SECRET

CONFIDENTIAL

DAS

file (47)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 February 1987

LOCAL AUTHORITY DEBT

The Prime Minister has seen your letter to me of 16 February, to which was attached a draft answer to publicise the fact that the Government does not stand - and has never stood - behind local authority debt. The Prime Minister is content with the draft and indeed thought it a good reply.

I am copying this letter to Alex Allan and Jill Rutter (HM Treasury).

D R NORGROVE

R.U. Young, Esq.
Department of the Environment

CONFIDENTIAL

SECRET

ORIGINAL. CC BI. 15.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

16 February 1987

Prime Minister!
Content with this statement?
DRN 16/2

Suggest one deletion (see overpage) No need to make this point - it is subsumed in the wine later. The other phrase would be an own-goal not

Dear David,

LOCAL GOVERNMENT BILL

Following the discussion at Cabinet last week the Local Government Bill will be considered at L Committee tomorrow and, subject to that, introduced in the House of Commons on Wednesday.

As agreed, my Secretary of State will make a statement on Wednesday, which will be repeated in the House of Lords. I attach a copy of the draft for the statement on which I should be grateful for urgent comments.

I am copying this to Joan MacNaughton (Lord President), Steven Wood (Lord Privy Seal), Murdo MacLean (Chief Whip), Rhodri Walters (Chief Whip, Lords), Andrew Lansley (Chancellor of the Duchy), Jill Rutter (Chief Secretary), Rob Smith (Education), Robert Gordon (Scotland) and Jon Shortridge (Wales).

Yours
Brian Leonard.

B H LEONARD
Private Secretary

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SECRET ORIGINAL

LOCAL GOVERNMENT BILL - DRAFT STATEMENT

With permission, Mr Speaker, I would like to make a statement about the Local Government Bill. As the House will be aware, the Government has announced that the Bill would include: powers to end advanced and deferred purchase arrangements; new powers for local authorities to grant aid housing associations; improvements to the land register system; measures to secure greater competition for council services; measures to stop political abuses of the contractual process; and amendments to the publicity provisions in last session's Local Government Act.

Due to the time taken ~~and the diversion of effort required~~ to prepare the Local Government Finance Bill, work on parts of the local Government Bill is running very late. If we were to wait until the last three measures mentioned were completed the Bill could not be introduced for another month or so.

The Government consider that to wait until then to introduce the Bill would make it virtually impossible to secure Royal Assent during this session.

We have therefore decided, extremely reluctantly, to proceed with the first 3 items, together with minor amendments needed to the legislation governing further education pooling arrangements. The Bill is being introduced this afternoon.

SECRET

Original.

I much regret postponing our proposals for securing greater competition in the provision of local authorities services, for stopping abuses of the contractual processes which many Socialist councils practice, and for improving the legislation preventing political propaganda on the rates.

I want to assure the many people who want these proposals enacted that we will certainly press on with them at the first opportunity, either before, or after, the election.

CONFIDENTIAL

CCBG
CCBI

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Prime Minister!
Content with this answer?
DCN 16/2

16 February 1987

Yes good reply
MT.

Dear David,

At MISC 109(87)1st meeting it was agreed that an early statement should be made to publicise the fact that the Government does not stand - and has never stood - behind local authority debt.

My Secretary of State feels that there would be advantage in inspriring a PQ on the subject in the course of this week. It could then be drawn on, and repeated, by the Prime Minister and others at suitable opportunities.

I am copying this to Alex Allan and Jill Rutter in the Treasury and I would be grateful if you and they could let me have any comments on this approach and on the attached wording, which has been discussed at official level with Treasury and the Treasury Solicitor.

Yours,

Robin.

R U YOUNG
Private Secretary

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CC(87)6

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

13 February 1987

The Rt Hon Viscount Whitelaw, CH, MC
Lord President of the Council
Privy Council Office
Whitehall
London SW1A 2AT

Dear Willie,

PAYING FOR LOCAL GOVERNMENT: PROPOSED 5% DISCRETIONARY NON-DOMESTIC RATE

I have seen Nicholas Ridley's letter to you of 5 February in which he seeks colleagues' agreement to drop the proposal that local authorities should, under the new system of local authority finance, have a power to levy a small discretionary local non-domestic rate.

In view of the lack of support for the proposal in the consultation period, and the general opinion that the vast majority of authorities would levy the maximum 5% rate almost as a matter of course, I am content for the proposal to be dropped.

I am copying this letter to members of E(LF), to Peter Walker and to Sir Robert Armstrong.

Yours,

PAUL CHANNON

JG5ANG

999-1

LOCAL GOVT Relations PT31



SECRET AND PERSONAL

14

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

12 February 1987

Dear Nicholas

LOCAL GOVERNMENT BILL

Thank you for your letter of 11 February, which we have discussed. I agree with your proposals for the Bill to include items 1-3 and 5 (land registers) from the note attached to your letter of 4 February. I also explained to you why I do not think it would be feasible to include some provision on the Code of Practice on local authority publicity, and you accepted this.

I am sending a copy of this letter to the Prime Minister, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster and the Chief Whip, Commons.

Yours

The Rt Hon Nicholas Ridley MP

SECRET AND PERSONAL

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 February 1987

Dear Robin,

"PAYING FOR LOCAL GOVERNMENT";
PROPOSED DISCRETIONARY NON-DOMESTIC RATE

The Prime Minister has seen your Secretary of State's letter of 5 February to the Lord President which proposed that the idea of a 5 per cent discretionary non-domestic rate should be dropped and that a uniform business rate should be retained everywhere. Subject to the Lord President's views and those of other colleagues, the Prime Minister would be content for this change in the proposals to be made.

I am copying this letter to the Private Secretaries to members of E(LF), Geoff Dart (Department of Energy) and Trevor Woolley (Cabinet Office).

Yours,

David.

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

CONFIDENTIAL

Prime Minister

Agree that the 5% discretion should be dropped, and to ask Mr Ridley to consider the Policy Unit proposal below in its place?

DRN 11/2

Yes MT

No - it would suffer from the same drawbacks indicated at *.

MT

PRIME MINISTER 11 February 1987

PROPOSED 5% DISCRETIONARY NON-DOMESTIC RATE

'Paying for Local Government' proposed allowing local authorities discretion to levy a non-domestic rate of up to 5% of the national uniform business rate. The aim was to give local authorities some incentive to encourage commercial and industrial development in their area. In his letter of 5 February to the Lord President Nicholas Ridley says that he wants to drop this proposal for the following reasons:

- there will be little advantage to the local business community in maintaining links with the council if all that is at stake is 5% of their rate bill;

- the maximum benefit that local authorities will gain from attracting even the biggest development is likely to be at most 1% off the community charge;

- because of wide variations in rateable values for similar types of development between areas, the effect on the community charge of levying the maximum discretionary rate would vary substantially from area to area, weakening accountability in an area with high rateable values;

- the proposal attracted negligable support during consultation.

There should be some incentive to encourage local authorities to welcome development. Otherwise decline will be hastened in inner city areas where local authorities are hostile to commercial activity. But Nicholas Ridley is right to say that the 5% proposal gives local authorities little incentive since they gain at most 5% of the increase

in rate income from new development. Instead, the local authority should receive all the rate income from new development for a limited period, say five years. The rate charged would be the national business rate, so local authorities would have no opportunity to price out new businesses, but there would be a powerful incentive for them to encourage and continue encouraging new business activities. This idea should be administratively feasible because new developments have to be freshly assessed by the Valuation Officer and could then be put on a separate valuation list for a limited period.

Conclusion

We support Nicholas Ridley's proposal to abandon the 5% discretionary rate. But there should be an incentive for local authorities to encourage new business development. They should therefore be allowed to keep the rate income from new business developments for a limited period, say five years.

Peter Stredder

PETER STREDDER

CONFIDENTIAL

P 02498

From: J B UNWIN
11 February 1987

SIR ROBERT ARMSTRONG

cc Mr Langdon
Mr Monger
Mr Roberts

LOCAL AUTHORITIES: FOLLOW-UP TO MISC 109

For the record, I have discussed the follow-up to yesterday's MISC 109 meeting with Mr Heiser and his team.

2. We agreed that:-

(i) DOE would prepare a minute on Liverpool for Mr Ridley to send to the Prime Minister as soon as possible. It seems sensible to handle this separately;

(ii) DOE will perpare a wider ranging paper for consideration by MISC 109 in about a month's time. This will pick up the points in the MISC 109 discussion, concentrating on the Northern Ireland analogy, particularly in relation to key services like housing, personal social services and education (although the last is not, of course, relevant to the London boroughs). In practice this will be another variant of putting in Commissioners, but we agreed that it would be sensible to devise a scheme that could either be introduced after financial collapse (the "5 minutes past midnight" situation), or prior to such collapse if particular sevices were seen to be breaking down. The paper should also include some facts and numbers so as to give Ministers a better idea of the financial and other implications of what might be in involved.

3. The responsibility is squarely on the DOE, in consultation with the other Departments mainly concerned, to produce this material, but we shall keep closely in touch with them.

J B UNWIN

10 DOWNING STREET

DW

This is the letter -
eventually found.

DR.

DN.

Agreed in Cabinet
Items 1-3 + 5. Oral
statement probably next
Thursday. Total secrecy
before then.

NLW

C-138

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

NBPM

CONFIDENTIAL

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

11 February 1987

Dear Nick,

"PAYING FOR LOCAL GOVERNMENT"
LOCAL 5% DISCRETIONARY NON-DOMESTIC RATE

Thank you for copying to me your letter of 5 February to Willie Whitelaw and E(LF) colleagues. I welcome your proposal and am readily able to agree for my interest that we should drop the idea of a local 5% discretionary rate of non-domestic properties.

As in England, consultation in Scotland revealed that this proposal had no friends. An additional point against, not mentioned in your letter, was made by business interests here who pointed out that retaining a 5% local discretion would make it much easier for a future less sympathetic Government to reintroduce substantial locally-fixed property taxes upon the wealth-creating sector by simply amending the 5% figure upwards.

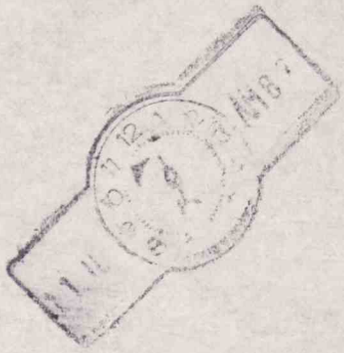
I am sending copies of this to members of E(LF), to Peter Walker and to Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

CML04104

LOCAL GOVT: Relations : Pt 31



SECRET AND PERSONAL

010

DOE COPY 1 OF 5

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

13

My ref:

Your ref:

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

11 February 1987

Dear Willie

LOCAL GOVERNMENT BILL

Since our discussion last week, and your subsequent discussion with the Prime Minister, I have considered further which provisions should be retained in the shortened Local Government Bill. My conclusion is that it will be easier to explain the decision to drop the competition and contracts provisions if the Bill is confined to those items which are essential or politically attractive to our supporters.

File with DRN

On that basis I think the Bill should include items 1-3 from the note attached to my letter of 4 February (copy attached), which are essential, and item 5 (land registers) which is politically attractive. But we should not include items 4, 6 or 7. Item 4 is a Department of Employment provision to put right an omission in the Local Government Act 1985, and we might consider introducing that during the Bill's passage if it is within scope. Item 6 is a Scottish provision which in my view is desirable but not essential. Item 7 fulfils promises made to Parliament, some of which date back to 1979 - again the provisions are desirable, but we can hardly say that it is essential to enact them this session.

I think it is also worth considering including part of item 8 - the provision to reinforce the status of the Code of Practice on publicity following our defeat on this last session. This would again be popular with our back benchers, although I appreciate that including it would add to the difficulties of securing Royal Assent by the summer, and could cause particular problems in the Lords.

I am sending copies of this letter to the Prime Minister, John Biffen, Norman Tebbit and John Wakeham.

I would be very happy to discuss if you wish. This will be a difficult situation to handle.

Yours ever
Nicholas

NICHOLAS RIDLEY

This is 100% recycled paper

COPY 1 OF 5

LOCAL GOVERNMENT BILL - CONTENTS

(1) Advanced and Deferred Purchase Provisions

(2) Revenue Grants to Housing Associations, the "Sheffield" provisions

(3) Closure of the further education pool

(4) Contracts between ILEA and MSC

(5) Land Registers

(6) Commission for Local Authority Accounts

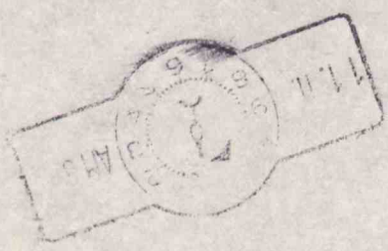
(7) Local Ombudsman

(8) Local Authority Publicity

(9) Non-Commercial Contract Conditions

(10) Competition

LOCAL GOVT: Relations: PE31



CC BLYP

CONFIDENTIAL

P 02487

MR NORGROVE

MISC 109(87) 1st Meeting:
Local Authorities' Solvency

There is a further point on Mr Ridley's paper that I should draw to the Prime Minister's attention.

2. Paragraph 17(ii) invites the Group to agree that the Attorney General should consider bringing one or more test cases against authorities who could be in breach of their fiduciary duty to their rate payers. The Law Officers' Department have contacted us today to stress that in considering public interest cases the Law Officers act independently, and are not subject to collective responsibility. The Solicitor General believes that it would be quite inappropriate for the Group to seek to guide him on the desirability of action being taken against local authorities, or to discuss particular cases. The furthest he is likely to be prepared to go is to indicate to the Group as a matter of information the general principles which the Law Officers would apply in considering any cases which Ministers (or indeed ratepayers) might draw to their attention.

3. The Prime Minister will wish to bear this in mind in conducting the discussion. I suspect, however, that the Law Officers' Department are being a little oversensitive. Of course their judgement on whether to bring a case must be independent and seen to be so; but equally there is nothing to prevent Ministers individually or collectively making their own views and conclusions known to them.

J B UNWIN

9 February 1987
Cabinet Office

010

SECRETARY OF STATE FOR EDUCATION AND SCIENCE

2

P.M. I have asked for X.

DCS 9/2

This advertisement appears in Country Life this week. It's an offer for sale of the former County Hall of West Yorkshire. It's a good postscript – Abolition in action!

X | We ought to calculate the full amount of public assets which we have transferred to private ownership since 1979.

K.J.





COUNTY HALL WAKEFIELD

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Telephone: 01-629 6290

On instructions from British Waterways Board



Merriman House

14 Frome Road, Bradford-on-Avon, Wiltshire

For sale by public auction unless sold previously on 3rd March 1987 at 3.00pm.

The Francis Hotel, Queen Square, Bath.

JP Sturge Chartered Surveyors & Sons

2 Wood Street, Bath BA1 2JG
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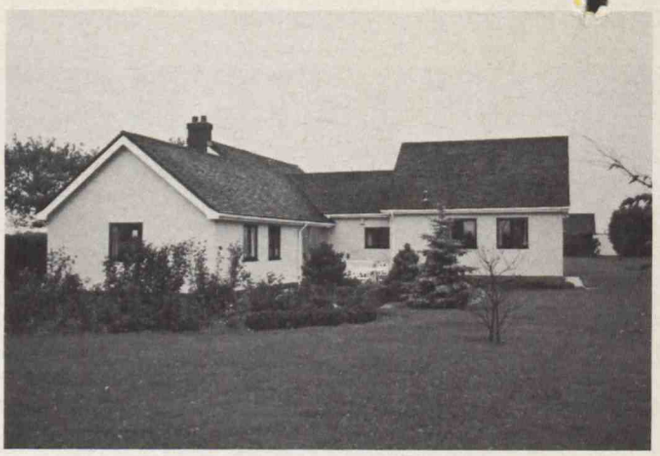

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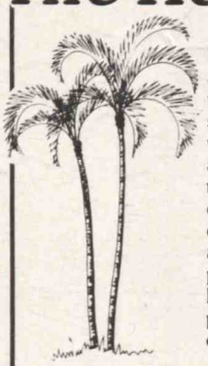

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CC B/UP

PRIME MINISTER **9 February 1987**

MISC 109

You are meeting to discuss Nicholas Ridley's paper about what the Government should do now faced with the likelihood that a number of local authorities will become insolvent in the next two years.

Background

A number of Labour Local Authorities are managing to maintain expenditure levels only by using creative accounting devices such as deferred purchase, sale and lease back, and capitalisation of maintenance expenditure. The full revenue consequences of these devices do not flow through into the rates for some years but when they do these authorities will face collapse because rate capping will not allow them to levy a sufficient rate to meet their obligations. The first collapse could come this Spring but is more likely in 1988-89. Nicholas Ridley's paper considers what the Government should do in the period up to collapse and in the event that it occurs in one or more.

Tactics

The Government would be playing into the hands of its opponents if it was seen to be actively promoting the collapse of these local authorities. It needs to tread a careful path between, on the one hand, refraining from action which deliberately promotes collapse whilst on the other hand protecting the interests of the ratepayers and lenders to the local authorities concerned. It also needs realistic proposals for tackling the position when the crisis eventually materialises. Nicholas Ridley's proposals appear to meet these requirements.

Proposals

The most important element in these is to prepare realistic arrangements for dealing with a crisis when it occurs. At present, the only mechanism is to put Commissioners in. This is an unsatisfactory remedy both because the Commissioners would face a difficult task in the face of opposition from staff and trade unions and because their appointment would encourage continued irresponsibility by the local politicians. We therefore strongly support Nicholas Ridley's proposal to develop an alternative mechanism, on the IMF model, which would appoint "overseers" to prepare with the local authority a stringent plan for recovery, in return for some easing of Government constraints. If local authorities refuse to co-operate there is no alternative to eventual imposition of Commissioners but there are clear advantages in trying to see local authorities themselves to put their own house in order.

In particular we support the proposal to close off new creative accounting devices and prepare longer term measures to prevent a similar situation arising in future. It is also right that the Government should make clear that it does not stand behind local authority debt. Whilst we doubt the wisdom of the Attorney General initiating proceedings for breach of fiduciary duty against the worst offenders for the reason stated above and because of the outcome would be uncertain, we see no objection to the Attorney considering this proposal further.

Conclusion

We support the measures set out in Nicholas Ridley's paper.

Peter Stredder

PETER STREDDER

010

CONFIDENTIAL

cc: BG/
B/UP

Prime Minister

MINISTERIAL GROUP ON LOCAL AUTHORITY CONTINGENCIES

I am sorry that I cannot be present tomorrow to consider MISC 109(87)1.

2. The situation created by these highly irresponsible hard left councils is worrying and I am interested in the Secretary of State for the Environment's proposals to deal with the financial imprudence of some local authorities. Taking account in particular of my interest in inner city policy and public order, I should want Home Office officials to be closely involved in their further development. I have no comments at this stage to make on his proposals.

3. I am copying this to the other members of MISC 109.

Douglas Hurd.

9 February 1987

CONFIDENTIAL

CONFIDENTIAL

cc BG

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

9 February 1987

Robin Young Esq
Principal Private Secretary to the Secretary
of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

NSBM

Dear Robin,

"PAYING FOR LOCAL GOVERNMENT": PROPOSED 5% DISCRETIONARY NON-DOMESTIC RATE

The Chancellor of the Duchy has seen your Secretary of State's letter of 5 February to the Lord President. He agrees that the proposed 5% discretionary rate should be dropped, as your Secretary of State advocates.

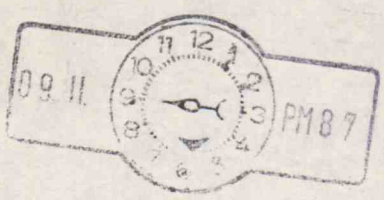
I am sending a copy of this letter to the private secretaries to members of E(LF), the Secretary of State for Energy and to Sir Robert Armstrong.

Yours Sincerely,

A. Lansley

ANDREW LANSLEY
Private Secretary

LOCAL GOVT Relations PT31



SUBJECT cc MASTER

SECRET AND PERSONAL

File

SW 11

12

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

9 February 1987

Dear Joan,

LOCAL GOVERNMENT LEGISLATION

The Prime Minister discussed with the Lord President and the Lord Privy Seal this morning their minute of 6 February about the Local Government Bill. The Chancellor of the Duchy and the Chief Whip were present.

It was agreed that the Bill should be pruned as proposed in the minute, though the provisions listed in points 3-7 in the annex should if possible be retained. The public explanation for pruning the Bill would be that it was a difficult and complicated measure involving complex drafting which would have a chance of being passed this current Session only if the complex items, on local authority public contract conditions and competition, were dropped. It could be made clear to Government backbenchers, disappointed with the dropping of these provisions, that the worst possible course for the Government would have been to have brought forward the controversial clauses and for it to be found that they were not right.

I am sending a copy of this letter to Steven Wood (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster), Murdo Maclean (Chief Whip's Office), and Robin Young (Department of the Environment).

Yours ever,

Nigel Wicks

N L WICKS

Miss Joan MacNaughton,
Lord President's Office

SECRET AND PERSONAL

CONFIDENTIAL

P 02484

PRIME MINISTER

Local Authorities
Creative Accounting and Financial Prudence
Flag A – MISC 109(87) 1

DECISIONS

1. The meeting provides an opportunity to discuss the Government's stategy towards those local authorities facing possible financial collapse. In particular, the Group will wish to consider whether:

a. In the Immediate Future:

i. The Government should indicate (and if so, how) that it does not underwrite local authority debt;

ii. the Law Officers should consider launching test cases against imprudent authorities; and

b. For the longer-term

iii. to commission work on the possibility of appointing "overseers";

iv. to study other longer-term measures to close off creative accounting and to stop authorities getting into dangerous situations.

BACKGROUND

2. On 11 December the Secretary of State for the Environment reported to the Cabinet that two or three dozen local authorities

CONFIDENTIAL

had borrowed significant amounts of money through various 'creative accounting' devices designed to avoid the financial disciplines that the Government had imposed. The servicing of these debts would cause problems for the future. He anticipated that the situation might become unmanagable in about the Spring of this year. You therefore invited him to bring forward a paper (CC(86)41.2).

THE ISSUES

3. The Group will wish to assess first how serious the problem has now become, and establish the most likely timescale for further developments. It will then be necessary to consider

- first any action which the Government should take immediately to seek to prevent any further deterioration;
- second, what actions the Government might take when the collapse of an authority is imminent; and

- third what improvements can be made in the local government finance system to prevent such situations arising again.

The Problem

4. The Secretary of State has identified eight London authorities facing substantial funding gaps which have been financed in the past by creative accounting. These are the same authorities identified as 'Group A' in the recent Audit Commission Report, which were found to be set on a course which will lead to financial and management breakdown, and whose internal management and efficiency was contrasted unfavourably with other similar London and Metropolitan boroughs (most Labour controlled). The Audit Commission found that the Group A authorities were spending well above their income from rates, grants and charges, and that this gap had been financed by drawing down financial reserves, borrowing to meet maintenance costs which would traditionally have been treated as revenue expenditure, and by deferred purchase

schemes amounting to £550 million. They estimated the extent of the funding gap in 1987/88 to be close to £300 million, representing some 30 per cent of their 1985/86 revenue expenditure.

Timing

5. This is still very uncertain. The first collapse could occur in Spring 1987 when a budget has to be drawn up; or later during 1987/88 when an authority might run out of money; or not until 1988. The Government must obviously be ready for the worst, but, the experience in Liverpool in 1985 suggests that authorities can get by for many months despite not having a balanced budget, and Mr Ridley's assessment, which appears to be shared by some of the Labour authority leaders, is that the crisis is more likely to be later than sooner. The Group will wish to explore this with him, but if his judgement is accepted then there is some time to prepare contingency measures.

Immediate Steps

6. The Government will, however, need to consider whether any immediate action is necessary. Mr Ridley suggests first that the Government should close loopholes in the accounting system (paragraph 6). You will no doubt wish to endorse this as a general objective, though Mr Ridley may be too optimistic in suggesting that it may be feasible to enact a widely-drawn power that then operates through subordinate legislation. So far, the definitional problems of this idea have proved insuperable. But there is clearly no harm in looking at the matter again.

7. Beyond that, he has two proposals (paragraph 8 and 9):-

(i) First, he suggests that he should issue a clear statement that the Government does not stand behind local authority debt. The Government has never previously done so (although the issue has probably never been in question before), but it can be argued that this would fire a

warning shot to attract the attention of some potential lenders. In practice, the authorities would still be able to borrow, but probably at a higher price. A declaration might therefore have limited practical effect, but would help to focus public attention on the responsibility of the councils for managing their own affairs. On the other hand, in so far as it did bite, it would enable the authorities to argue that the Government had raised the cost of money for them and thus exacerbated their difficulties. You will in any case need to decide whether the Environment Secretary should deliberately take the initiative in making such a statement or whether he should, so to speak, just "let it out" if a suitable context arose.

(ii) Mr Ridley also suggests that the Law Officers might bring test cases against authorities that are in breach of their fiduciary duty to their rate payers. This would need to be on a particular issue (eg an unrealistic budget, or an imprudent loan) and would bring into sharp focus the confrontation between Government and the authority concerned. So long as the Govenment's case was successful (and there could be no guarantee of this) such a maneouvre would serve either to force the council concerned to back down on that issue, or alternatively to defy the Court and face the penalties for contempt. It would therefore serve to bring the issues to a head, and the Government would have to be careful to choose a test case on which it could clearly demonstrate to the public the rightness of its position.

8. I understand that the Law Officer can envisage circumstances in which it might be right to undertake such action, although no concrete cases have yet occured. You will wish to hear the Solicitor General's views on this in more detail.

The Longer Term

9. The Government will need to have plans made in case a crisis does occur.

10. The ultimate response to the failure of a local authority would have to be the imposition of Commissioners. However, as the Group recognised in the Liverpool context this is very difficult: emergency legislation would be needed; local democracy would be removed; and considerable chaos could follow, which rightly or wrongly would be blamed on the Government. Mr Ridley has therefore considered measures short of installing Commissioners which might avoid the ultimate collapse. He has two proposals:-

(i) First, he suggests that a tighter statutory framework might be set up, under which authorities acting in an imprudent way - as defined by a system of financial ratios - would lose some of their powers - eg they might require the Secretary of State's consent for each tranche of borrowing. This would result in the responsibility for ensuring credit worthiness being shared between the local authority and the Secretary of State. The Group will need to explore whether it is practicable to define the necessary framework, given the proven scope for creative accounting, and for the Secretary of State to exercise the controls. This is an area which would be fraught with judicial challenges,

(ii) Second, he suggests the Government should take a power to appoint a sort of IMF overseer empowered to investigate an authority's financial position, draw up a retrenchment budget, and oversee the authority's performance in implementing it. There is, of course, nothing to prevent an authority doing this voluntarily now. New powers would only be needed where a local authority was reluctant to cooperate. But in such a case, it is doubtful whether an overseer could have much influence, unless he

were to take full powers himself and effectively become a Commissioner. As Mr Ridley's paper makes clear, the sort of measures which an overseer would need to implement - increased rents, cuts in services and staff - are issues on which it is unlikely that the most extreme authorities would be prepared to compromise. To the extent that they did, the Government would no doubt be blamed publicly and directly for all the alleged consequences (shades of IMF riots?) The Group will therefore need to consider very carefully indeed whether there is a genuine role which a statutory overseer could usefully fulfil.

11. The Government probably has until the autumn to draw up any specific new plans in this area, so that legislation could, if necessary, be in place before the 1988/89 financial year. You will therefore wish to identify which, if any, of the various proposals made by Mr Ridley and by the other members of the Group should be worked up for consideration at a further meeting in the spring.

12. As indicated above, the essential question on the more radical suggestions is whether there is any middle-ground that can be occupied between the Government and a set of local authorities that presently seem set on a deliberate collison course. At first hand, it seems very doubtful whether there can be and, if that is the judgement of the Group, there will be no point in pursuing ideas of overseers and graduated intervention. The alternative, on the other hand, is simply to wait for collapse and be prepared with Commissioners, and one can well see why Mr Ridley wishes to discuss with colleagues if anything less drastic is attainable.

HANDLING

13. You will wish to invite the Secretary of State for the Environment to introduce the discussion. The Chancellor of the Duchy of Lancaster will wish to give a political appreciation. The Chancellor of the Exchequer will wish to comment on the question

of solvency and the extent to which Government stands behind local authorities, and The Solicitor General on the proposal that legal action might be taken. Other Ministers will wish to contribute generally.

J B UNWIN

Cabinet Office
6 February 1987

Prime Minister
cc BLCP
This looks sensible. Agree?
N.L.W.
17.2

Yes mt

PRIME MINISTER

LOCAL GOVERNMENT LEGISLATION

We have been considering with Nicholas Ridley how best to manage our programme Local Government Bill. As you know, its preparation has been disrupted as a consequence of the (longer and more complicated than expected) Local Government Finance Bill which was needed to validate the way the rate support grant system has been operated.

2. The Bill as currently envisaged cannot be ready for introduction until mid- to late-March at the earliest. We are satisfied that even devoting yet further drafting and other resources to the task will not significantly improve matters. John Wakeham agrees that if the Bill is introduced in March there is no realistic prospect of Royal Assent before the summer recess. This will be apparent when it is published, and we shall inevitably face questions on the one hand that we must surely be planning to have a spillover and accusations on the other that we are wasting Parliament's time on a Bill we know we cannot get through.

3. We should obviously prefer not to have exchanges on these points during the coming months. Perhaps more seriously there are two provisions in the Bill which are exceedingly important from a financial point of view, (though they will both be retrospective to the dates when they were announced and we expect the knowledge of our intention to legislate on them to hold the position until the legislative provisions are in place). These cover advanced and deferred purchase schemes (essential to effective control of capital expenditure); and revenue grants to housing associations (the "Sheffield" scheme, potentially involving considerable local authority expenditure on housing).

4. We and Nick Ridley consider that to maximise the prospects for these provisions the Bill would have to be pruned of those which are holding up its introduction or would seriously impede its Parliamentary passage. That would mean, in our view, dropping the provisions on competition and contract compliance which are still some way off completion; and those on political advertising which on any analysis are likely to add to the Parliamentary difficulties.

5. If this course were adopted, Nick thinks the Bill could be brought forward in time for Second Reading before the end of this month. It should then be quite feasible to get the Bill through the Commons and to have its Second Reading in the Lords before Whitsun, with Royal Assent by the summer.

6. We recognise that this proposal is pretty unpalatable. There are public commitments to all three proposals (in the Queen's speech in the case of competition in local authority contracts). Their omission from the Bill will be understandably disappointing to some of our supporters. But we concluded with Nick that it was far better to face up to these now than to drift on, with all the consequences that that entailed, in the hope that something might turn up.

7. We hope there may be an opportunity to discuss this with you and with the Chancellor of the Duchy and the Chief Whip at our meeting on Monday. In that connection you may find it helpful to have the attached summary of the Bill's provisions, which we should perhaps examine with a view to deciding what the Bill should include if it is to be pruned.

8. We are sending a copy of this minute to the Chancellor of the Duchy and the Chief Whip and, for information, to Nick Ridley.

hs 10.

W.J.B.

Privy Council Office
6 February 1987

ANNEX

PROVISIONS OF THE LOCAL GOVERNMENT BILL

(1) Advanced and Deferred Purchase Provisions

(2) Revenue Grants to Housing Associations, the "Sheffield" provisions

(3) Closure of the further education pool

(4) Contracts between ILEA and MCS

(5) Land Registers

(6) Commission for Local Authority Accounts

(7) Local Ombudsman

(8) Local Authority Publicity

(9) Non-Commercial Contract Conditions

(10) Competition

CONFIDENTIAL

CCBO (1)

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

5 February 1987

Dear Lord President,

"PAYING FOR LOCAL GOVERNMENT": PROPOSED 5% DISCRETIONARY NON-DOMESTIC RATE

As you will recall, the Green Paper proposed that local authorities should have power to levy a small discretionary local non-domestic rate, of up to 5% of the national rate. The uniform national poundage would have been set 5% below the previous year's average to allow for this.

The object of the proposal was to retain some link between local business communities and their local authorities; to act as a focus for their duty to consult business, which we introduced in 1984; and to give authorities some incentive to welcome new development into their areas.

Further consideration, though, has led me to conclude that the proposal will not achieve any of these objectives very well. Local authorities will be under severe pressure to levy the full permitted amount in order to keep community charges low. Local business organisations will be much less likely to take consultation seriously if the most that is at stake is a 5% reduction in rates. And in relation to incentives to development, the maximum benefit an authority can gain from attracting even the biggest new development - such as a major power station - into its area is unlikely to be worth more than £2 (1%) off the community charge. That sort of figure is not likely to be significant in overcoming opposition to such developments.

Meanwhile the proposal would have a significant effect on the level of community charges authorities needed to levy, because of existing wide variations in non-domestic rateable value per head, and could thereby have a distorting influence on accountability. The effect could range from an increase of £7 in the charge in some rural areas to a reduction of £178 in Westminster and £54 in Camden. While some of the effects help to restrain the very highest community charge, others do not.

The proposal attracted negligible support during the consultation period; both local authorities - who stressed they would have to levy the full amount - and business organisations, who saw the potential benefits as too trivial, were against it. I therefore suggest that we should abandon the proposal, and retain a uniform business rate everywhere.

This is 100% recycled paper

If we do agree to drop this proposal, I accept that the criticisms of the non-domestic rate which gave rise to it will persist. While these do not in any sense undermine the case for the national non-domestic rate, I will endeavour to take account of them in developing proposals for its operation.

My proposal relates to England; though, as with most non-domestic rating issues, I would see advantages if Nicholas Edwards - and Malcolm Rifkind, when the uniform rate is extended to Scotland - could adopt a consistent approach.

I should therefore be grateful for colleagues' agreement to my dropping the proposed 5% discretionary rate.

I am sending copies to members of E(LF), to Peter Walker in view of his interest in incentives for local authorities to welcome development, and to Sir Robert Armstrong.

Yours sincerely,

pp NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence.)

This is 100% recycled paper

Gm

Minister of State for the Environment, Countryside and Planning

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

THE HON WILLIAM WALDEGRAVE MP

Prime Minister 4 RL

This has gone to all London members. 04 FEB 1987

Dear PM Thatcher, 6/2.

THE AGENDA FOR STRATEGIC GUIDANCE FOR LONDON

28th July at Hop P130

As you know, under the Local Government Act 1985, the Secretary of State is responsible for issuing strategic guidance to assist the London Boroughs in the preparation of their unitary development plans. In drawing up the guidance, the Secretary of State will be consulting the London Planning Advisory Committee (LPAC) and other bodies. Lord Elton's letter of 24 July 1986 invited LPAC's views on the scope, contents and timing of the guidance.

I attach for information copies of recent correspondence between the Minister and the Chairman of LPAC. This sets out the basis on which it has been agreed that the preparation of LPAC's advice should be carried forward following consultation on Lord Elton's letter.

Please note that the topics for the first stage of the guidance will include consideration of nature conservation and wildlife matters (under green belt and open land) and offices and tourism-related development (under industry and commerce).

I am copying this letter to all the recipients of Lord Elton's letter.

Yours sincerely

A.N. Ashbourne

A N ASHBOURNE
Private Secretary

Rt Hon Margaret Thatcher MP

100% RECYCLED PAPER

Minister of State for the Environment, Countryside and Planning

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

24 November 1986

Dear Miss Hamwee

At the meeting on 17 November which you, Councillor Deanshaw and Councillor Williams, representing LPAC, had with me I promised to write to you on the next steps in the preparation of strategic guidance for London. I felt that the meeting provided an opportunity for a useful exchange of views on the way that the work on the guidance should develop and the timetable that might be adopted.

We discussed first the objectives set out in paragraph 3.3.4 of your paper of 2 October outlining the response to Lord Elton's letter of 24 July on the draft agenda. A copy of these objectives is attached. I indicated that I thought that some of the objectives went beyond those matters which I would regard as subjects for strategic guidance. We also agreed that, while there was eveything to be said for aiming for an agreed version of strategic guidance, there is room for a divergence of views as to the ways in which the objectives should be achieved. Nevertheless, in my view, they provide a useful starting point for the exercise.

We then discussed a possible timetable and coverage of your advice to the Secretary of State and his subsequent guidance. You made the point that you were keen to move ahead as quickly as possible whilst ensuring that the advice was underpinned by a sound professional approach and the necessary consultation. I accepted this and made it clear that we wished to provide the guidance as quickly as possible so that Commencement Orders for the preparation of UDPs could be issued, as we all agree is desirable.

We agreed that the best way forward was likely to be a staged approach, concentrating initially on the headings which are clearly of the highest priority for the production of strategic guidance and without which it would be impractical to initiate Unitary Development Plans. We agreed, on that basis that the first instalment of your advice and the Secretary of State's guidance should concentrate on housing, industry and commerce, transport, retailing and green belt and open space. This stage would be followed by an assessment of other subjects to extend the coverage of the guidance. No doubt we would also wish, at that time, to consider the arrangements to monitor the changes taking place in those matters already covered.

These are very broad subjects areas and there was not time at the meeting to discuss the points on which we might concentrate in each case. As I explained the Secretary of State's guidance will deal only with those matters which are directly relevant to Unitary Development Plans and I hope that the work will concentrate on such matters within each heading. Clearly the definition of a work programme will be the next stage in the process. I trust that it will be possible for our two sides to keep in close contact as this is developed.

At the meeting we agreed that you would seek to provide advice under the agreed headings within a year. We all accepted that this was a very tight timetable for you to achieve, particularly as you still have to recruit a number of your staff. You mentioned that. besides your own staff, you hope to make use of the resources in the boroughs and their support clearly will be crucial. We agreed that we would meet again in six months both to review the timetable and to assess whether any topics should be added to those for immediate study.

I hope this letter, which takes us on from Lord Elton's letter of 24 July, reflects fairly the matters discussed at our meeting. As I have already mentioned I was encouraged by the progress we made and hope that it will now be possible to move forward quickly and effectively on the provision of your advice and the Secretary of State's guidance.

Yours sincerely

D.N. Waldegrave (Private Secretary)

for WILLIAM WALDEGRAVE

approved by the Minister & signed in his absence.

Miss S Hamwee

254/12

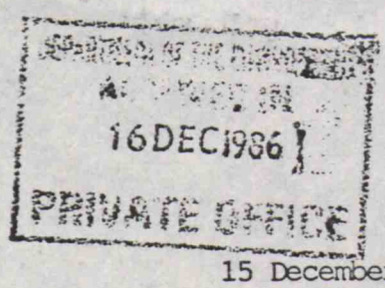
Dept – Mr Gallagher
cc PS/MW

ANNEX A

London Planning Advisory Committee

Honorary Secretary
J L Guest. LLB Solicitor

Chief Planner/Co-ordinating Officer
E N Lewis. MA. Dip. TP.. MRTPI.



Minister of State for the Environment,
Countryside and Planning
Department of the Environment
2 Marsham Street
LONDON SWIP 3EB

15 December 1986

Dear Mr Waldegrave,

Thank you for your letter of 24th November, following up our meeting on 17th November. I particularly welcome the agreement we reached that the objectives for the strategic guidance set out by LPAC, and attached to your letter, should form the starting point for the exercise. I think it is helpful that we are able to work from these rather than confine ourselves to Lord Elton's letter.

We are convinced that the guidance needs to be as comprehensive as can be managed and will endeavour to meet the target timetable of a year. For that reason it will be necessary to concentrate initially on the five subject areas of housing, industry and commerce, transport, retailing and green belt and open space. But in doing so it will, of course, be necessary to have full regard to the other objectives such as the need to promote equality of opportunity, the distinctive needs of central, inner and outer London, and the question of resources and to incorporate their impact on the priority topics.

We agreed also that extensive consultation would be undertaken, both by LPAC before providing its advice and by the Department subsequently. For our part we regard such consultation as vital to ensure that Londoners are well informed about the strategic guidance and that their views are fully taken into account.

We are now pressing ahead with setting up the machinery to carry out this substantial and important task, and will keep your side in touch as it progresses

I look forward to our meeting again at the next appropriate stage.

Yours sincerely,

Sally Hamwee

SALLY HAMWEE
Chairman

The London Planning Advisory Committee is a statutory committee of all London Boroughs and the Cities of London and Westminster established to consider, advise and inform on matters relating to the planning and development of Greater London as set out in Section 5 of the Local Government Act 1985.

LOCAL GOVT Relation PT31

PERSONAL AND CONFIDENTIAL

DSS

file

bc. BG

PRIME MINISTER

Below are Mr. Ridley's papers on housing policy and the future role of local authorities. With Mr. Ridley's agreement, I have sent a copy of the paper on the role of local authorities to the Chancellor (he already had the housing paper) and a copy of both papers to Brian Griffiths.

The Chancellor wants a few days to think about the housing paper. I suggest a meeting with Mr. Ridley and the Chancellor to discuss it towards the end of next week. You could also then discuss and decide when and how the paper on the role of local authorities would be taken forward.

Content?

David Norgrove

29 January 1987

DG2BRQ

PERSONAL AND CONFIDENTIAL

CONFIDENTIAL

psl/101A

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

NBPM

PRIME MINISTER

LOCAL AUTHORITY CREDIT STANDING

We discussed on Monday the need for a line to take on the Audit Commission's Report on London Boroughs, so as to make it clear that the Government does not stand behind their debts.

2. I attach a line to take which has been agreed between officials in the Treasury, DOE and the Treasury Solicitors' Department. I am copying this minute to the Nicholas Ridley.

Cathy Ryding

PP **N.L.**
29 January 1987
(Approved by the Chancellor and signed in his absence)

CONFIDENTIAL

010.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1

28 January 1987

Dear David

AUDIT COMMISSION: LONDON REPORT

I enclose a copy of the latest draft we have of the Audit Commission's London report, which is due for publication tomorrow. We cannot be sure that there are no last-minute final revisions, but we will let you have a published copy as soon as we can. The Report is of course under an embargo until tomorrow.

I have arranged for briefing on the Report for Prime Minister's Questions tomorrow to go to you separately.

Yours ever

Isobel

MISS ISOBEL OGILVIE
Private Secretary

This is 100% recycled paper

The Audit Commission
for Local Authorities
in England and Wales

OCCASIONAL PAPERS

Number
January 198

The management of London's authorities: preventing the breakdown of services

Summary

Although London is the richest city in the United Kingdom, large parts of it face desperate social and economic problems. In some boroughs, unemployment among young men exceeds 45%; in some places, among young blacks, it exceeds 60%. More than one child in three is born into a single parent family. Half the school leavers have no 'O' levels or their CSE equivalents. Homelessness, housing conditions, crime, are worsening year by year, as the cycle of urban deprivation becomes more established. In such circumstances, although extra capital spending will be needed, money alone is not the answer; the need is for outstanding management of each of these problems. This is not evident in many London authorities.

Management problems can be clearly identified and include: reductions in grant, housing in poor condition, failure to act promptly on opportunities to reduce waste, difficulty recruiting and keeping staff, and generally poor industrial relations. And the consequences are serious: expenditure around double that in similarly deprived areas *after* allowing for the extra costs associated with employing people in London, poor services, a cash gap in prospect next year of over £400 million – as much as 40% of current revenue expenditure in some places – and over £700 million of deferred purchase arrangements which will load extra costs onto tomorrow's ratepayers.

The size of the looming cash gap and the scale of the problems has led the Commission to publish this paper now.

But many authorities are already seeking to reform themselves, have been very open about their problems – often receiving little but further criticism for their pains. And analysis of authorities' performances shows that not all Inner City authorities are poorly managed. Local government *must* work if the problems of Inner London are to be tackled. So this paper reiterates the Commission's proposals for management reform within London authorities. Local accountability must be made more effective, management streamlined, the stability and authority of the positions of officers must be strengthened and the systems for distributing grant and controlling capital spending reformed.

"Once the cycle of decay becomes established it will be immensely difficult to reverse."

Once the cycle of decay becomes established it will be immensely difficult to reverse. Prevention is the only viable strategy; and this will undoubtedly cost money. There is therefore no time to lose if effective action is to be taken to prevent the emergence in London of the urban dereliction that now affects some large North American cities.

1. Since it was established in early 1983, th Audit Commission for Local Authorities i England and Wales (The Commission) h become increasingly concerned about th cost and quality of the services delivered t Inner London authorities. This *Occasion. Paper* summarises in turn the Commissior views on:

(i) The nature of the problems facing Inn London authorities. Unless their magn tude and causes are understood and th serious consequences of neglect mo generally appreciated, the Commissic will have failed in its duty as a independent watchdog over loc government management and finance.

(ii) The evidence that improved loc management could make a significa difference to the quality of local service

(iii) The immediate financial prospects. The is a gap between current levels of revent expenditure and the funds likely to l available next year in the most depriv London boroughs, of over £400 millior

(iv) The steps that will be needed in the ne term by central government as well . local authorities to reverse the prese decline. If local authorities in Inn London cannot be persuaded to adopt th steps necessary to improve the management performance, it will invi the imposition of new organisation arrangements.

The paper draws only on material already the Commission's publications, publish statistics and auditors' public reports whe the facts have been checked with the loc

All the reports published by the Audit Commission in the last three years have set out either specific recommendations for action by local authorities or conclusions on the local impact of government measures, e.g. for distributing block grant or controlling local authorities' spending.

Occasionally, however, studies carried out by the Commission raise issues which appear to merit broader debate. These subjects are covered in a series of *Occasional Papers* as a contribution to the wider discussions of important management issues affecting local government services. The first paper considered value for money in the fire protection services. This, the second *Occasional Paper*, examines problems facing management in Inner London boroughs, and what the consequences will be unless more effective management is applied. Other *Occasional Papers* will follow, as material emerging from the Commission's studies warrants.

authorities concerned. The Commission believes that the very existence of so large a public record – despite the obvious risks involved – demonstrates that many of the authorities concerned are seeking beneficial change.

Problems facing Inner London

2. Inner London comprises a dozen boroughs and the City of London. These authorities, with the Inner London Education Authority (ILEA), provide local government services to a population of some 2.3 million people and around 1.3 million commercial and domestic ratepayers. Members and officers in the boroughs in question face a desperately difficult situation: Inner London and four Outer London Boroughs – Brent, Haringey, Newham and Waltham Forest which have many of the same characteristics include some of the most deprived in England and Wales on almost any indicator of social and economic deprivation.

3. There are very disturbing parallels between the situation in parts of London and that in parts of New York and Chicago. The South Bronx and the Southside of Chicago represent a future to be avoided at almost all costs. There, a combination of poor housing and education, high crime rates much of it drug-related, large scale immigration and associated racial tensions, an exodus of jobs and the more well off to the suburbs, high youth unemployment and welfare dependency and the break-up of traditional family structures (with a very high proportion of single parent families), have served to create what some commentators in the United States have described as an urban 'underclass'.[1] Each of these factors tends to reinforce the others, creating the kind of vicious circle shown in Exhibit 1. Once such a situation develops, it is extraordinarily difficult to retrieve, as American experience over the last three decades demonstrates. So preventing the further growth of an urban 'underclass' in the United Kingdom must be a national priority concern.

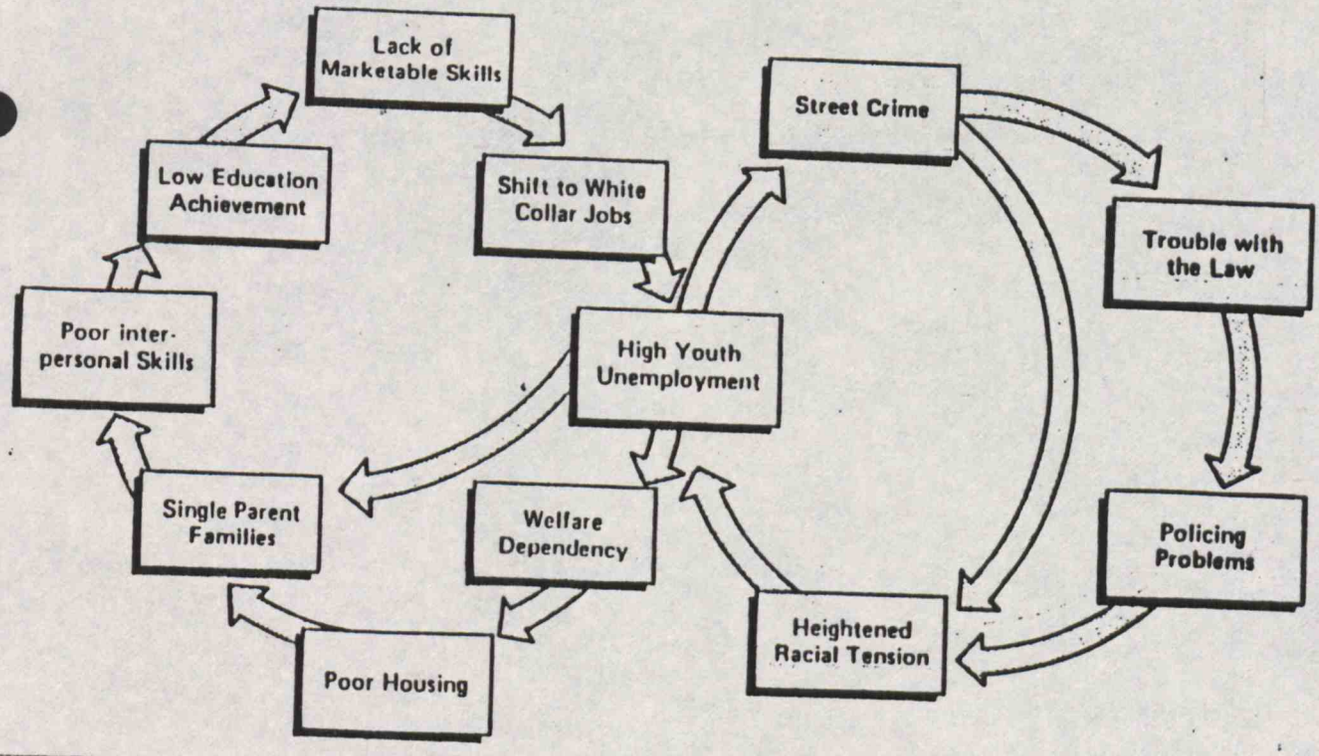
4. Many of the factors that have created an 'underclass' in a number of North American cities are present in large parts of Inner London and some Outer London boroughs with Inner London characteristics:

- There has been a decline in opportunities for semi-skilled and unskilled employment. Over the period from June 1982 to June 1986 the number of jobs in manufacturing and construction in Greater London fell by 126,000. This is particularly serious when around half the 95,000 leaving school in Inner London every year have no 'O' level or equivalent CSE passes
- Unemployment is relatively high, particularly among young people from ethnic minorities. In October 1986, unemployment among men in Inner London was 21%. At that time 34% of all men aged 20-24 were registered as unemployed (the figure was 46% in Hackney and 44% in Lambeth); for young people of Afro-Caribbean origin, the figure is likely to be higher still – in 1984 the unemployment rate among West Indians was double that for Greater London as a whole
- Nearly 40% of families live in council owned accommodation, much of it in poor condition. In April 1984, over one in five of the 444,000 Council dwellings was considered unfit, lacked some basic amenities or was in need of renovation. The Commission has already shown that the backlog of maintenance and improvement work on Council houses in Inner London is double the national average and averages over £4,000 per dwelling
- There is an increasingly serious problem of homelessness. On a typical night, over 5,000 families will be accommodated in bed and breakfast accommodation at Council expense; and there is the Council house waiting list in Inner London of over 150,000, partly caused by the difficulty young people experience in buying their first house.

1. The Origins of the Underclass, Lemann, *Atlantic Monthly*, June 1986.

Exhibit 1

NORTH AMERICA:
A VIEW OF THE FACTORS CAUSING AN URBAN 'UNDERCLASS'



Crime, much of it drug related, is high and rising. The number of serious crimes reported per thousand residents in Inner London is 56% above the average for metropolitan areas outside London; and it has increased by over 90% since 1971. There is now a violent crime every hour in Inner London

The number of single parent families is high and increasing: in Inner London as a whole, in 1984, 31% of children were born into single parent families. (The figure was 39% in Southwark and 42% in Lambeth.) In 22% of the cases, the mother was under 20 years old

Racial tensions, and problems between the police and ethnic minorities are evident – and not just from the Brixton riots and the events on the Broadwater Farm Estate.

5. This catalogue of problems is so serious as to be difficult to comprehend by those who have never lived in a rundown Inner City area. The following quotation from a DOE report, included in the Commission's analysis of *Capital Expenditure Controls in Local Government in England*, puts into words the reality facing too many people in Inner London today:

"Many (estates) have become 'dumping grounds' for the poorest, most disadvantaged families, as 'better' tenants have moved. Very modern estates with the more up-to-date amenities are also hated for their long dark corridors and balconies and monolithic style. They provide havens for skateboarders, go-kart fans, and, in some cases, young muggers; they echo noise; they invite abusive graffiti; the lifts are regularly smashed. Some modern estates also suffer from physical defects, of which the most notorious are water penetration, condensation and unsuitable heating systems." (Priority Estates Project, DOE, 1980).

6. Exhibit 2 shows where the housing problems are particularly serious. In the most deprived authorities, over 40% of children born last year were to single parents and over a quarter of all those aged 18 or less live in a household where there is only one parent; the level of serious crime reported is more than 75% above the rate for London generally; in October 1986 unemployment among men aged 20-24 was over 40% and for those of Afro-Caribbean origin it was probably well over 50%; on an average day over 35% of the 5-year-olds who ought to be in school will be truanting.

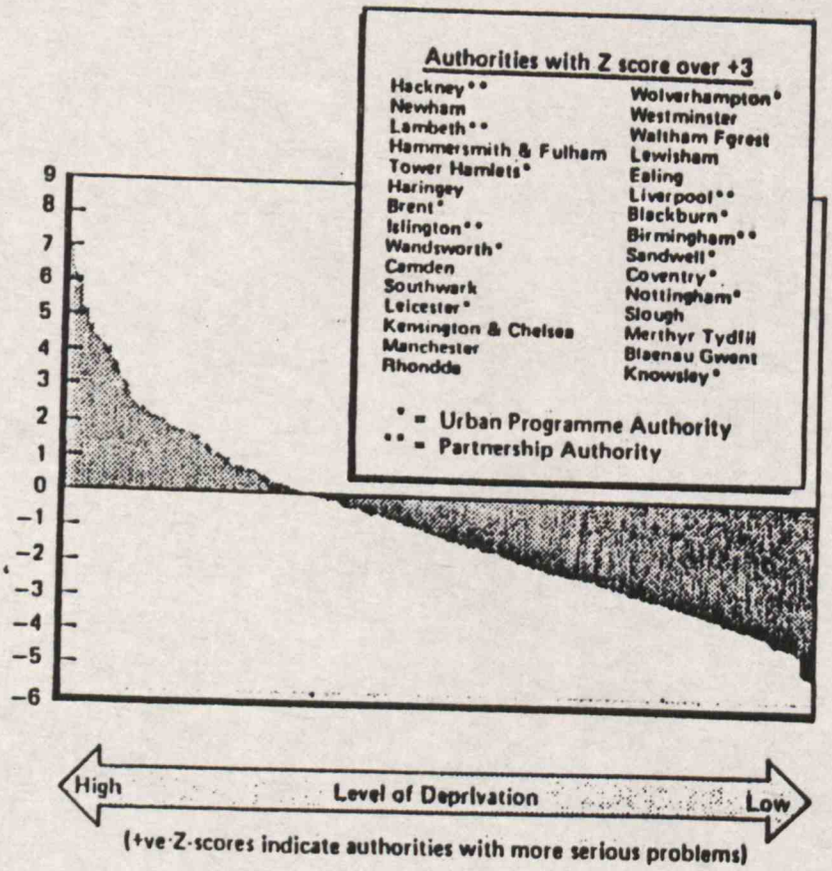
7. Local authorities often lack the powers and resources to tackle these problems. But it is not for the Commission to propose policies for the solution to the 'Inner City' problems, or to comment on government policy towards Inner Cities generally or London in particular. But it is clear that faced with such challenges, the management of local services in London cannot afford to be less than outstanding. And this is the Commission's legitimate concern. Poor management was an important contributory factor to New York's problems in the early 1970s: incompetent appointments to key management positions, workforce opposition to any changes in working practices, tension between the police and the local black community and heavy use of so-called creative accounting to mask the reality that the City was borrowing heavily to finance current expenditure all played their part. The situation in New York is described, graphically, by Charles Morris in *The Cost of Good Intentions*. Good management of Inner London boroughs is a necessary, if not sufficient, condition of preventing similar problems here.

"... it is clear that faced with such challenges, the management of local services in London cannot afford to be less than outstanding."

Exhibit 2

RELATIVE HOUSING DEPRIVATION

Authorities Housing Z-scores (based on analysis of 1981 census data)



(+ve Z-scores indicate authorities with more serious problems)

Source: Department of the Environment

The 'management difference'

8. In its most recent *Annual Report*, the Commission drew attention to its concerns about Inner London in particular, in the following terms:

- Controllable revenue expenditure (i.e. excluding housing benefit and the cost of Home Office services such as the police and fire service) in Inner London was some 75% higher per resident than in metropolitan areas outside London in 1984-5
- The trend in expenditure per person in Inner London since 1981 has been notably different from that elsewhere. Everywhere else it has fallen in real terms; in Inner London it has increased by 20%
- Levels of consumer satisfaction with local services were notably lower in Inner London than elsewhere. A MORI poll for the Commission showed the following figures for overall net satisfaction with services (a positive figure means that more people express themselves as 'fairly or very satisfied' than were 'fairly or very dissatisfied'):

	Net satisfaction	Expenditure
Inner London	- 3%	£1,020/ resident
Outer London	+ 33	680
Metropolitan areas	+ 15	580
Shire areas	+ 31	460

9. Some London authorities have argued that higher spending reflects greater needs, and that these can only be tackled with more resources and that increased government grant and extra borrowing alone were required. However, increased investment only makes sense if it can be managed effectively: one of the lessons of the past is that 'throwing money at the problem' all too often only means more waste. So the Commission has undertaken a further review of the available information on the cost and quality of services in Inner London. It has reviewed the reports of its auditors both on the local arrangements for securing economy, efficiency and effectiveness and on individual services: housing management and maintenance, social services for children in care and the elderly, refuse collection, vehicle maintenance, cash flow management and internal audit. And evidence has been obtained from some North American cities facing the problems described earlier: New York, Boston, Chicago, Washington DC, Philadelphia and Atlanta.

10. This further work has confirmed the Commission's concerns. Even though there has recently been a welcome change in the atmosphere in which auditors have been working, and some useful progress has been made, a very serious situation is in prospect. Not to put too fine a point upon it, large parts of London appear set on precisely a course which will lead to financial and management breakdown. In the Commission's view, the problems now facing some London boroughs are *not* due solely to social and economic factors over which they have no control. Of course these constitute a daunting management challenge. But management makes a vital difference – for good or ill: there is a marked contrast between the performance in terms of economy, efficiency and effectiveness of similarly deprived authorities in London and the provinces. This conclusion emerges from analysis of three groups of authorities shown below.

Group A Eight deprived London boroughs: Brent, Camden, Hackney, Haringey, Islington, Lambeth, Lewisham and Southwark.

Group B Eight other London boroughs facing similar problems of housing deprivation: Hammersmith and Fulham, Greenwich, Kensington and Chelsea, Newham, Tower Hamlets, Waltham Forest, Wandsworth and Westminster.

Group C The eight most deprived Metropolitan boroughs (excluding Liverpool for which information was not available): Birmingham, Bradford, Coventry, Kirklees, Knowsley, Manchester, Sandwell and Wolverhampton.

11. In terms of economy, there is a clear difference between Group A on the one hand and Groups B and C on the other in the level of staffing and expenditure ranking for Block Grant (excluding police, fire and education services) per capita in 1985-6:

Group	£ per resident	Whole-time employees per '000 residents
A	1470	19
B	817	14
C	752	10

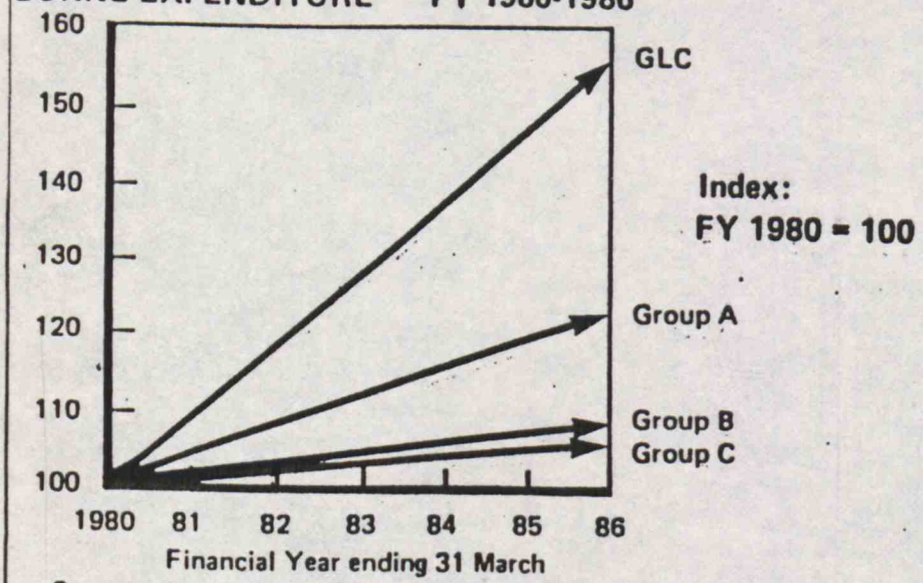
The inclusion of Kensington and Chelsea and Westminster in Group B has the effect of very slightly *increasing* expenditure per resident.

If Group A authorities had been spending at the same rate per capita as Group B, their total annual expenditure would have been some £260 million a year less, worth well over £350 million to the local ratepayers because of lower grant 'penalties'.[2]

12. Some of the difference between expenditure levels in London and the provinces is due to the higher cost of employing people in Inner London. This is reflected both in the London weighting allowance and the higher gradings often necessary to recruit people to posts in London. Some experts have calculated that this adds as much as 30% to the staffing costs of London authorities. Even assuming that it costs 40% more to operate in London than in the provinces for reasons outside the control of London authorities, there is still a gap of well over 100% between expenditure per head in Inner London in Group A and the most deprived authorities outside the capital; and expenditure in Group A is nearly 50% above that in Group B for the same range of services. Moreover, as Exhibit 3 shows, there is an evident contrast between the three samples of authorities in the expenditure trends over the past six years.

2. An authority's grant increases as spending is reduced below a level determined by the government. These calculations assume, as the authorities themselves claim, that none of the proceeds of deferred purchase arrangements has been used to finance day-to-day (i.e. revenue) expenditure.

REAL CHANGE IN RATE AND GRANT – BORNE EXPENDITURE FY 1980-1986 Exhibit 3



Source: Analysis of CIPFA Finance and General Statistics, adjusted for changes in the retail price index and financial reserves. GLC excludes London Transport

Table 1: SELECTED COMPARISONS, 1985-6

Indicator	Group A	Group B	Group C	Memo: Good Practice
Housing management performance index	2.4	1.7	1.8	1.4
Cost per child in council home (£/week)	£438	327	199	N/A
Refuse collection vs Ross standard (%)	+20%	+6	+17	-5
~~(£/house/year)~~	~~+£140~~	~~+26~~	~~+0.5~~	~~0~~
Maintenance cost per weighted vehicle (£/year)	£1123	830	832	700
Cash flow: rate income 'lost' through poor cash management (per £000 demanded)	£86	81	69	50

13. Relative efficiency and effectiveness are, of course, more difficult to assess than economy: it is possible that higher staffing and expenditure in Group A reflect greater levels of need and higher quality services. Table 1 shows how the various groups compare in the principal areas examined by the Commission over the past three years. The various indicators are discussed in more detail below.

14. In each case, the quality of local service is not the issue: the analysis compares like with like, and excludes the effect of policy and other variables outside authorities' control. The table shows that Inner London authorities tend to have costs for an apparently comparable standard of service well above the most deprived Metropolitan districts. But the analysis also reveals differences in patterns of expenditure between the two groups of London authorities. The Commission believes that some large part of this difference is attributable to local management. The rest of this section discusses the evidence in more detail.

Staffing

15. Local government is, of course, labour intensive. As Exhibit 4 shows, the eight London authorities in Group A have twice as many staff in post in relation to the local population as the most deprived Metropolitan districts outside London. For purposes of comparison, education staffing has been excluded. Moreover, these authorities have been increasing staffing in central services – e.g. committee support, personnel and management services, legal services and the like; in overhead areas in particular 'more' is not necessarily 'better'. Table 2 provides the details.

Table 2: CHANGE IN STAFFING, 1980-6
Staff in post at 15 March
Full-time equivalent

Group	'White Collar'	'Blue Collar'	Central Services
A	+19%	+ 4	+18
B	+ 7	-16	-14
C	+ 9	-14	+ 4

Had central staffing in the Group A London boroughs changed at the same rate as in eight other comparably deprived London boroughs in Group B, total expenditure would have been of the order of £50 million lower.

16. At the same time, for reasons discussed later, Group A authorities find it difficult to recruit and keep staff.

Table 3, based on data in the *Municipal Year Book*, shows the percentage of senior officers that has left the Council over a recent three-year period:

Table 3: TURNOVER AMONG SENIOR OFFICERS
% leaving in three years to late 1986

Brent*	77%
Camden	69
Hackney	60
Haringey	39
Islington	46
Lambeth	25
Lewisham	57
Southwark	57

*Political control over Brent Council changed after the period shown.

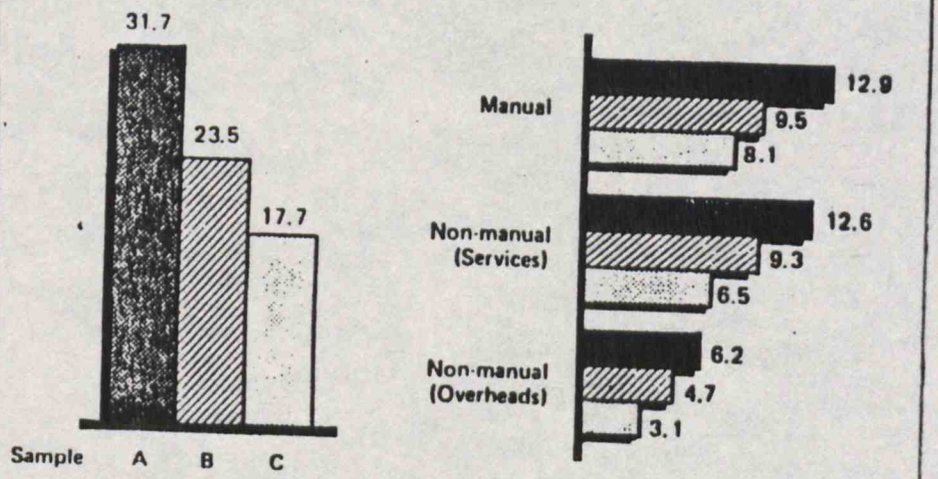
The problem is not confined to Group A authorities: the comparable figure for Group B was 46%. By contrast, the average for the Metropolitan districts in Group C over the same period was 36%. There are currently no less than 32 senior (first three tier) posts vacant in the eight boroughs; at least 15 chief officer posts paying over £25,000 a year are currently vacant. By contrast, there are only five chief officer vacancies in Groups B and C. These stark figures may mask the difficult realities. In one of the boroughs in question, the auditor described the situation in the following terms:

> "Vacancies were running at 20% and although the current year (1985-6) shows some improvement, there are still serious shortages. In Building Works Division, four of the top six posts have been vacant for several months, and Social Services has been 25% below its authorised complement of Social Workers . . . (with) on average, posts vacant for almost eight months . . . Two-thirds of the permanent employees leaving have been in post for less than two years."

17. Accounting and computer staff are particularly difficult to recruit and keep. Not surprisingly in such circumstances, there have been very disturbing delays in submitting accounts acceptable for audits. As at the beginning of December 1986, a number of the Group A boroughs had not submitted acceptable accounts for the year ended 31 March, 1986 to the Commission's auditor – even though the law requires that all accounts should be submitted for audit by 30 September following the end of the financial year. In such circumstances, members (and the local people) must lack information essential to effective management.

Exhibit 4

STAFFING LEVELS, MARCH 1986
Full-time staff per 000 population



Source: Analysis of Manpower Watch statistics (excluding education)
[Sample A excludes Southwark]

Council house management

18. The task of managing more than 400,000 Council owned dwellings in Inner London is arguably the most important service that the Inner London boroughs provide – over a million people are directly affected, and the cost (of general management, excluding caretaking, cleaning, wardens etc.) exceeds £80 million a year. The Commission's recent report, *Managing the Crisis in Council Housing* contrasts the recent performance of the three groups of authorities referred to above:

	Group A	B	C
Arrears (% of annual rent)	19.9	7.0	6.7
Relet period (weeks)	20	13	9
Management cost per dwelling	£201	£206	£101
Average rent for "typical house"	£18.55	£21.55	£17.83

April 1986, not weighted; excludes Lambeth (no data), Kensington and Westminster (not representative).

19. The same report introduced the concept of an overall Housing Management Performance Index which shows how local performance can be related to good practice in housing management *after* taking into account relevant policy and other variables such as the level of deprivation, proportion of high-rise dwellings, size of the council owned stock and so forth. An authority performing at the good practice level – i.e. the level already achieved by one quarter of authorities – would have an overall Management Performance Index of 1.4. Table 4 shows the overall index for Group A authorities as well as the key components within the index. It shows that the management performance in the Group A boroughs is substantially worse than would have been predicted given the relevant local circumstances and 'good practice' performance. Thus, in Group A voids, staffing and other costs are 70% higher than might reasonably be expected, and arrears nearing three times good practice levels.

Table 4: HOUSING MANAGEMENT PERFORMANCE IN SEVEN GROUP A LONDON BOROUGHS

	Management Performance Index	
	Actual	Good Practice
Voids	2.0	1.0
Arrears	2.8	1.0
Staffing	3.2	1.3
Other Costs	1.9	1.1
Overall	2.4	1.4

The overall MPI (weighted by the number of dwellings) for Group B London authorities

"... the situation has reached unprecedented levels, with total arrears exceeding £24 million."

20. The following extracts from auditors' reports provide the flavour of the local situation with which management has had to cope in Group A authorities. Each quotation is from a recent report to a different authority that is already on the public record:

"... in my previous letter I commented on the worsening situation regarding rent arrears ... It subsequently became apparent to me that many of the measures had not been fully implemented and the position was continuing to deteriorate. In recent months, the situation has reached unprecedented levels, with total arrears exceeding £24 million."

"... for properties requiring minor repairs only, the average period between lettings was over 26 weeks."

"... it is still not possible to have complete confidence in the figures produced by the housing rent system; the system is still vulnerable to fraud and income is not being collected as promptly as it should be (arrears rose by 19% in the two years to March 31, 1986 when they exceeded 22% of annual debit; over 17,000 tenants owed more than eight weeks' rent at the end of the financial year)."

"... in 1983, the system for dealing with emergency repairs to council houses was examined ... as it appears, certain trades on standby were only required to work at infrequent intervals. Proposals were put to the Trade Union side in 1985. These were rejected and a revised scheme is to be submitted shortly."

"... for properties requiring minor repairs only, the average period between lettings was over 26 weeks."

"... documentary procedures are rudimentary and generate unnecessary paperwork and administrative effort ... Arrears amounted to £11 million."

"... the council should carry out a fundamental review of the (caretaking and cleaning) service ... such a review should lead to a more efficient and effective service with potential saving of as much as £600,000 per annum. Throughout this period and even to date the (housing rent arrears) position has continued to deteriorate. The existing recovery procedures were having little effect (arrears at March 31, 1986 amounted to £11.45 million, 37% of gross debit). The net cost of the present unacceptable level of (housing benefit) errors could be more than £1 million per annum; overstaffing in the Housing Benefit division will be costing the council up to £380,000 per annum ... It was taking on average, 80 days from the date of vacating a property requiring minor repairs until the property was available for letting and between (a further) 33 to 39 days before a property which was ready for letting was let."

"... the cost per dwelling (of caretaking and cleaning) was 26% above the Inner London average; in early 1985, the housing department were finalising an internal report ... I have suggested that officers should report in April 1987 ... total arrears have again increased, from £5.8 million in March 1984 to £6.6 million in March 1985 and £7.1 million in March 1986 despite write-offs in 1985-6 of £600,000 ... it took some 61 working days from the void date until properties subject to minor repairs were ready for letting ..."

"... documentary procedures are rudimentary and generate unnecessary paperwork and administrative effort ..."

Council housing maintenance

21. The Commission has recently examined housing maintenance performance; its conclusions were set out in a report, *Improving Council House Maintenance*. Auditors will be examining the local situation this year; but preliminary indications are that the position in Inner London is particularly serious:

- The maintenance and improvement backlog on houses of traditional construction in Inner London is £4,400 per dwelling, compared with £2,200 in Metropolitan districts
- Despite their serious problems, none of the eight authorities in Group A appears to be spending per dwelling as much on maintenance as Tower Hamlets, Wandsworth and Westminster in Group B
- Inner London authorities on average assign 30% fewer officers to organising repairs than Outer London boroughs for instance
- The cost of jobbing repairs on roofs in particular is some 70% higher on average in London than elsewhere as Table 5 shows. This is due in part to the preponderance of flats in London.

Table 5: COMPARISONS OF PRICES FOR SELECTED COMMON JOBS
Inner London vs Metropolitan and Shire districts

Roofing	+69.9%
Bricklaying	38.8
Carpentry	33.1
Plumbing	29.0

22. The following extracts from the recent District Auditor's public report to a Borough in Group A illustrates the problems:

"The Council budgets to spend £20 million a year on day-to-day housing repairs . . . only one tender was received – from the Council's own Direct Labour Organisation. The repairs budget this year is likely to be overspent by £2.5 million . . . This has arisen from an 'almost total lack of accountability and control' . . . At the end of October 1985 there was a backlog of jobs within the Maintenance DLO equivalent to almost six months' work. And if the liquidated damages provision of the maintenance contract had been applied, the DLO would have to pay £4 million a year for failing to meet agreed response times".

"51% of all job tickets issued in October 1985 were (classified as emergencies) . . . excessive use of emergency procedures is wasting up to £600,000 a year. On average, repairs involve five trades . . ."

"The (capital) DLO has in fact been incurring considerably higher costs than the values (£8 million in 1985-6) that it has tendered, resulting in heavy losses (£4.8 million in the two years to March 1985) . . . had tenders reflected actual productivity, the DLO would not have won any of the contracts for which it bid in 1984-5 . . . the shortfall against contracted performance is costing the Council £1.5 million a year in wages that are not being earned . . ."

Social services

23. Auditors reviewed services for children in care and the elderly in most of the boroughs in Group A during their audits of the 1984-5 accounts. In this case, they found much to commend in many Inner London authorities, particularly in terms of the reduction in the number of children in care placed in residential homes and the increase in the proportion fostered. Moreover, as the Commission's recent report on Community Care shows, many Inner London authorities make very much more generous provision for local services for the mentally ill and mentally handicapped than is characteristic of Shire Counties. Given the pressing need for such services, and the problems described in the Commission's recent report, *Making a Reality of Community Care*, the authorities' determination to make such provision despite the high cost of doing so is praiseworthy. However, serious management weaknesses were also apparent. In particular, the residential accommodation for children has generally not been reduced in line with demand, often due to industrial relations problems. As a result, there was serious under-occupancy and high unit costs. In many homes, the cost exceeds £30,000 a year per resident; and in one authority the average cost was nearly £55,000 per resident.

Refuse collection

24. In 1984, auditors carried out a review of the refuse collection service in over 350 councils, using the ROSS audit package developed by LAMSAC. This enables the auditor to compare local staffing and costs for domestic collection with a standard that takes account of local policy decisions on standards of service and also relevant local factors influencing collection costs which are not under the authorities' control. (In one Group A authority, council policy means that some households have twice weekly collections, on consecutive days.) Table 6 shows how the results compare – the only two Group B London authorities for which the information was available had costs very close in the ROSS standard.

25. In Group A boroughs, the cost of domestic refuse collection was at least 20%

Table 6: REFUSE COLLECTION, 1984
Costs per premise (weighted average)

	Actual	ROSS Audit	Difference
Six Group A London boroughs*	£16.50	13.80	2.70
Two Group B London boroughs	9.00	8.50	50p
Group C Metropolitan districts	11.20	9.60	1.60

* Excluding Lambeth and Hackney, for which information was not available.

more than it need have been given local policies and conditions outside the authorities' control, e.g. housing density, high rise/low rise, walk-time on premises etc. In most cases, a further 10-15% would be saved by moving to different methods of collection; and bonus arrangements had not been subjected to detailed scrutiny for ten years or more. The situation in one of the Group A boroughs was described by the auditor in the following terms:

"A Refuse Package Agreement was introduced during 1984 which provided for twice weekly collections using the skip method, the clearing of empty properties on rounds and the collection of bagged street refuse . . . the workforce were not using skips but were being paid as though they were . . . costing the council more than £200,000 a year. Reversion to a once-weekly collection without the use of skips would enable the Council to save more than £500,000 a year, use of skips could increase this to nearly £700,000".

Vehicle management

26. The costs of vehicle management are much higher in Inner London than elsewhere, as Table 7 – which is based on the reports of auditors' projects now being discussed with authorities.

Table 7: VEHICLE MAINTENANCE, 1985
Cost per Weighted Vehicle

Inner London	£1,118
Outer London	877
Metropolitan districts	742
Shire counties	679
Shire districts	734

Maintenance costs in Group A authorities seem likely to be in line with Inner London

gen[illegible] (in the two examined by auditors they averaged £1,123 a year per weighted vehicle). Two other Inner London boroughs in Group B had costs which were better than the 'good practice' level of £700 a year; so in Group A boroughs costs seemed likely to be around 60% higher than necessary.

27. The scale of the potential value improvements from better vehicle management is surprisingly great. For example, auditors' reports to Group A authorities show that in one authority the potential improvement was worth up to £1 million a year (28%) by reducing the size of the fleet by 15 vehicles to start with, rationalising maintenance arrangements (there are eight garaging bases) and improved purchasing and stock control. In another, maintenance costs were 57% above the good practice level. In a third case, the excess costs were of the order of £400,000 a year.

"... an average of over £8 is 'lost' for every £100 of rates due ..."

Cash flow management

28. During their audits of the 1985-6 accounts, auditors examined authorities' performance in terms of cash flow management. In authorities in both Groups A and B, an average of over £8 is 'lost' for every £100 of rates due, because of delays in sending [illegible] rate demands, excessive administrative costs and arrears. The abnormal delays in 1985 in ratemaking were ignored for purposes of the analysis. The good practice level is a loss of £5; and the difference represents some £40 million in extra costs in the Group A boroughs alone:

- Arrears on sundry debtors average 35% of annual debit; in one authority, they were 96% – that is, there was a years' worth of sundry debts outstanding
- Mortgage arrears amounted to an average of 6.8% of annual payments due, compared with an average of 1.8% in Greenwich, Waltham Forest and Wandsworth for instance
- Staffing in the creditors' department was 25% above good practice levels on average, taking all relevant local circumstances into account
- In one authority, failure to collect money from the DHSS for the costs of housing homeless families has cost the ratepayers £1.3 million.

Internal audit

29. Finally, an effective internal audit service is vital for the continued financial integrity of local government. During the last audit round, auditors examined the internal audit arrangements in over 390 different authorities. Their reviews revealed a serious problem in authorities in Group A in particular:

- Vacancies account for 15% of authorised establishment, double the national average
- Fewer than one in four staff in post are qualified, compared with 37% in Metropolitan districts for example
- There is relatively little training. Fewer than 1% of staff in post are trainees, one-third of the national figure; and external man-days of training (excluding that for professional accounting qualifications) is not much more than four hours a year per member of staff.

30. The situation in the Group A boroughs is rather worse than in Inner London generally, where vacancies are concerned, as Table 8 shows. In this case, too, authorities are now discussing with their auditors steps to strengthen internal audit.

Table 8: INTERNAL AUDIT, 1986
Key Indicators

	Group A	Rest of Inner London	Metropolitan districts
Vacancies (%)	15	5	7
Qualified staff (%)	25	25	37
Trainees in post (%)	1	8	5
Training days/staff member*	0.9	2.5	2.3

* Excludes professional training.

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31. Local authorities are not alone in incurring higher costs in London. For example, the Metropolitan Police (over which local authorities have no control, although 50% of the costs fall on local ratepayers) have costs that are very nearly double those in other forces responsible for Metropolitan areas (£112 per resident, compared with £60 in 1985-6); and the clear-up rate in London, i.e. the proportion of notifiable offences solved, is only 15% compared with 36%. Moreover, the Commission is not suggesting that all Group A authorities are poorly managed in every regard. What the evidence does show, however, is that *compared with other deprived authorities in London*, Group A authorities spend around £7 a week per household more, and the services they provide are often no better – and in some cases worse – than those provided by Group B authorities. That is not to say that all additional expenditure in Group A authorities is wasted, nor that members and their officers are not concerned to see improvements. For instance, de-centralisation and management in Islington is bringing useful benefits for the extra costs; and the recent performance of the DLO in Hackney has been much improved. Nonetheless, a serious financial 'crunch' is in prospect.

"There will be a management breakdown ... if there is insufficient money to pay the wages of council employees. In a number of London authorities present expenditure is well above their income ..."

The immediate financial prospects

32. There will be a management breakdown in an authority if there is insufficient money to pay the wages of council employees. In a number of London authorities present expenditure is well above their income from rates, grants and charges. They have been covering the gap between income and expenditure by such measures as:

(a) Drawing down financial reserves created in the past. As the Commission has already shown, reserves have been built up by many authorities over the past few years as the 'cushion' against the uncertainties of the grant system
(b) Borrowing to meet housing and road maintenance costs that would traditionally be treated as revenue expenditure
(c) So-called deferred purchase arrangements, under which the council borrows to fund expenditure which can include day-to-day maintenance; the interest is rolled up, and the first repayment deferred

Table 9: ESTIMATES OF AUTHORITIES' CREATIVE ACCOUNTING MOVES
£m, as at December 1986
Cumulative

Group	A	B	C
	£m	£m	£m
Capitalisation of maintenance*	180	55	195
Deferred purchase arrangements	550	175	180
TOTAL	730	230	375
(Memo: Total per household	1042	355	344)

* In the three years to end March 1987.

for a period, usually three years. The eight boroughs in Group A have negotiated deferred purchase arrangements amounting to over £550 million, a large part of which is acknowledged by the boroughs to be financing revenue expenditure.

Table 9 (which excludes ILEA) provides estimates of the extent to which the three groups of authorities have used these devices in the past. A number of even more imaginative ways of circumventing the government's systems for controlling capital expenditure are now being developed. Once again, the contrast between Group A on the one hand and Groups B and C on the other is evident.

"... in the coming year, it will be much more difficult for authorities to 'fudge'."

33. The moves discussed above did not involve any illegality; but that does not necessarily make them desirable. In any case, in the coming year, it will be much more difficult for authorities to 'fudge'. The grant system extracts penalties for additional spending and, in any case, rate-capping limits the scope in all Group A authorities for raising money from ratepayers; and government is introducing legislation to prevent authorities funding current expenditure via deferred purchase schemes. But the authorities will not countenance any reductions in staffing, and have been reluctant to increase council house rents, and it is now late to expect total value improvement programmes to generate savings on the scale required next year even if there were the will to implement them.

34. As a result, without further creative accounting measures a cash gap of serious proportions is in prospect. The estimated extent of the funding gap in the year beginning on April 1987 in the Group A authorities is not far short of £300 million. This gap represents some 30% of their 1985-6 revenue expenditure. The contrast with Groups B and C is notable:

Table 10: ESTIMATED FUNDING GAP FOR NEXT FINANCIAL YEAR
As at December 1986

Group	£m	% Annual Revenue Expenditure*
A	290	30
B	130	21
C	140	10

* 1985-6 CIPFA Estimates: ILEA excluded.

The funding gap in Group A represents almost exactly the difference between expenditure per resident in Group A compared with Group B. In other words if all Group A authorities had been spending at the same level per resident as Group B (excluding Kensington and Chelsea and Westminster) there would be no serious gap in prospect next year.

35. Auditors have already drawn members' attention to the serious nature of the problems in prospect next year. They have made it clear that authorities should budget within their means and must pursue spending plans which are capable of being met from resources which are likely to be available. A failure to do so could give rise to action against councillors under sections 19 and 20 of the *Local Government Finance Act* of 1982. The stage is therefore set for a further round of confrontation between the authorities in question and the government, with the auditors and the Commission caught in the middle.

36. The size of the imminent revenue shortfall is daunting, as Table 10 indicated. Steps such as the following may be necessary to bridge the gap:

- If council house rents were increased to the levels in Knowsley for example this would generate some £35 million in additional revenue; Wandsworth rent levels would generate an extra £120 million. At present, rents in Group B average some 15% above those in Group A, for similar houses (Kensington and Chelsea and Westminster have been excluded, as not representative). Moreover, much of the extra cost to the more deprived tenants would be met from Housing Benefit
- A combination of increasing charges and imposing a hiring freeze in administrative and other areas not delivering services directly to the public would also make a worthwhile, if painful, contribution
- The local auditors have identified specific value improvement opportunities in the eight boroughs in Group A worth of the order of £100 million a year once they have been fully implemented.

Complete elimination of all expenditure on women's rights, gay rights, local economic development and support for ethnic minorities would only save some £20 million in all Group A authorities combined (and £6 million in Group B).

37. However, the likelihood is that such measures will not be acceptable to the authorities concerned, on political grounds. And the councils will simply seek to borrow – through ever more ingenious schemes. This

"... a cash gap of serious proportions is in prospect. The estimated extent of the funding gap ... is not far short of £300 million."

was precisely the strategy adopted by New York in the 1970s. There should be no question of London boroughs being unable to meet their debts when they fall due – their capital assets (if sold) and the local revenue base should more than cover any likely debts. But the implications for tomorrow's ratepayers are serious, since the repayments will commence in three years. Exhibit 5 illustrates the scale of the burden now being built up by contrasting the effect on ratepayers in a typical Inner London authority of two strategies: an increase in rents as above, and borrowing the equivalent amount via deferred purchase arrangements under which interest is rolled up for three years and the principal repaid in equal instalments over ten years. In 1985-6, rates in Hackney would have been 142p in the £, if rents had been increased to Knowsley levels, and 226p with a typical deferred purchase arrangement.

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38. In short, Inner London faces particularly difficult social and economic problems, combined with expenditure in Group A authorities for apparently comparable services over twice that in the most deprived areas in the provinces. A cash gap of over £400 million is in prospect for next year in the 16 authorities in Groups A and B – as is the likelihood of yet more creative accounting, loading costs on to tomorrow's ratepayers. Local estimates suggest that the situation will worsen substantially in the following year.

Such an outlook is plainly unacceptable. However, the situation will not be improved by yet more public criticism; neither will the problem simply go away. A concerted effort to strengthen local management is needed. The final section of this paper draws together, from a number of different reports, the Commission's views on the near term steps that warrant urgent consideration by the authorities concerned, as well as government.

Near-term steps

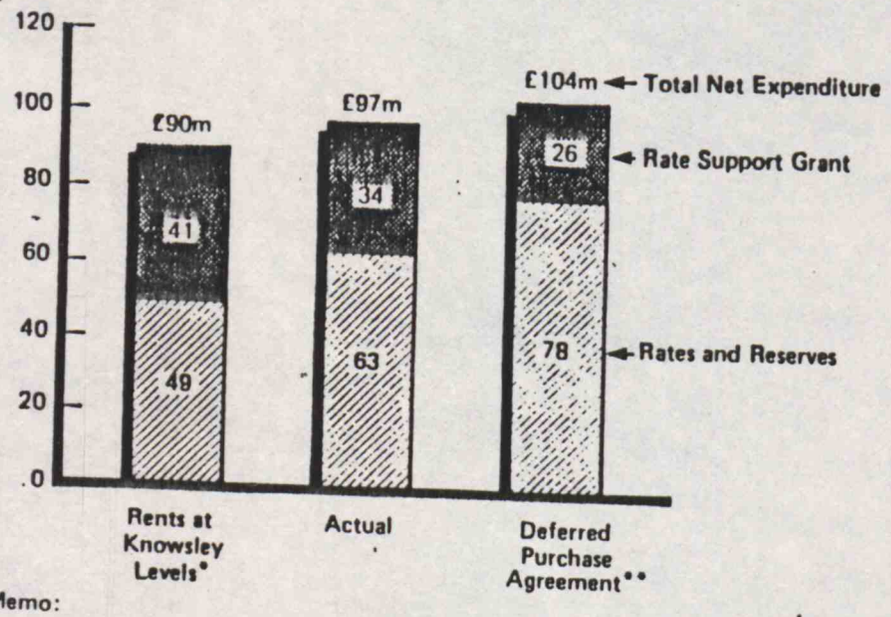
39. Experience of urban renewal in this country (e.g. Glasgow) and in North America suggests that a comprehensive rather than piecemeal approach to the problems of Inner London is essential. Exhibit 6 shows some of the main elements of a possible strategy for reversing the decline in Inner London, drawing on this experience. The strategy deliberately focuses on management. This is not just because the Commission has a standing in policy matters: without competent management of the local authority any policy initiatives are unlikely to produce the anticipated benefits.

- There is general agreement among those familiar with the problems of urban deprivation that one of the keys to reversing the cycle of Inner City decline is to give young people hope and self respect – in particular, a reasonable prospect of a job. What is needed is a partnership between the public and private sectors, with local universities and colleges, so that private funds (and jobs) are attracted to the depressed areas. Scottish experience shows that a ratio of public to private sector funds of 1:4 or better is perfectly feasible – public funds perform a crucial 'pump priming' role. The recent resurgence of Glasgow is due as much as anything else to the creation of jobs in the private sector and a productive partnership between the relevant local authorities, universities and employers. But it is simply not reasonable to expect firms to invest when they have no confidence in the local authority's management. The economic history of Liverpool is a tragic case in point. Financial advisors to firms considering investment in England will testify to this.
- There need to be powerful local organisations to organise the effort – at least within the public sector – and to drive it forward. In Glasgow, this role was played by the Scottish Development Agency which promoted the GI project. In most North American cities the City Council plays the central role. In London, the boroughs should provide the necessary impetus.
- Without improved local management, additional public funds that may be made available will not generate the returns that might be anticipated. There will simply be more waste. And high rates will encourage potential employers to expand elsewhere.

Exhibit 5

EFFECT ON HACKNEY RATE PAYERS OF DIFFERENT FUNDING STRATEGIES, 1985-86 ESTIMATE

£ million



Memo:

Implied Rate:	142p	183p	226p

* Actual net expenditure, less £7.3 million in extra rents

** Actual net expenditure, plus effect of arrangement to generate £7.3 million a year negotiated in 1982 @ 12% interest deferred for 3 years and repayable over 10 years

Source: Audit Commission analysis

11 WHOLE PAGE

Exhibit 6

ILLUSTRATIVE

PREVENTING FURTHER DECLINE IN INNER LONDON

	CURRENT	REQUIRED
Vision:	Damage limitation	Turnaround
Implied National Strategy:	Tight central control – rates – borrowing – capital spend – pay and conditions Privatisation	Make local government work – strengthen local accountability – distinguish roles of members and officers – access to local sources of capital – reform grant system Partnerships with private sector
Local Structure:	Fragmented – authorities – services – members	Streamlined committee structure 'Cabinet' government Strong Chief Executive
Style:	Centralised, committee-based 'Management by members' Employees' interests first Concern for equity	Maximum delegation 'Management by managers' Customer interests first Concern for value
Key systems for local authority:	'Grantsmanship' Creative accounting Access to capital markets	Strategic planning and control Performance appraisal Management information
Skills:	Caucus and party management Committee management Public relations	Line management Community relations Communications Information technology
Staffing:	Emphasis on central staff Professional/service demarcations Non-competitive pay/ low productivity	Lean overheads Flexible deployment of staff Competitive pay/ high productivity

40. There is no point in treating the symptoms of the poor management performance – in effect turning off the fire alarm in the hope that this will put out the fire. The strategy will have to address the underlying causes illustrated in Exhibit 7. In particular, without the right managers in place, with appropriate powers, the prospects for worthwhile improvements in the situation are poor.

41. The Commission has already put forward proposals to improve the management of authorities in Inner London. And, of course, over the past four years, its auditors have discussed detailed recommendations with individual authorities. So far, progress has generally been disappointing. But the Commission and its auditors have been convinced that some, at least, of the authorities in Group A now recognise the need for change in the way their affairs are managed, and recently, progress in reducing waste has been more encouraging. The rest of this paper summarises the main steps that the Commission believes can and should be taken immediately to improve the management of all Inner London authorities that the Commission believes warrant urgent consideration:

(i) *Streamline the local organisation*, so that authorities are not bogged down in committee-ridden bureaucracy.

(ii) *Strengthen the position of chief officers vis-a-vis members of authorities.* It is essential that London authorities, which face some of the most difficult problems in public administration in the United Kingdom, are able to recruit and retain the very best officers that local government has to offer. Present arrangements make this very difficult; and turnover and vacancy levels are disturbingly high.

(iii) *Strengthen local accountability*, which is particularly weak in Inner London.

(iv) *Reform the system for distributing grant and controlling capital expenditure.* For whatever reason, some deprived London authorities receive a lower grant per capita than other, less deprived, authorities outside the capital; and the present systems for controlling capital spending are in urgent need of reform since they cause large-scale waste and inefficiency and do not concentrate public resources (i.e. borrowing approvals) where they are most needed.

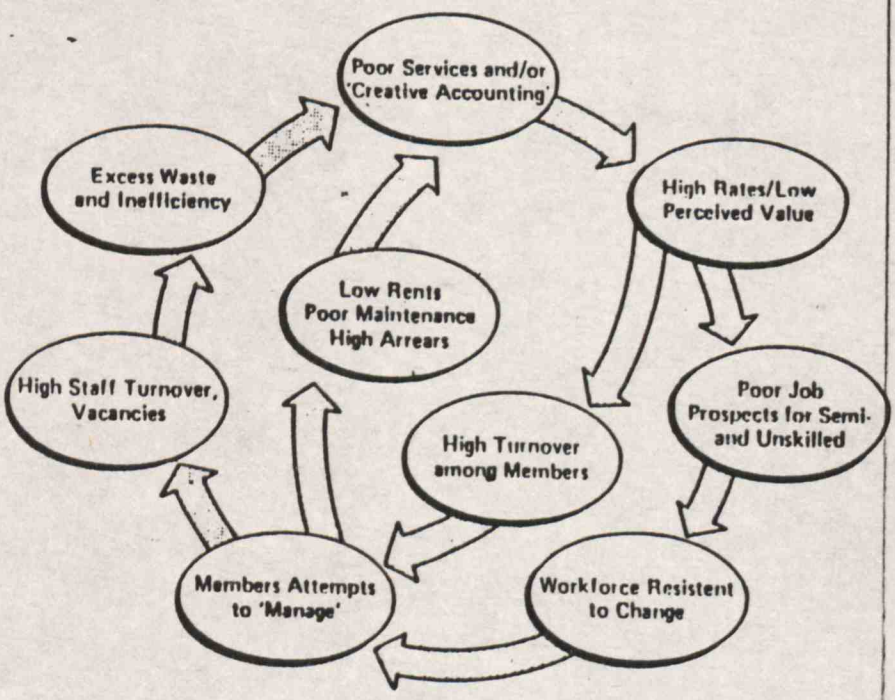
The rest of this paper describes in turn why each of the above steps is necessary and what could be done. Without these steps, the chances are small of attracting more investment – which holds the key to the new jobs without which serious social problems in Inner London are bound to persist.

"There is no point in treating the symptoms of the poor management performance . . . turning off the fire alarm in the hope that this will put out the fire."

Exhibit 7

THE CYCLE OF DECLINE IN INNER LONDON

Some Management Factors at Work



". . . there are far too many councillors in local government."

Streamlining the organisation structure

42. The London boroughs in Group A provide services costing some £800 million a year (excluding education) to some 1.7 million people. These services are the collective responsibility of no less than 491 councillors in eight boroughs. The Commission has already made clear its view that there are far too many councillors in local government. In normal circumstances the extra costs involved are not insupportable – despite the problems inherent in managing networks of large committees. As the Commission's various reports have demonstrated, most local authorities are able to operate reasonably economically, efficiently and effectively despite the managerial handicaps they have imposed on themselves.

43. But the situation in London is different. A practice of 'management by members' has evolved, whereby members seek to do officers' work for them. Most authorities have at least 10 standing committees and many more sub-committees. There would be several committee meetings most days, each requiring papers as well as officers in attendance.[1] The result is predictably cumbersome and expensive not just in members' and officers' time and central overhead costs, but also in delays. Auditors' reports refer all too frequently to the long time it takes to secure action. The following timetable is typical:

27 January, 1984:	Auditor refers to problems with rent arrears
12 March, 1985:	Further references by auditor in Management Letter
13 March, 1986:	Officers report submitted to Housing Management (Rent Arrears) Sub-Committee, Committee resolves to circulate for review
30 September, 1986:	Deadline for other Committees to comment

Thus, 2½ years after the problem was first surfaced, the Committee structure is still talking about what to do.

44. The problems of management by members is compounded by the high turnover among members. Excluding Lambeth, in the boroughs in Group A less than [illegible]% of the members now in office has more than four years' experience. There is therefore a dearth of experienced councillors. And many members are more concerned to protect the present jobs of council employees than they are to improve services or reduce waste and inefficiency. The officers can be seen as part of the problem rather than as part of the solution; and, in any case, local government salaries and conditions make it difficult for Inner London authorities to compete with the private sector or less stressful authorities in the provinces – where housing and travel to work costs are generally much lower. This is particularly true in the information technology field, where senior council staff in London are paid around one-third below the rate necessary to attract the very best qualified people, as the jobs demand.

45. Relations between members and senior officers are further compromised by labour relations problems. Members often find it difficult to distinguish between their roles as politicians, employers and trade unionists. It has proved extremely difficult to secure changes, in the face of trade union opposition often supported by members; and attempts at any kind of performance review all too often result in demands for extra services which are countered by claims from the trade unions for additional staff and salary regradings. As a result, auditors' reports are peppered with references to industrial relations difficulties. The following quotations provide a flavour of the situation; each comes from a different Group A borough:

"Auditors' reports refer all too frequently to the long time it takes to secure action."

". . . the Council has a 'no redundancy' policy for its employees. Such a policy might be expected to lead to harmonious industrial relations but in fact this is far from being the case . . . Staff operate a policy of no cover for vacancies, sickness . . . staff in the public libraries have also imposed minimum staffing numbers; when numbers on duty fall below levels set arbitrarily by the staff side, libraries are closed to the public . . . During 1984-5 there were numerous days when area offices of the Social Services department could not open to the public . . . Implementation of new technology generally has been subjected to delays due in part to the protracted negotiations (required by the New Technology agreement) for each work area affected . . . Staff side (trade union) representatives are normally able to attend and speak at committee meetings (of the authority)."

". . . action should be taken to secure more effective working relations with trade unions, to ensure that prolonged disputes or negotiations do not arise . . . (I am) concerned at the lack of progress concerning bonus schemes . . . closure delayed by the effects of industrial action."

". . . during 1983-4 and 1984-5, there were four periods of industrial action during which a ban on admissions to residential homes was imposed."

". . . because of trade union resistance, no work has yet been undertaken on the electricians and plumbers (incentive) schemes; while what little work has been undertaken on the highways and sewers schemes has been hampered . . . Supervisors (are) refusing to co-operate with work study (of work inspection arrangements)."

In such circumstances, as was shown earlier (paragraph 16) officers will vote with their feet and leave, since they wish to be able to manage, free of continual labour relations 'hassles'.

46. It is difficult to see how the situation can be improved while the present amateur approach to local management remains. It does not have to be this way, as the Widdicombe Inquiry made clear. Indeed, other major cities in the Western World manage their affairs without the benefit of anything like so many elected members. For example, Atlanta, with a population of 705,000 and annual expenditure of $1.8 billion (including Fulton County) provides a wider range of services than Inner London boroughs – including education, police, fire services, some health care and water and sewerage services. The City Council comprises 18 members, of whom 12 represent individual districts and six are elected city-wide; and there are seven elected Fulton County Commissioners. The City Council has nine standing committees. The picture is similar in most US cities, including many in the South and West that are notably well managed.

"... authorities should consider ... cabinet-style government ..."

47. In London, there is no reason to think that further fragmentation of the structure of local government will do more than make a difficult situation worse. Rather, the challenge is to make the existing structure work. For a start, more effort needs to be devoted to providing elected members of authorities with some form of management training if they are to continue to be involved in operating decisions. In addition, authorities should consider adopting what amounts to cabinet-style government in place of what one observer (sympathetic to the problems of the authorities in question) has described as 'management by mob'. Specifically the following approach should be given urgent consideration in all Inner London authorities:

[1] The papers for a recent meeting of one authority's Policy and Resources Committee totalled over 700 (sic) pages; some were not distributed until the meeting itself. At the last count, the Council had a total of well over 100 committees, sub-committees and working parties of members.

- Elected members should determine council policies and priorities and (of course) the budget and the rating decisions which flow from them; and subject to the safeguards against politicised appointments discussed below, they should appoint the chief officers of the council
- Chief officers should have delegated executive responsibility, without the need to refer back to the committee or council for authority to take operational decisions – so long as these are consistent with the agreed policies and priorities, and can be met within the approved budget
- Each committee's executive role should be confined to monitoring performance against agreed policies and priorities
- Sub-committees should be wound up, except under exceptional circumstances. Where they are established, they should have a specific task and a limited life
- 'Back-bench' councillors should have the officer and other support necessary to enable them to deal effectively with 'case-work' from their constituents
- A single, flat-rate, allowance should be paid to members for the totality of their council work to discourage unnecessary committees and meetings.

48. Arrangements along these lines have worked perfectly well, not only in many North American cities but also in some notably well-managed English local authorities. There is no reason why they could not be adopted in the near term in Inner London. Similarly, early steps could be taken to strengthen officers' positions. But these measures involve a level of self-discipline and willingness by some members to forgo the appearance (not the reality) of taking executive decisions.

"... these measures involve ... willingness ... to forgo the appearance (not the reality) of taking executive decisions."

Strengthening officers' positions

49. Napoleon is alleged to have remarked that "it is not men that matter, but the man". Certainly, the Commission has observed that the calibre of an authority's senior officers is reflected in the quality of the service it provides. The same applies in the case of council estate management and head-teachers and schools, incidentally. For this reason, the Commission welcomes moves to decentralise housing management, as has taken place in Islington for instance.

50. Given the nature of the problems now facing local authorities in London it is essential that all possible steps are taken to reverse the present trends which make it difficult to attract the very best officers to the boroughs facing the most serious problems. The Commission has already put forward proposals to this end, in its response to the recommendations of the Widdicombe Inquiry. Specifically, the Commission has proposed that:

(i) The selection and dismissal arrangements proposed in the Widdicombe Report should be applied to all chief officers, and not just the Chief Executive.
- Interview panels should be limited in size (normally to no more than five people) and should include at least one independent external assessor and a member of the local opposition for all chief officer appointments. The assessor should be in a position to prevent what appears to be an inappropriate appointment going ahead
- Rolling four to five year contracts renewable only by mutual consent should be considered to safeguard chief officers' professional independence. And there should be an independent element in the procedure for hearing appeals against dismissal; in this case, too, the independent assessor's ratification should be mandatory.

(ii) The standard Chief Executive's contract should define his (or her) authority vis-a-vis other chief officers and in particular specify the Chief Executive's role in selection, promotion and compensation decisions.

(iii) Members of authorities should concentrate on the appointment of chief officers and those reporting directly to them (i.e. first and second tiers). They should not be involved in any appointment below the third tier; and they should only become involved in the third tier appointments in exceptional circumstances.

(iv) The pay and conditions of service for first and second tier officers in all London authorities should be reviewed, urgently. The review should be asked to determine the extent to which the present terms are sufficient to attract people of the required calibre and experience to these very demanding jobs where the turnover rates remain disturbingly high. (In its report, *Managing the Crisis in Council Housing*, the Commission has already called for such a review).

(v) A Code of Practice could define the responsibility and authority of members and officers in detail.

"... it is axiomatic that the council should have to balance the needs of those who benefit from services against those who pay for them."

Strengthening local accountability

51. Local Government is not the same thing as local administration of national services – such as exists within the National Health Service. Locally-elected councils have an important say over the level and cost of local services; and they must balance expenditure with income from all sources. If the local electorate are not content with their council's decisions, they can decide to elect an alternative.

52. This is the theory. It will be evident that effective local accountability is key to the viability of local government. 'No taxation without representation' is a generally conceded claim, even if the converse is not. It is, arguably, no more than human nature for citizens to be more careful with their own money than with public funds. In any event, local government exists to ensure both that services are appropriate to local needs and demands, and that local ratepayers' interests are protected. If an appropriate local balance is struck between the costs and value of local services, it is axiomatic that the council should have to balance the needs of those who benefit from services against those who pay for them. Such is the position in many shire areas, and in most Outer London boroughs – where domestic ratepayers represent a sizeable proportion of the local electorate and contribute substantially towards the cost of local services.

"... local identity is more difficult to establish in London than it is elsewhere."

53. But the situation in London is different. In Inner London, domestic ratepayers meet only 17% of the cost of local government services (compared with 27% in Outer London and 24% in shire areas, for example); and the commercial ratepayers meet 49% of the costs, double the level elsewhere. Moreover, local identity is more difficult to establish in London than it is elsewhere. Over half those working in Inner London do not live there. Many residents do not work in the borough in which they live (10% do not work in Inner London); and an unusually high proportion of the local population moves every year – as much as 25% in some authorities. Interest in serving in local government as a member is therefore understandably low.

54. In addition to changing the arrangements for financing local government, the Commission has already suggested the following steps to strengthen local accountability:

(i) Recast the Housing Benefit arrangements, so that recipients benefit from lower than average rates and contribute towards the cost of higher rates. The present arrangements are on a cost plus basis: many recipients are reimbursed for the full cost of their rates whatever they might be. So it is entirely possible that similar families living in houses a few hundred yards apart would receive different levels of Benefit. If they received a standard amount per adult and child – based on reasonable local housing cost – recipients of Housing Benefit would not be unaffected by their council's spending decisions, as at present.

(ii) Introduce a system under which one third of the council is elected every year. This system operates in a number of English local authorities at present, without any of the disadvantages claimed. The Commission believes that local accountability will be strengthened – and local electors' ability to influence events will be enhanced where there are annual elections.

(iii) Provide better information for local electors. If the local electors lack relevant, timely and understandable information about their authorities' performances, there is no reasonable prospect that local accountability will be more than an empty concept. The Commission believes that the present situation is quite unsatisfactory and has proposed steps to improve the situation to the Department of the Environment.

(iv) Reduce the scope for creative accounting so that, in particular, capitalising of revenue expenditure (e.g. on housing jobbing repairs) does not mask a failure to take difficult decisions, loading on to future generations the costs that should be borne currently.

Reforming the systems for distributing grant and controlling capital expenditure

55. The Commission has already published its view on the present system for distributing block grant to local authorities and controlling their capital expenditure. There is no point in repeating the criticisms here – not least because government has come to accept that the present systems have reached the end of their useful lives. Suffice it to say that, in the Commission's view, the existing systems are wasteful and inefficient – and have given rise to many of the creative accounting devices referred to earlier. Like tax avoidance, creative accounting will always exist so long as there is such a complex system of central planning and control. The key to reform, as the Government now appears to acknowledge, is effective local accountability and a far simpler system.

56. The general weaknesses with the grant distribution system affect London authorities as they do the rest of the local government. They are so serious that the Commission believes that early corrective action is required. But London faces some particular problems, associated with the combination of relatively high rateable values, and the withdrawal of grant from authorities spending above GRE – which has the effect of penalising ratepayers for the spending decisions of councils over which they have little (if any) influence. Because the objective has been equalisation of rate poundage – not the average rate bill for a comparable property – under the present system, deprived London authorities can receive less grant per person than less deprived authorities outside the capital. For example, the residents of Hackney which is arguably the most deprived borough in the country, received some £200 per household less in rate support grant last year than Manchester, which has lesser problems

"... deprived London authorities can receive less grant per person than less deprived authorities outside the capital."

and does not face the extra cost of the London labour market. The difference would have meant almost £15 million in extra grant to Hackney in 1985-6.

57. So far as capital is concerned, it is obviously desirable to concentrate the available public support on those areas that need it most. Expenditure on housing improvements in London needs to be increased, yet capital allocations for housing to local authorities in Greater London have fallen from £1.5 billion in 1979-80 to under £500 million last year; and London's share has fallen from 35% to under 30%. However, as the Commission pointed out in its report, *Managing the Crisis in Council Housing*, almost £800 million in borrowing approvals is being allocated to authorities who should be able to deal with their local housing problems without the need for additional long-term

"Like tax avoidance, creative accounting will always exist so long as there is such a complex system of central planning and control."

borrowing. Moreover, as Exhibit 8 shows, between 1981-2 and 1985-6 the total rate support grant, housing subsidy and urban programme grants received by authorities with the most difficult housing problems (i.e. with a housing Z-score of two or more) fell almost as fast as in other authorities; in absolute terms, the total housing subsidy and urban programme grant per council dwelling fell most in the most deprived authorities.

58. Of course there is no point in 'throwing public money' at local housing problems, however serious, if local management is not competent to put it to good use. But Inner London authorities cannot be expected to tackle their local housing problems without at least unfettered access to future capital receipts, the ability to fund capital expenditure from revenue and reasonable confidence about the level of borrowing approvals over the next three years. Additional borrowing will also be necessary if the capital's housing problems – in terms of homelessness and the backlog of repair and improvements – are to be tackled effectively: but this will only make sense if there is persuasive evidence of effective local management.

★ ★ ★

59. To summarise, the Commission foresees very considerable problems in Inner London. The Southside of Chicago and Harlem and the Bronx in New York provide a foretaste of the future that is in store unless action is taken to address the underlying problems: high welfare dependency and generation intervals of 15 years or less; youth unemployment of 70% or more; extremely high crime rates, much of it drug-related; uneasy relations between the police and a disaffected and largely unemployable urban 'underclass' with no stake in the development of the society in which they live. This future cannot be allowed to happen. And, in the Commission's view, the key to preventing it is effective management of the local authorities most directly concerned.

60. The Commission does not issue such warnings lightly; and it has been heartened at the concern to see constructive action that is evident in some of the boroughs referred to in this paper. Many members are all too well aware that things cannot sensibly go on as they are; they acknowledge both the seriousness of the imminent financial crisis and the need to strengthen local management. The Commission and its auditors are anxious to help in any way possible. It is always open to authorities to ask the Commission to carry out local special studies, under Section 29 of the *Local Government Finance Act of 1982*; and auditors are always ready to undertake extra work in particular problem areas, in accordance with the Commission's *Code of Local Government Audit Practice*. A number of authorities have already taken advantage of this service. A constructive immediate next step would be the establishment of a joint working party of Audit Commission staff and representatives of the Inner London boroughs to agree on the way forward in the boroughs facing the immediate financial crisis, and with respect to the central programmes and systems affecting Inner London.

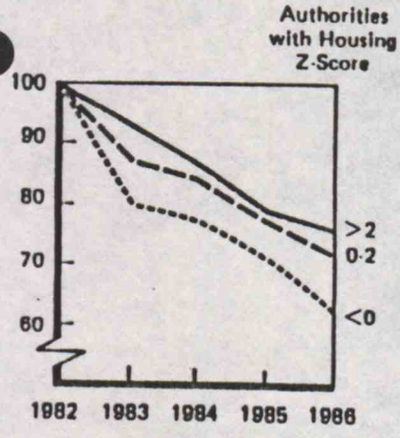
61. However, it is nearly three years since the Commission warned that failure to reform the grant distribution system and to strengthen local accountability would lead to an explosion of creative accounting; and it is two years since the Commission pointed out the waste and inefficiency generated by the present systems for controlling capital spending. No action has yet been taken on either front by government. The consequences are apparent to the most casual observer. A less than urgent response to the problems of Inner London could have even more serious results.

Exhibit 8

TRENDS IN GRANT SUPPORT, FY 1982-1986

Rate support grant, housing subsidy, urban programme grants

£ million, at 1981 prices; Index: FY 1982 = 100

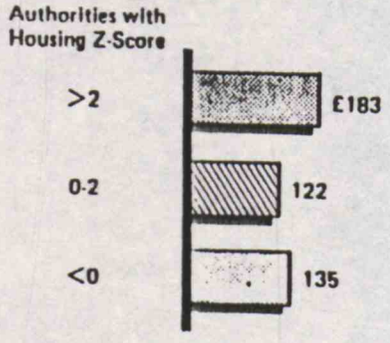


Real Change FY 1986 vs 1982		
Z-Score	%	£m
>2	−24	−692
0·2	−28	−428
<0	−37	−624

REDUCTION IN CENTRAL SUPPORT, FY 1986 vs 1982

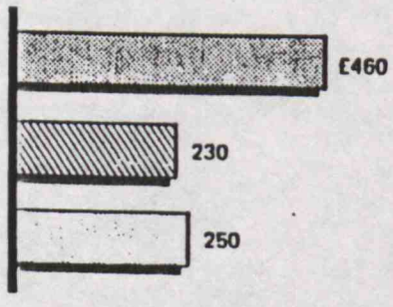
Housing subsidy and urban programme

£/dwelling, at 1986 prices



HOUSING INVESTMENT PROGRAMME ALLOCATIONS, FY 1986

£/dwelling



Source: Audit Commission analysis of published information, 1986

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FROM THE SECRETARY OF STATE

The Rt Hon John MacGregor OBE MP
Chief Secretary of the Treasury
Parliament Street
London SW1P 3AG

16 January 1987

I will request if required

NBPM

Dear John.

Tony Newton was good enough to send me a copy of his letter to you of 8 January about the control of specific grants to local authorities.

I agree with Tony that we must retain the flexibility to introduce new grants, and I support his contention that increases in specific grant should be subject to collective agreement. I do so because I believe that the Government must be free to consider each year, and consistently with what can be afforded for public expenditure as a whole, how much Exchequer grant our policies require and what mix of block and specific grants will best serve those policies. Accordingly I should oppose the pegging of specific grant to a fixed proportion of AEG, or the imposition of a pre-set budget on specific grants. Such proposals would fetter the collective consideration which Tony and I both want.

Because these issues touch on the concerns of several colleagues, I suggest that we treat Tony's proposals as part of the background to the discussion of specific grants which E(LF) is to have later this month.

I am copying this letter to Tony, to colleagues on E(LA) and E(LF) and to Sir Robert Armstrong.

Yours

Kenneth

Rate Support Grant

3.41 pm

The Secretary of State for the Environment (Mr. Nicholas Ridley): With permission, Mr. Speaker, I should like to make a statement about the rate support grant settlement for 1987-88 and selective rate limitation for local authorities in England.

When I made my announcement about relevant and total expenditure on 16 December, I said that no further rate support grant reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about rate support grant when the House returned in January. I am today announcing my firm intentions for the 1987-88 settlement for England and for the supplementary reports for 1986-87 and 1985-86. These intentions are based on the powers I am taking in the Local Government Finance Bill. Copies of the explanatory material and the rate limits proposed in that Bill are being sent to local authorities today and are available in the Library and the Vote Office. Authorities will be able to plan their budgets and rates for 1987-88 with confidence. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent.

The consultation which has preceded the 1987-88 settlement has been much more extensive than in previous years. I have considered very carefully the comments which the local authority associations have made to me, and the many representations received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

I deal first with the main features of the 1987-88 settlement. Since 3 December I have received further information on capital allocations for 1987-88 and about some authorities' budgets for 1986-87. This information has been taken into account in the figures I am announcing today. The figures also take into account expected higher spending by some rate and precept limited authorities to reflect the provisions of the Local Government Finance Bill. The consequence of these changes is to increase slightly the grant entitlements of most local authorities.

The aggregate of Exchequer grant to authorities will be set at the level I announced in July, £12,842 million, which is an increase of over £1 billion or 9 per cent. over the level included in the settlement for the current financial year.

My estimate of aggregate total expenditure in 1987-88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13 per cent. more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition, the Government will, as the House knows, make available additional provision and grant when there is a settlement on teachers' pay which meets our requirements on cost, pay structure, and duties.

There are plenty of opportunities for authorities to reduce their expenditure, for example, by putting out services to competitive tendering or by implementing the many savings indentified by the Audit Commission. I intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper. The most significant change from 1986-87 is that the police GRE will be distributed on the basis of police establishments.

I intend that the slope of the grant-related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

As usual there will be arrangements to limit the impact of year-on-year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

In July, I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future, an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities which will no longer receive a paradoxical and unconvenanted benefit through recycling.

Local authorities can claim the full amount of grant if they spend in line with the settlement spending assumption. We have increased the amount of Exchequer grant by over £1 billion for next year, and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

I shall make the third supplementary report for 1985-86 and the first supplementary report for 1986-87 when I make the main rate support grant report. It is my intention that the supplementary report for 1985-86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. Most authorities have brought their spending closer to target, and as a result £385 million of grant so far withheld for 1985-86 will be paid out. The supplementary report for 1986-87 will distribute the block grant underclaim of some £618 million consequent upon the estimates of total expenditure received from authorities on or before 19 December. My predecessor guaranteed that at least £500 million of grant would be recycled in the first supplementary report for 1986-87. This report will therefore honour that guarantee.

I now turn to the authorities selected for rate limitation in 1987-88. The House will know, from my statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with — for 1987-88 only — in accordance with the terms of the proposed legislation.

The Department is today writing to the 20 high-spending authorities selected for rate limitation, informing them individually of the rate limit figure which flows from the Local Government Finance Bill and my intention for rate support grant. Each of those councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, Departments with responsibility for those authorities will be writing to them with

[Mr. Nicholas Ridley]

similar information about the precept limits produced by the formulae in the Bill. The present system of local government finance is short on accountability and long on complexity. [HON. MEMBERS: "Hear, hear."]

Our Green Paper proposals will replace it. While the present system lasts, I commend this settlement to the House as the best that can be achieved. Prudent and responsible local authorities which contain their expenditure can keep rate increases low. The Government are providing more than an extra £1 billion in grant. How much rates will rise is for the local authorities; they have the opportunity to keep the rates low this year. If authorities choose to spend high, it will be their fault that the rates go up. In the profligate high-spending authorities, ratepayers will benefit considerably from the important protections provided by rate limitation.

Dr. John Cunningham (Copeland): The Secretary of State made a long and complicated statement, but I can begin—as can all my right hon. and hon. Friends—by joining him in his condemnation of the present rate support grant system — a system that is solely the creation of the Government and all those hon. Members who said, "Hear, hear" to the Secretary of State's comments. They voted for the system and have supported it since its creation.

Is the Secretary of State aware that, because of the Government's incompetence, major problems and uncertainties for all local authorities result from the especially late statement that he has made on rate support grant? There will be particular difficulties for those authorities snared by the Rates Act 1984. Is he aware also that, in his treatment of those authorities, there is no natural justice and a denial of the promises made to the House by the right hon. Member for Wanstead and Woodford (Mr. Jenkin), not only in piloting the legislation through the House, but in subsequent letters to local authorities and to me as the shadow Environment Secretary? What has the right hon. Gentleman to say to the House about that matter?

Is the Secretary of State aware that the Local Government Finance Bill, which was given a Second Reading yesterday, is complex and difficult? In his statement, he assumed that the Bill will go through the House and, more important perhaps, through another place without a single change or amendment being made to it. Is that not a breathtakingly arrogant assumption to make, given the nature of the legislation?

Will the Secretary of State recognise that his decision to maintain grant at 46 per cent. of expenditure shows the beginnings of recognition by the Government of the validity of local government spending? Why has it taken seven years for this recognition to arrive on the Treasury Bench, especially since, in those seven years, cuts of £17·5 billion have been made in rate support grant? Why does the right hon. Gentleman seek to disguise the end of grant recycling and its implications? Is he not aware that Mr. Brian Tanner, the county treasurer of Somerset, has forecast that the end of grant recycling will reduce his often-mentioned extra £1 billion by at least £400 million? Is he aware that many other people in local government view the reduction as likely to be more than half the extra money he boasts about? Is he not seeking to disguise that fact because the Treasury plans to recoup at least half the extra money he claims to provide to local authorities?

Why has the Secretary of State changed the claim he made to the House last July that there would be no need for any rates increase as a result of his rate support grant settlement? In the final part of his statement, did he not recognise that rates increases will not only occur but be inevitable as a result of the Government's policies? When will the right hon. Gentleman publish the Bill to end grant recycling? With what other matters will that legislation deal?

Will the Secretary of State explain why he claims that these latest proposals, which he said resulted only from consideration of new and more relevant information and data, disguise the fact that he is reallocating more money as a result of his manipulation of the safety nets and multipliers than he is as a result of any consideration of any new information? The reality is that more than twice as much of the money reallocated results from the manipulation of the multipliers as could be attributed to any new information.

Is the Secretary of State aware that we condemn his ever-widening use of the Rates Act, this time applying to more local authorities and bodies than ever before—40 in total? Do his figures for rate limits take into account the bombshell announced in December in which calculations of housing subsidy for maintenance of council houses were changed, thus denying inner city boroughs, such as Camden, Islington and Brent, of many millions of pounds for crucial house maintenance and repair? Given the difficulties that result not only from the statement's complexity and lateness but from the widening use of the Rates Act, why has not the Secretary of State been more open about the Government's intentions on teachers' pay? Is it not a reality that, if settlement of that matter comes after local authorities have fixed their rates, they will face grave difficulties? Since the right hon. Gentleman has commented on the Government's resolve to protect ratepayers, will he say why last year's public expenditure White Paper did not take realistic account of the level of local government expenditure? Will tomorrow's be any more realistic?

Finally—[HON. MEMBERS: "Hear, hear."] It is always a mistake to say "finally", even when one's comments are significantly shorter than those of the Secretary of State. Does not the Secretary of State recognise that the real reason why rates are and remain a problem for people is the failure of the Government's policies, the massive switching of burdens from taxpayers to ratepayers, and the Government's ineptitude in dealing with local government finance?

Mr. Ridley: The hon. Gentleman has asked many questions, and I shall try to answer them briefly. I am delighted to hear his support for changing this system getting stronger and stronger. We shall expect him to be with us in the Division Lobby when the Bill to abolish rates in England and Wales is introduced shortly after the election. He will then be able to reflect his dislike of the system in his vote.

The consultation on this settlement has been greater than on any previous occasion. *[Laughter.]* That is not a bad thing or something to be laughed at. If we have consultation, it is right that we should listen to all hon.

Gentlemen's comments and, if necessary, act on them. I think that many hon. Members will be grateful for the fact that I did that.

The hon. Gentleman asked about rate limits. Consultation on rate limits had already taken place when authorities that wished to apply for redetermination saw officials or Ministers and, after consideration of those representations, the formulae in the Bill were inserted. Had it not been for the Bill having to be brought forward, I should now be making a final determination, having consulted those rate-limited authorities that applied for redetermination, which were not all of them. *[Interruption.]* The hon. Gentleman says that it would be different. That is right, but for many of them it is higher than it would have been because, as he knows, we have had to keep them all to the same increase in each class. That means that some of them have got higher rate limits than they might otherwise have received. That is borne out by the figure in my statement of an extra £40 million provision. Because of rate capping and precept limitation, the figure is actually £50 million less a £10 million adjustment for authorities spending less this year than they expected.

The hon. Gentleman asked about the change in the GRE in relation to the treatment of rent in London. This change was made at the suggestion of the Association of London Authorities, and for that reason I cannot understand why he should complain about it.

The hon. Gentleman asked why I assumed that the Bill would go through. If the Bill does not go through, no rate support grant will be payable next year, nor will it be possible to pay back the £385 million of holdback that is due to be paid back under the 1985-86 report. That is held up until the Bill becomes law. Massive sums of money for local authorities are at stake under the Bill and I would not have thought that any Member of either House would wish to obstruct progress of the Bill because of the geat damage to local authorities which would result if that money could not be paid.

We would never have produced more than an extra £1 billion of rate support grant if it had not been proposed to abolish grant recycling. The two go together and I hope that not one penny of that money comes back. I hope that every authority will spend at the level of the settlement assumption and not above it. Even that, at 5·25 per cent. above this year's cost—that is, 1·5 per cent. more than inflation—is a very large increase in spending.

The hon. Gentleman asked about rates. If all authorities spend at the settlement assumption, then the average—I repeat average—percentage increase in rate precepts will be 1·2 per cent. which is much less than the rate of inflation. If authorities spend at the settlement assumption, there will be an average reduction in rate bills in real terms.

The recycling Bill will be published very soon. One small but I think uncontroversial change is necessary, but otherwise it contains only provisions to end grant recycling.

The hon. Gentleman asked about teachers' pay. The Department of Education and Science will shortly provide local authority associations with details of the cost of the settlement on teachers' pay and details of the grant towards it. Those details are based on the statement which my right hon. Friend the Secretary of State for Education and Science made on 30 October. If the settlement is as my right hon. Friend predicted on 30 October, the full financial consequences will be with authorities very soon, and that will enable them to set their budgets and rates in plenty of time before the deadline.

Finally, the hon. Gentleman asked about the public expenditure White Paper. He must wait to see that White Paper when it is published tomorrow. As with all things to do with this Government, he will find it sensible, workmanlike and realistic.

Sir Trevor Skeet (Bedfordshire, North): I thank the Secretary of state for listening to our representations and responding to them, and for the safety net provisions, but will he bear in mind the particular problem of Bedfordshire—the education debt provision—which has been with us for many years and is likely to continue? Will he continue to try to find a solution to that problem?

Mr. Ridley: I note what my hon. Friend says. I know that there are special difficulties in Bedfordshire. It is not one of the most fortunate areas in terms of the settlement. That is a result of the swings and roundabouts and the complexities in the rate support grant settlement, but I shall certainly bear in mind the problem about education that he mentioned.

Mr. Michael Meadowcroft (Leeds, West): Is it not highly reprehensible that six weeks' reflection on the previous statement by the Secretary of State has not brought any change in the highly unfair and biased allocation that he proposed then and which will benefit certain shire counties? Surely the Government's love of things American ought not to lead them to introduce the pork barrel system of politics by assisting those who might well support them at the ballot box.

Is it not also rather strange that the Secretary of State should say in his statement that it is his firm intention to carry out the 1987-88 settlement when he gives us no knowledge of the effect of the powers that he will take to himself in the Act about the accounting systems of local government and what effect that might well have on local government finances in the following year?

Does not the right hon. Gentleman accept that to base the grant-related expenditure for the police on police establishments relates it to something which is at least in contention if not highly questionable in many local authorities which complain about the establishment of the police? Is it not highly sceptical to think that one can bring significant benefit from compulsion in regard to competitive tendering? That will not bring any significant savings to local government. Is it not amazing to suggest that the local government system is short on accountability and long on complexity when the truth is that it is short on accountability to local electors and certainly long on compulsion by the Government? That is the heart of the problem.

Mr. Ridley: I am amazed by the hon. Gentleman's first question, because he does not seem to know that between parts of England south and north of the Severn-Wash line about £1 billion of grant is transferred from the south to the north. He may be interested to know that this settlement gives an extra £381 million to counties and authorities north of that line, and only £148 million to counties south of the line. He talks about pork barrel politics in the Tory shire counties, but he ought to be aware that this is one of the best settlements ever reached for northern authorities and industrial cities.

[Mr. Ridley]

I am fully aware that the settlement and the payment of grant to local authorities depends upon the Local Government Finance Bill receiving Royal Assent in a form very similar to the form it is in at present. The hon. Gentleman and the Opposition will have to consider carefully whether they want to take their heady opposition to the point where they might seriously risk depriving local authorities of grant on time.

The hon. Gentleman mentioned the police. The West Yorkshire police authority could reduce its rate by 0·2 per cent. if it spent at the settlement assumption and the precept limit in the Bill.

Mr. Richard Holt (Langbaurgh): My right hon. Friend will know that many critics have suggested that the rate support grant would be geared in the direction of the south. On behalf of the people of Cleveland, I should like to thank him for his statement about the rate support grant. That county is being treated in the most generous way of all the counties and has an additional bonus because of the saving of Smith's Dock and ITM. There will be rate income from those two large organisations this year. That would otherwise have been lost. As a consequence, the people of Cleveland who now have a decent authority will be able to look forward to a reduction in their rates.

Mr. Ridley: I am grateful to my hon. Friend and pleased to hear the authoritative voice of the north speaking accurately and truthfully. My hon. Friend is quite right. If Cleveland spends at the settlement assumption, it will gain a further £15 million in grant and will be able to reduce its rate by 4·1 per cent. I hope that after a few years of the operation of the new urban development corporation on Teesside the companies about which my hon. Friend spoke will create sufficient rateable value to give an extra boost to that part of the world.

Mr. Allan Roberts (Bootle): Since yesterday's debate, has the Minister had time to read his Bill? If he has finally managed to read it, does he not recognise that the draconian measures that he is taking upon himself, the retrospective nature of the Bill and the clauses that will prevent the courts from being used in the way in which they have always been used in Britain will obviously not be acceptable to many noble Lords? It is unlikely that the Bill will go through without being significantly amended. Is it not therefore arrogant to make the kind of statement that he has made today on the basis of the Bill going through unamended? Is he aware that capital allocations are totally inadequate and that, for instance, in Sefton, because of this settlement, they have had to stop letting out contracts? How can the so-called party of law and order take £6 million from the Merseyside police authority when crime has increased by 40 per cent. during the lifetime of this Government?

Mr. Ridley: The hon. Gentleman may have read the Bill, but he has certainly not understood it. Nor have his right hon. and hon. Friends. The elements of retrospection and judge-proofing that they alleged yesterday were totally disproved by my hon. Friend the Parliamentary Under-Secretary of State for Scotland who closed the debate with distinction and clarity. If he does not understand the Bill, he would do better to keep quiet on the matter. Sefton can reduce its rates by 3·3 per cent. if it spends at the settlement assumption. I cannot see what is wrong with that.

Mr. Timothy Raison (Aylesbury): My right hon. Friend has referred to the weaknesses in the rate support grant system—we would all agree with that—but is not one of the weaknesses that updated population figures are not used in the final settlement when they could be? Is that not unfair to counties of increasing population, such as Buckinghamshire?

Mr. Ridley: All population figures are taken into account at a certain stage. They have to work their way into the data upon which the whole operation is based. However, the effect of a cap on grant gains and making a quicker appreciation of population changes would, of course, be working in the opposite direction and would cancel each other out.

Mr. Chris Smith (Islington, South and Finsbury): For all the Secretary of State's talk of complexity and consultation, and for all the twists and turns of the succession of Secretaries of State, is it not a simple fact that the Government are proposing a total Exchequer grant, including that to the police, of £12·8 billion out of a total anticipated expenditure of £27·7 billion? By my calculation, that is less than 46 per cent. of total expected expenditure. That is compared with 61 per cent. which was the figure of Government support for local authorities when the Government came into office. Is that not a massive reduction in support for local government and local services?

Mr. Ridley: The total provision is not £27 billion, as the hon. Gentleman said, but some £25 billion, of which the approximately £12·8 billion rate support grant represents precisely 46·4 per cent.

Mr. Robin Squire (Hornchurch): Is my right hon. Friend aware that it is possible at one and the same time to congratulate him on maintaining the present level of support for local authorities, at least while we have the present system, to join with him in wishing that the present system could be profoundly changed and to disagree deeply with him about the present proposals to change that system?

Mr. Ridley: It is possible for my hon. Friend to do that, but only for a short while longer, before he has to tell us how he prefers to see the system changed.

Mr. Reg Freeson (Brent, East): I have a simple question for the Secretary of State. In the light of the settlement that he has announced, will there be more or less expenditure on repairs, renewal and maintenance of the building stock —housing, schools and other public buildings—in the inner city areas in particular, one of which I represent?

Mr. Ridley: With the best will in the world, it is not a simple question because a large part of repair and maintenance is treated as current expenditure out of the rent account and a large part of this is capitalised and treated as capital expenditure. My complaint is that too much of what should have been maintenance is turned into capital dereliction because it has not been done in the past. It is impossible to give an answer related to current only. I can only say that the right hon. Gentleman will find a large increase in the capital provision for housing repair and renovation; together with this large increase in rate

support grant settlement, he will find that the money available for housing, both current and capital, is greatly increased in real terms over the previous year.

Mr. Patrick Cormack (Staffordshire, South): Will my right hon. Friend send to any Member who alleges that he understands his statement a tin of the new parliamentary humbugs? Will he send to the rest of us a clear translation, indicating how it affects our individual areas?

Mr. Ridley: I do not know whether my hon. Friend is suggesting that I should send myself a tin of humbugs. I would certainly be delighted to spend as much time as he likes with him or with any other hon. Member explaining how the system works, although there must be a time limit on that because we will soon replace the system with a better one.

Mr. Terry Davis (Birmingham, Hodge Hill): Will the Secretary of State confirm that as a result of his announcement today the City of Birmingham district council, the biggest in England, will not be allowed to spend as much as it should spend according to the Government's own assessment of what needs to be spent in Birmingham?

Mr. Ridley: The settlement for Birmingham is an extra £30·861 million over the present grant if it spends at the settlement assumption, which enables Birmingham to reduce its rates by 4·8 per cent., not in real terms, but in cash terms, which is the best result of any authority under this settlement. It is just a little bit greedy for Birmingham to believe that it should have more when that more can come only from the constituencies of other hon. Members.

Mr. Tim Rathbone (Lewes): My right hon. Friend will be aware that if he gives more to Birmingham he will take even more from east Sussex where, in spite of an impeccable performance — by the Government's own statistics east Sussex has performed better in cutting its expenditure over the past five years than any other county —he has reduced absolutely the rate support grant. We have been told recently that this has come about for a number of reasons, among them an alteration, seemingly arbitrary, in the way in which children between the ages of 0 and 15 are calculated for the purpose of rate support grant—which does not bode well for the young people. Indeed, the absolute reduction does not bode well for any of the people in east Sussex.

Mr. Ridley: My hon. Friend does not have too bad a result for east Sussex. He can look forward to a rate increase of only 2·5 per cent. if the county council spends at the settlement assumption. That is a better result than many hon. Gentlemen will have for their authorities. I do not think that it is too bad.

The GREs are constantly being negotiated with all authorities and their associations, and we tend to try to do what the authorities want. But the consequences of that are not always good for every authority. There is always a bit of swings and roundabouts in it. In east Sussex I am sure that we can find some GRE changes which would be to the benefit of the county. It is a pity to pick on only one rather than to look at the overall position.

Mr. Allen McKay (Barnsley, West and Penistone): Will the Secretary of State, taking into consideration the answer that he gave to one of his hon. Friends, look at the situation which affects Barnsley metropolitan borough council? Since the census was taken in, I think, 1981, the cost of certain undertakings and the whole atmosphere and situation in Barnsley have changed. For instance, it is now 12th as regards children under 18 in care. It has the fourth highest percentage of people over the age of 75. It has the highest percentage of unemployment, which has risen by 72 per cent. compared with 32 per cent. on average. Should not consideration be given to these factors, which have changed since the census was taken?

Mr. Ridley: All those factors are taken into account in the GREs, including the population statistics of the various age groups. They are agreed with the local authority associations and we decide how best to take cognisance of them. It would be wrong, having had those data fed into the construction of the GREs, then to seek to have a special increase because it is felt that the results are not satisfactory for one's own authority.

Mr. Nicholas Winterton (Macclesfield): I am sure that my right hon. Friend will agree that anything to do with rates is a minefield and that recent statements by the Government have not reduced the number of explosives. Does he agree that his most recent statement does not seem to have paid tribute to those responsible authorities, like mine in the borough of Macclesfield, which have met the successive requirements of Governments of all shades and complexions? Will he direct his remarks to capital receipts, which are of immense benefit to my authority? If that authority was able to spend them, not only would they generate additional revenue but they would reduce unemployment and make my area of the north-west more efficient, which is totally in line with the requirements of the Government.

Mr. Ridley: I hereby and without condition pay full tribute to all those authorities which are frugal, prudent, sensible and economical. I wish that we could spend more time on them instead of on some of the councils represented by the Labour party which are becoming so extraordinary that the House not only has to talk about them but has to legislate about them, to the great detriment of the good authorities. I take my hon. Friend's point entirely.

On capital receipts, the results that my hon. Friend mentions would not flow through. If we were to release a greater proportion of capital receipts, authorities would have to borrow to find the cash. So, although they could save money, as it were, in the ways he has suggested——

Mr. Winterton: It is on deposit now.

Mr. Ridley: I do not think it is. Only a very small proportion of the £8 billion of capital receipts is on deposit. The rest does not really exist because it is being used to repay debt, either external debt or internal debt.

Mr. Michael Hancock (Portsmouth, South): Can the Secretary of State explain how a county like Hampshire, which for the last seven years has followed to the letter Government diktats, should still suffer considerable grant loss? Despite the opportunities outlined in paragraph 7 of his statement, just to hold the line on the current level of service will mean a rate increase in double figures. How can the Secretary of State make such a statement about capital receipts when Portsmouth, which has over £40 million in capital receipts, is unable to spend it? Should he give the authority power to release that expenditure, it could not only bring down unemployment but greatly improve the housing position in that city.

Mr. Ridley: I am surprised by that. I understand that Alliance members on Hampshire county council recently voted against accepting the lowest tender for providing a service when it had gone out to competitive tender. How dare the hon. Gentleman make any such point?

Mr. Terence Higgins (Worthing): In regard to the receipts from council house sales, does the problem not stem from the absurd way in which the Government treated the receipts as a reduction in public expenditure? Essentially it has been a means of financing the PSBR. It means that the Government have been borrowing from local authorities. Surely it is time we got this straightened out and enabled local authorities to have more access to the money which they have.

Mr. Ridley: The total of local authority capital indebtedness is, from memory, about £33 billion. So if £33 billion is owed by local authorities to those from whom they borrow, it would be unlikely that one would find large amounts of capital receipts in the banks or on deposit, although there are some. Therefore, I do not think it is a question of a system of accounting; it is a question of local authorities not having the money from capital receipts because they have used it to repay debts.

Mr. Tony Banks (Newham, North-West): Is not the Secretary of State aware that there is probably about £6 billion of accumulated capital receipts in local authority bank accounts all round the country? The right hon. Gentleman has not the foggiest idea of how local government finance works. Before he insults the House with his arrogant, laid-back approach, showing his total ignorance of the problems of local authorities, he should get the facts right.

Mr. Ridley: No one could call the hon. Gentleman laid back or relaxed; he seems to be working himself into a frenzy. In fact, he is wrong. There is not some £6 billion of receipts in bank accounts. Local authorities, very prudently and properly, have used their capital receipts to repay their debts.

Sir Julian Ridsdale (Harwich): Will my right hon. Friend examine again the position in Essex? Is he aware that in my constituency and in many parts of Essex many people on small fixed incomes will be adversely affected by his failure to understand the position? If Essex county council is able to keep its spending under GRE, will he reconsider the position and treat the council sympathetically?

Mr. Ridley: My hon. Friend and other hon. Gentlemen who represent Essex constituencies have discussed this with me, but I must point out that Essex is increasing its spending and is not one of the authorities which comes entirely into the category that I commended in my response to my hon. Friend the Member for Macclesfield (Mr. Winterton). It has to be considered how the county council has allowed its spending to get out of control. Even as it is, the county council will have to make only a 6·3 increase in rates if it spends at the settlement assumption, but that assumption in the case of Essex is rather high.

Mr. Max Madden (Bradford, West): Will the Secretary of State confirm that Bradford is suffering the second biggest cut in grant of any metropolitan district in England? Will he also agree that, unless that cut is restored and unless the Government agree to fund properly the West Yorkshire police, fire and transport authorities, Bradford ratepayers will face a very big demand this year? Will he now reconsider the request that I made to him last August to meet representatives of Bradford council so that they may bring to his attention the unique problems and demands of the area and he can reconsider restoring the cut in grant which his statement will inflict upon the city?

Mr. Ridley: I am getting more and more to hear what the language of the Labour party is. I ask the House to listen to this; a cut for Bradford in rate support grant is an increase of £10·426 million; a cut in the West Yorkshire police authority's grant is an increase of £5·436 million; a cut in the West Yorkshire fire authority's grant is an increase of £0·229 million; a cut in the West Yorkshire tranport authority's grant is an increase of £1·778 million. How those figures can conceivably be described as a cut absolutely defeats me.

Mr. Richard Alexander (Newark): May I congratulate my right hon. Friend on his proposals for Nottinghamshire, which at present has a Labour-controlled authority? Is it correct to say that his proposals will give that county an increase of about £22 million, or the equivalent of a 10p or 11p rate? If I am correct, is it not appalling that the county should consider any increase in its rates for next year?

Mr. Ridley: My hon. Friend is entirely right. The extra grant for Nottinghamshire, if it spends its settlement assumption, is £22·119 million which would enable it to cut its rates by 10·7 per cent. It is an extremely favourable result for Nottinghamshire. Whether it lies north of the Severn-Humber line I rather doubt, so it has done extremely well. I urge it publicly to show a big cut in its rate so that it can increase the confidence of business to expand and provide more jobs for the citizens of Nottingham.

Mr. Nigel Spearing (Newham, South): Does the Secretary of State agree that the spending of authorities governed by the second formula in schedule 2 of the Bill varies from 1·6 per cent. above GREA to 70 per cent. above GREA? Will he therefore consider in Committee amendments that would reduce those anomalies? In respect of the London borough of Newham, which cannot put up its rates further, why has he today reduced the block grant figure announced in December from £96 million to £92·7 million? In view of the inner city problems experienced by the borough of Newham, does that not mean a reduction which the borough cannot bear? Why is he reducing the amount that the borough can spend since last month?

Mr. Ridley: The local rate in Newham is already 66 per cent. above the class average. I have never heard a word from any of the representatives of Newham in this House about the requirements and needs of the ratepayers. I should have thought that it was about time that the hon. Gentleman recognised that the ratepayers exist. It follows therefore that if we increase their spending under the Local Government Finance Bill, the grant will go down because all authorities that increase spending will lose grant. That is part of the rate support grant system.

Several Hon. Members *rose*——

Mr. Speaker: Order. I will call the four hon. Members who have been rising regularly. I ask for brief questions, because we must move on.

Mr. Peter Bruinvels (Leicester, East): Will my right hon. Friend introduce a tougher monitoring scheme for those lucky rate-capped authorities in the top 20 high spenders? Is he aware that the citizens in Leicestershire believe that if Leicester city council had been rate capped last year they would not be losing £547,000 this year?

Mr. Ridley: I understand my hon. Friend's concern. Leicester has been a rough story. However, I can tell him that Leicestershire has this year received a big increase in grant that will help to keep down the total rate bill for my hon. Friend's constituents.

I want to correct a mistake that I made about Sefton in response to the hon. Member for Bootle (Mr. Roberts). I said that the rates could go down by 3·3 per cent. I should have said that they could go up by that amount.

Mr. Tony Marlow (Northampton, North): My right hon. Friend, I know, is well aware of the situation in Northamptonshire which, he will agree, is difficult. He knows that as a result of the teachers' settlement there is likely to be an increased cost of between £10 million and £12 million. Could my right hon. Friend tell the House what proportion of that cost will be met by central Government or by the taxpayer, and how that proportion of the cost will be calculated? As a simple matter, could he say that it would be at least 40 per cent.?

Mr. Ridley: I think that Northamptonshire has had a very unfortunate result from the settlement and I find it difficult to explain precisely why. My hon. Friend's authority has probably suffered more than any other.

With regard to the teachers' settlement, the first part of the cost that relates to the current financial year 1986-87, the proportion that my right hon. Friend the Secretary of State for Education and Science said would be met by grant, was 46·4 per cent. That is the same as for the settlement. The proportion for the following year, 1987-88, is slightly less. The details of these figures will be sent to all local authorities very soon and my right hon. Friend will be writing to them.

Mr. John Powley (Norwich, South): Local government will no doubt welcome the extra £1 billion by way of grant entitlement that will come from the taxpayer to increase grant entitlement. Indeed, I also welcome that extra £1 billion. Will my right hon. Friend confirm that Norfolk, a traditionally economic local authority, will have its grant entitlement increased as a result of his announcement this afternoon and thus prove that it pays to run a tight ship for the benefit of ratepayers and, in particular, of commerce and industry within the area that I represent?

Mr. Ridley: I can confirm that Norfolk has received a good result from the settlement and that it receives a further £14·059 million of grant which enables the county to reduce its rate precept by 1·4 per cent. if it spends at the settlement assumption. I am happy to pay tribute to the stewardship of Norfolk county council.

Mr. Bowen Wells (Hertford and Stortford): Thank you, Mr. Speaker. Speaking in the debate at the point to which I have become accustomed, may I thank my right hon. Friend——

Mr. Speaker: Order. The hon. Gentleman is not usually called last.

Mr. Bowen Wells: Anyway, I am pleased to take part in the statement. I must thank my right hon. Friend and the Minister of State, who have genuinely consulted with Hertfordshire about the rate support grant, for putting in place the necessary adjustments which have saved £8 million of the proposed reduction in the rate support grant for Hertfordshire of £15 million.

So that we do not have to go through this wretched business of consultation, become angry and bother my right hon. Friend perhaps unnecessarily, will my right hon. Friend assure us that the same safeguards will be included in the rate support grant settlement next year and the year after until we introduce a new system? That would stop us having to go through this wretched business again and again.

Mr. Ridley: I am grateful for my hon. Friend's comments. I was tempted to think that it would be nice if he could make the statement and not simply take part in it. However, perhaps that would be going too far.

We cannot begin to consider next year's rate support grant settlement this afternoon. We have had enough difficulty with the complexity of the present settlement. However, I note my hon. Friend's comments. We must ensure that the rather creaking system can be made to last the very few years until a better system is put in place following a successful general election and the passage of the English rates Bill.

Capital Punishment (Murder of Children)

4.37 pm

Mr. Geoffrey Dickens (Littleborough and Saddleworth): I beg to move,

That leave be given to bring in a Bill to make it a capital offence to commit the murder of a child.

It is the inescapable duty of the state to protect its children, in the most effective way that is available to it, from unlawful sexual abuse, violence and murder. The Royal Commission on Capital Punishment, which reported in 1953, described murder as the gravest of all crimes and capital punishment as the gravest of punishments for the gravest of all crimes. The murder of a child is, in terms of public concern, an outrage and the gravest and most detestable of all crimes.

I contend that, if it became part of our law once again, capital punishment would, by its deterrent effect, reduce the number of child murders. I also contend that the knock-on effect of the death penalty would deter violence and abuse towards children. Evil people who pray on children are usually cowards to pick on a defenceless child. Cowards understand the fear of death. That fear has a powerful influence over all human beings. Was is not Dr. Johnson who said that nothing concentrates the mind so much as the imminent fear of execution? I submit that nothing is more likely to make the child abuser and potential child murderer pause before interfering with a child than the knowledge that if he or she kills he or she may suffer death.

Those who oppose capital punishment always call for evidence of the deterrent effect of the death penalty knowing that they sit on safe ground. Let me explain. Someone who may have considered murdering a child but is frightened off by the thought of the death penalty will never appear as a statistic. How could he? However, in 1953 the Royal Commission concluded that the deterrent effect of capital punishment was stronger than that of any other punishment available for murder. Common sense tells us that the increase in child abuse, violence and murder has been staggering since the death penalty was abolished.

Despite all the strong measures taken by the Government, the state is simply not protecting its children to the satisfaction of public opinion. In 1985, 125 people were charged with the murder of a child. Most of the arguments that have been put forward over the years by those opposing capital punishment fall to the ground, like a pack of cards, when applied to the murder of a child. Some believe that convicted terrorists, if executed, would become martyrs. Others have made pleas for murders of passion, and so on. Another defence is that mistakes may be made. Which convicted child murderer has ever been released from prison because it was felt that a mistake had been made at the trial? Many have been released, only to kill again. Others have killed fellow prisoners. Few of the arguments against capital punishment apply when considering it for the murder of a child.

My next remarks are directed to my own Front Bench. In 1983, the then Home Secretary, my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) said:

"If the House votes for the restoration of capital punishment for any category of offence, the Government will provide drafting assistance for a private Member's Bill designed to give effect to the expression of opinion of the House and will provide time for the Bill to be debated." —[*Official Report*, 13 July 1983; Vol. 45, c. 892.]

If I am granted the leave of the House, whether unopposed or opposed, to present my Bill, I am justly entitled to expect the Government to honour that commitment and help me with parliamentary drafting services and parliamentary time. If my Bill receives the approval of Parliament today, the Government may wish to consider inserting a new clause in the Criminal Justice Bill.

The recent return of the child murderess Myra Hindley to the Saddleworth moor in my constituency has reopened painful wounds for many families and also for my constituents who live close to those moors. We must always remember that throughout the country there are hundreds of parents who have had their children snatched from play and murdered or never seen again. The thoughts and prayers of this House should be for them all.

The death penalty would have been a most appropriate sentence for Myra Hindley, Ian Brady and others like them if it had been the law at the time of their sentence. A very strong case can be made out for it. We may have saved the lives of Lesley Ann Downey and John Kilbride if the Labour Government of the day had not diluted the deterrent at the time of their killing. They undermined that deterrent by giving notice of their plans to abolish the death penalty. I suspect that Hindley and Brady took a gamble. They were right. They did not have to face the death penalty at the time of their sentence because the Labour Government had removed it.

I have a vision that once again the United Kingdom will be safe for our women to walk freely, without fear of being molested and raped, that our elderly will feel safe after dark and inside their own homes, and that our children will be able to play safely, unafraid of being abused or murdered. My vision will become a reality only if we take a tough line with the criminals, as we do with the defence of the realm. This Bill provides the opportunity for Parliament to make a start today by protecting children. I hope that hon. Members will give me leave to present my Bill for the sake of children everywhere.

4.44 pm

Mr. Joseph Ashton (Bassetlaw): We are in an election year. The hon. Member for Littleborough and Saddleworth (Mr. Dickens) has a marginal seat which backs on to Saddleworth moor. That is why he has introduced this Bill. His remarks about the Labour Government of 1964 were pathetic. The murder of Leslie Ann Downey took place on Boxing Day 1964. The Labour Government had then been in office for fewer than eight weeks. To say that the incoming Labour Government took away the deterrent shows the nonsense of the hon. Gentleman's case. There was capital punishment at that time for certain forms of murder. But capital punishment has never been a deterrent. When they hanged pickpockets on Tyburn hill a crowd of 10,000 surrounded the cart, and when the noose pulled the man up into the air all the pickpockets in the crowd chose that moment to dip their hands into the pocket of the man in front. Capital punishment did not deter people from stealing sheep. The statistics prove it.

The hon. Gentleman is trying to bring back capital and non-capital murder. He wants capital punishment for certain types of offence. We had that in this country for

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Duty clerk
Press

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

13 JANUARY 1987

LOCAL GOVERNMENT FINANCE: RATE SUPORT GRANT FOR 1987/88 AND RATE LIMITATION

1. With permission Mr Speaker I would like to make a statement about the rate support grant settlement for 1987/88 and selective rate limitation for local authorities in England.

2. When I made my announcement about relevant and total expenditure on 16 December, I said that no further Rate Suport Grant Reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about Rate Support Grant when the House returned in January. I am today announcing my firm intentions for the 1987/88 settlement for England and for the supplementary reports for 1986/87 and 1985/86. These intentions are based on the powers I am taking in the Local Government Finance Bill. Copies of the explanatory material and the rate limits proposed in that Bill are being sent to local authorities today and are available in the Library and Vote Office. Authorities will be able to plan their budgets and rates for 1987/88 with confidence. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent.

3. The consultation which has preceded the 1987/88 Settlement has been much more extensive than in previous years. I have considered very carefully the comments which the local authority associations have made to me and the many representations received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

4. I deal first with the main features of the 1987/88 Settlement. Since 3 December I have received further information on capital allocations for 1987/88 and about some authorities' budgets for 1986/87. This information has been taken into account in the figures I am announcing today. The figures also take into account expected higher spending by some rate and precept limited authorities to reflect the provisions of the Local Government Finance Bill. The consequence of these changes is to increase slightly the grant entitlements of most local authorities.

5. The aggregate of Exchequer grant to authorities will be set at the level I announced in July - £12,842 million, which is an increase of over £1 billion or 9% over the level included in the settlement for the current financial year.

6. My estimate of aggregate total expenditure in 1987/88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13% more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition,

the Government will, as the House knows, make available additional provision and grant when there is a settlement on teachers' pay which meets our requirements on cost, pay structure, and duties.

7. There are plenty of opportunities for authorities to reduce their expenditure for example, by putting out services to competitive tendering or by implementing the many savings identified by the Audit Commission. I intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

8. I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper: the most significant change from 1986/87 is that the police GRE will be distributed on the basis of police establishments.

9. I intend that the slope of the grant related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

10. As usual there will be arrangements to limit the impact of year on year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

11. In July I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities who will no longer receive a paradoxical and uncovenanted benefit through recycling.

12. Local authorities can claim the full amount of grant if they spend in line with the settlement spending assumption. We have increased the amount of Exchequer grant by over £1 billion for next year, and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

13. I shall make the Third Supplementary Report for 1985/86 and the First Suplementary Report for 1986/87 when I make the main Rate Support Grant Report. It is my intention that the Supplementary Report for 1985/86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. Most authorities have brought their spending closer to target, and as a result £385 million of grant so far withheld for 1985/86 will be paid out. The Supplementary Report for 1986/87 will distribute the block grant underclaim of

FROM DOE PARLIAMENTARY (TUE)01.13.'87 10:59 NO.5 PAGE 6

some £618m consequent upon the estimates of total expenditure received from authorities on or before 19 December. My predecessor, guaranteed that at least £500m of grant would be recycled in the First Supplementary Report for 1986/87. This Report will therefore honour that guarantee.

14. I now turn to the authorities selected for rate limitation in 1987/88. The House will know, from my Statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with - for 1987/88 only - in accordance with the terms of the proposed legislation.

15. The Department is today writing to the 20 high spending authorities selected for rate limitation, informing them individually of the rate limit figure which flows from the Local Government Finance Bill and my intention for rate support grant. Each of these councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

16. In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, Departments with responsibility for those authorities will be writing to them with similar information about the precept limits produced by the formulae in the Bill.

FROM DOE PARLIAMENTARY (TUE)01.13.'87 11:00 NO.5 PAGE 7

17. The present system of local government finance is short on accountability and long on complexity. Our Green Paper proposals will replace it. While the present system lasts, I commend this settlement to the House as the best that can be achieved. Prudent and responsible local authorities who contain their expenditure can keep rate increases low. The Government is providing more than an extra £1 billion in grant. How much rates will rise is for local authorities; they have the opportunity to keep the rates low this year. If authorities choose to spend high it will be their fault that the rates go up. In the profligate high spending authorities ratepayers will benefit considerably from the important protections provided by rate limitation.

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bc BG.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 January 1987

Dear Rob,

RATE SUPPORT GRANT SETTLEMENT 1987/88
STATEMENT ON 13 JANUARY

The Prime Minister has seen the draft statement your Secretary of State proposes to make on 13 January about the Rate Support Grant Settlement 1987/88 (your letter to me of 8 January), and is content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to members of E(LA), Joan MacNaughton (Lord President's Office), Greg Shepherd (Whips' Office, Commons), Rhodri Walters (Whips' Office, Lords) and Trevor Woolley (Cabinet Office).

Yours,
David.

(David Norgrove)

R.U. Young, Esq.,
Department of the Environment.

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2 MARSHAM STREET
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My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Prime Minister!

8 January 1987

There are no surprises here. Content?

DRN
8/1

Dear David,

RATE SUPPORT GRANT SETTLEMENT 1987/88
STATEMENT ON 13 JANUARY

I attach a draft of a statement my Secretary of State is proposing to make in the House on Tuesday 13 January. There will be a parallel statement in the House of Lords.

I should be grateful for comments by lunch, Monday 12 January.

Copies of this letter and the draft go to the private secretaries of the Lord President and the members of E(LA), of the Chief Whips in both Houses, and of Sir Robert Armstrong.

Yours,

Robin.

R U YOUNG
Private Secretary

This is 100% recycled paper

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STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

13 JANUARY 1987

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1. With permission Mr Speaker I would like to make a statement about the rate support grant settlement for 1987/88 and selective rate limitation for local authorities in England.

2. When I made my announcement about relevant and total expenditure on 16 December, I said that no further Rate Suport Grant Reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about Rate Support Grant when the House returned in January. I am today announcing my firm intentions for the 1987/88 settlement for England and for the supplementary reports for 1986/87 and 1985/86. Copies of the explanatory material and the rate limits proposed in the Local Government Finance Bill being sent to local authorities today are available in the Library and Vote Office. Authorities will be able to plan their budgets and rates for 1987/88 with confidence and certainty. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent on the basis of my statement today.

3. The consultation which has preceded the 1987/88 Settlement has been much more extensive than in previous years. I have considered very carefully the representations which the local authority associations have made to me and the many comments received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

4. I deal first with the main features of the 1987/88 Settlement. Since 3 December I have received further information on capital allocations for 1987/88 and about some authorities' budgets for 1986/87. I have also proposed higher expenditure levels for some rate and precept limited authorities. All of this information has been included in the figures I am announcing today. The consequence of the changes is to increase the grant entitlements of most local authorities.

5. The aggregate of Exchequer grant to authorities will be increased by over £1 billion to £12,842 million; this is a substantial increase and is 9% more than in the current financial year.

6. My estimate of aggregate total expenditure in 1987/88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13% more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition, the Government will, as the House knows, make available

substantially more provision and grant when there is a settlement on teachers' pay which meets our requirements on pay structure and duties.

7. There are plenty of opportunities for authorities to reduce their expenditure for example, by putting out services to competitive tendering or by implementing the many savings identified by the Audit Commission. I intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

8. I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper: the most significant change from 1986/87 is that the police GRE will be distributed on the basis of police establishments.

9. I intend that the slope of the grant related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

10. As usual there will be arrangements to limit the impact of year on year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

11. In July I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities who will no longer receive a paradoxical and uncovenanted benefit through recycling.

12. Local govenment need lose no grant to the Exchequer if local authorities spend in line with the settlement spending assumption. This means that most authorities will only lose grant if they increase current spending by more than 5¼%. If they spend 1% less than I have assumed they would gain £130 million. We have increased the amount of Exchequer grant by over £1 billion for next year and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

13. I shall make the Third Supplementary Report for 1985/86 and the First Suplementary Report for 1986/87 when I make the main Rate Support Grant Report. It is my intention that the Supplementary Report for 1985/86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. The Supplementary Report for 1986/87

will distribute the block grant underclaim fo some £618m consequent upon the estimates of total expenditure received from authorities by 19 December. My predecessor, guaranteed that at least £500m of grant would be recycled in the First Supplementary Report for 1986/87. This Report will therefore honour that guarantee.

14. I now turn to the authorities selected for rate limitation in 1987/88. The House will know, from my Statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with - for 1987/88 only - in accordance with the terms of the proposed legislation.

15. The Department is today writing to the 20 authorities selected for rate limitation, informing them individually of the rate limit figure which the formula in the Local Government Finance Bill produces for their authority. Each of these councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

16. In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, my rt hon Friends with responsibility for those authorities will be writing to them with similar information about the receipt limits produced by the formulae in the Bill.

17. There is a widespread agreement that the present system of local government finance is short on local accountability and long on complexity. Our Green Paper proposals are designed to remedy this. Within the constraints of the present system I believe that this settlement is the best that can be achieved. It will provide prudent and responsible local authorities with a clear incentive to contain their expenditure and thereby keep rate increases low; it will also provide authorities with certainty about their grant entitlements. For its part the Government is providing more than an extra £1 billion in grant. How much rates will rise is a matter for local authorities to decide. If authorities choose to spend up the burden will fall on their ratepayers. In the profligate high spending authorities ratepayers will benefit considerably from the important protections provided by rate limitation.

CONFIDENTIAL

file SH

cc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

CABINET OFFICE

SOLVENCY OF LOCAL AUTHORITIES

The Prime Minister has seen your minute of 5 January to Mr. Wicks, and is content with the proposed ministerial arrangements for considering the solvency of local authorities described in your second paragraph, except that she would not think it necessary for the Secretary of State for Trade and Industry to be a member of the group.

I shall ask the diary secretaries to be in touch to arrange a meeting for the last week of January.

DN

DAVID NORGROVE

7 January 1987

CONFIDENTIAL

OA

Prime Minister!
Content with the arrangements set out in paragraph 2?
DRN 6/1

Ref. A087/18

MR WICKS

Yes pts

Solvency of Local Authorities

At Cabinet on 11 December (CC(86) 41.2) attached the Secretary of State for the Environment was invited to bring forward a paper soon after the Christmas Adjournment about the local authorities that appear to be on course to run out of money next year. I understand that, although the Secretary of State is awaiting a report from the Audit Commission, he should be able to bring forward a paper by the end of January.

2. In the meantime, we should consider which Ministerial group is most appropriate for this business, I should be grateful to know if the Prime Minister agrees that MISC 109 would be the best choice. This group, under the Prime Minister's chairmanship, was set up in 1984 to keep the Liverpool situation under review, though its terms of reference extend more widely. The membership is set out in my minute to Mr Turnbull of 13 November 1984, of which I attach a copy for ease of reference. The membership still seems appropriate, though I would recommend that Mr Tebbit should now be brought on to the group - instead of the present SMSDTI

3. If the Prime Minister is content, we shall arrange a meeting, including Mr Tebbit, in the last week of January.

RTA

ROBERT ARMSTRONG

5 January 1987

4

Ref. A084/3004

MR TURNBULL

cc - Mr Gregson
Mr Buckley
Mr Brearley

Ministerial Group on Local Authority Rate Setting

Your minute of 8 November asks for proposals on terms of reference and membership for a Group to consider how the Government should handle a refusal by Liverpool City Council or other local authorities to fulfil their obligations.

2. I suggest that the terms of reference for such a Group might be:

> "To keep under review any problems which may arise affecting individual local authorities, arising from failure to set a local rate for 1985-86 or to fulfil their legal obligations in other ways, and to consider and co-ordinate such Government action as may be necessary".

The Group might be called the Ministerial Group on Local Government Contingencies.

3. I suggest that the members of the Group, under the chairmanship of the Prime Minister, should be:

Lord President of the Council
Secretary of State for the Environment
Home Secretary
Secretary of State for Education and Science
Secretary of State for Social Services
Lord Privy Seal
Chief Secretary, Treasury
Attorney General
Minister for Local Government

The Secretary of State for Trade and Industry has no great departmental locus but the Prime Minister may like him to be a member on a personal basis when he has recovered. I suggest also that the Chancellor of the Exchequer should receive papers and attend meetings when he wishes to do so, and that the Secretaries of State for Scotland and for Wales and the Chief Whip should receive papers and be invited to attend when necessary. The Secretary of State for Defence, because of his earlier involvement in Merseyside, was invited to the meetings the Prime Minister held on Liverpool earlier this year but I doubt whether it is necessary to involve him in the Group this time.

4. If the Prime Minister is content I will arrange for the Ministers concerned to be informed. I believe the Secretary of State for the Environment intends to bring forward a paper on Liverpool later this month. This would be the subject of the Group's first meeting.

ROBERT ARMSTRONG

13 November 1984

SECRET

file

10 DOWNING STREET

LONDON SW1A 2AA

cc Mr Fountain

From the Private Secretary

MR WOOLLEY
CABINET OFFICE

Thank you for your minute of 31 December.

It is inconceivable that anyone in No.10 would write in the manner of the correspondent with the Borough of Brent. Anyway, we should probably manage to get the name of the Security Service right. We do come across similar cases of forgery from time to time, most of them a good deal more plausible than this one.

The circled crest at the top of the note is of some interest. We use no such crests on any of our current writing paper, cards or note sheets. No.10 used to use a circled crest on our writing paper, but the words "Prime Minister" were at the bottom rather than the top. The only similar crest I have been able to unearth (and I haven't done extensive research) is on the "thank you" cards we stopped using some years ago (example enclosed). If this was the source, someone must have done a scissor and paste job though it is hard to confirm this from the photocopy attached to the Brent letter.

Our normal response to these cases is to say that the letter (note in this case) was not sent from this office, we are sorry the person concerned has been troubled and we are grateful to them for informing us. I think it would be best not to suggest that our writing paper sometimes falls into the wrong hands: there is no evidence that it did so on this occasion.

Mark Addison

31 December 1986

Ref. A086/3586

MR BEARPARK

29/12

I attach a copy of a letter Sir Robert Armstrong has received from the Director of Law and Administration at the London Borough of Brent complaining about the receipt of an abusive letter written on No 10 note paper (the photo copy looks as it it is in fact written on some sort of compliment slip rather than on note paper as such). example att.

2. Unless you have any reason to believe that a member of the No 10 staff was responsible for writing to the London Borough of Brent in this way (the style is a touch more abrasive than I associate with the Private Office), I would propose to suggest to Sir Robert Armstrong a reply along the lines that while every effort is made to ensure that official note paper is kept secure and used only by those entitled to do so, in view of the volume of correspondence handled by No 10, it is regrettably inevitable that on occasion the odd sheet falls into unauthorised hands. But it may be that there have been similar cases in the past, in which event perhaps you could advise me it there is a standard line to take.

Trevor Woolley

T A WOOLLEY

31 December 1986

London Borough of Brent

STEPHEN R. FORSTER LLB, *Director*

Department of Law and Administration

Brent Town Hall,
Forty Lane, Wembley, Middlesex
HA9 9EZ
Tel: 01-904 1244 Ext. 7112
Direct Line No. 908 7112
This matter is being dealt with by

Mr S R Forster

Your Ref:

My Ref: LA/SRF/OP

29th December 1986

CABINET OFFICE
A 13160
31 DEC 1986
FILING INSTRUCTIONS
FILE No. .....

Sir Robert Armstrong, GCB, CVO
Sec to the Cabinet & Head of the Home Civil Service
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

Dear Sir Robert,

I enclose a photostat of an example of the racist abuse my Authority has been receiving as a result of recent press reporting. This one is a little different from the rest in that it appears to be written on the Prime Minster's official note paper. Doubtless you will share my concern at this use of the note paper.

Yours sincerely,

Director of Law & Administration

Enc



Get the MS

Hey, you stinking
Cow - Go back to
your own County
or perhaps they
would kill you
as you did

You Dirty Stinking
Bitch - who do
you think you
are Hope you
get AIDS

Perhaps you already have it

X

file SH CCBG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 December 1986

ISLINGTON'S DEBT

The Prime Minister was grateful for the information set out in your letter to me of 16 December.

DAVID NORGROVE

Miss Isobel Ogilvie,
Department of the Environment

BM

From: THE PRIVATE SECRETARY

cc BG
cc BLup

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

18 December 1986

Dear Andy

WESTMINSTER CITY BILL

Thank you for your letter of 15 December about the meeting between the Prime Minister and Lady Porter on 19 December. As requested, I enclose some briefing for the Prime Minister's use, which the Home Secretary has approved.

Yours,

Stephen

S W BOYS SMITH

P A Bearpark, Esq.,

010

CCBG.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Prime Minister 2

I think I had better move house!

DCW 16/12

Not to Southwark!

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1

16 December 1986

Dear David,

ISLINGTON'S DEBT

You asked for details of Islington's debt charges in relation to their income and how these compared with other Inner London Boroughs.

I attach two tables showing debt charges and income for Inner London Boroughs. The first table gives figures for the Rate Fund Account, which covers most local authority services other than housing. This gives an indication of the direct burden of debt on the rates and other income of the Rate Fund Account.

The second table covers all accounts and therefore shows the overall position of the authority. Since most local authority debt is on housing the overall debt charges are much higher than those for the Rate Fund Account alone.

I'm sorry for the delay in letting you have these.

Yours sincerely
Isobel R. Ogilvie.

MISS ISOBEL OGILVIE
Private Secretary

This is 100% recycled paper

DEBT CHARGES AND INCOME: RATE FUND ACCOUNT 1985/86

	Debt Charges	Income	Debt Charges as a Percentage of Income
	£m	£m	%
Camden	5.4	292	1.9
Greenwich	5.3	122	4.4
Hackney	11.2	138	8.1
Hammersmith and Fulham	9.2	125	7.4
Islington	7.2	109	6.6
Kensington and Chelsea	5.1	140	3.6
Lambeth	13.9	213	6.5
Lewisham	6.0	135	4.5
Southwark	6.7	124	5.4
Tower Hamlets	4.7	133	3.6
Wandsworth	9.0	145	6.2
Westminster	7.0	522	1.3

DEBT CHARGES AND INCOME: ALL ACCOUNTS 1985/86

	Debt Charges	Income	Debt Charges as a Percentage of Income
	£m	£m	%
Camden	74	369	20
Greenwich	44	184	24
Hackney	65	221	30
Hammersmith and Fulham	36	164	22
Islington	87	196	44
Kensington and Chelsea	21	167	13
Lambeth	88	318	28
Lewisham	54	205	26
Southwark	89	242	37
Tower Hamlets	52	217	24
Wandsworth	51	212	24
Westminster	31	571	5

cc. ~~DW~~
MEA
P/U
DIC
PRESS

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT
16 DECEMBER 1986

LOCAL GOVERNMENT: THE DEFINITION OF RELEVANT AND TOTAL EXPENDITURE

1. With permission Mr Speaker I would like to make a statement about the calculation of expenditure for rate support grant purposes.

2. Relevant and total expenditure are two key concepts which are basic to the local government finance system in England and Wales.

3. Since 1981 relevant and total expenditure have been calculated on the basis of the expenditure charged to a local authority's Rate Fund Revenue Account. This expenditure includes contributions from that account to, for instance, the Housing Revenue Account and other special funds. Contributions from such funds and accounts to the Rate Fund Revenue Account have been regarded as income reducing relevant and total expenditure.

4. This approach was adopted in 1981 in response to the views of the local authority Associations.

5. I have looked closely at the definitions of relevant and total expenditure because of some anomalies in the returns of expenditure received from a number of authorities. I was concerned that the accepted approach, despite the local authority Associations desire for it, did not seem to correspond to the statute, and I sought legal advice about this. That advice made it clear that the Department's treatment of expenditure was incorrect in law. Transfers between funds and accounts within the Rate Fund are not expenditure: expenditure only takes place when an authority has liabilities in the outside world and meets these from the general Rate Fund. A second opinion confirmed the advice.

6. I must accept that advice. It means that past decisions which involved the concepts of total or relevant expenditure are put in doubt, and that it would be quite improper for me or my Right Hon Friend the Secretary of State for Wales to ask the House to take further decisions on the present basis. Until this matter is put right, we cannot therefore make any further RSG Reports, including the main Report for 1987/88, or complete the rate limitation process.

7. To deal with this highly technical problem, the Government will therefore be bringing urgent legislation before Parliament which will validate for England and Wales all past decisions involving the use of relevant or total expenditure and allow decisions to be properly taken for the remainder of the present Rate Support Grant system in line with the practice which has hitherto been adopted. Because the Bill is unlikely to receive Royal Assent in time to allow for the normal timetable on rate limitation, I propose to include in it provisions to set rate and precept limits for designated authorities by formula. The Bill is designed to make no changes in policy, but as far as possible to apply existing policy within a tight timetable.

8. My Right Hon Friend the Secretary of State for Scotland administers the Scottish Rate Support Grant under separate legislation and the same problem does not arise. Some more minor difficulties in Scottish practice which have come to light will, however, also be remedied in the proposed legislation.

9. Authorities will be concerned, in the light of my statement, about the immediate position for 1987/88 and on outstanding Supplementary Reports. When the House returns in January I hope to announce my firm intentions for the 1987/88 settlement for England and the Supplementary Reports for 1986/87 and 1985/86. The Bill is designed to fulfil those intentions. I shall make the relevant Reports immediately on Royal Assent to the validating Bill. Authorities will therefore be able to plan their budgets and rates for 1987/88 with confidence on the basis

of my statement in January. Also in January my Right Hon Friends and I will inform designated authorities of the exact rate and precept limits which will be set for them in accordance with the provisions of the Bill.

10. My Department is today writing to all authorities and their Associations to explain the position.

CONFIDENTIAL

CCBG

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

16 December 1986

NBPT

Dear Nicholas

It has been agreed that immediately following Nicholas Ridley's Statement to the House on Rate Support Grant and the Local Government Finance Bill, I will make a Statement setting out the position in Wales. I enclose a copy of the Statement I propose to make. It summarises the implications for Wales of the Bill, and also, because I have completed my consultations on the details of the settlement, sets out my intentions for the 1987/88 Welsh Rate Support Grant Settlement.

I am sending a copy of this to the Prime Minister, the Lord Privy Seal, the Chief Secretary, Treasury, the Secretaries of State for the Environment and for Scotland, the Chief Whips of both Houses, to other members of E(LA) and to Sir Robert Armstrong.

Yours

NM

The Rt Hon Viscount Whitelaw PC CH MC
Lord President of the Council

CONFIDENTIAL

PARLIAMENTARY STATEMENT - SECRETARY OF STATE FOR WALES - WELSH RATE SUPPORT GRANT

With permission, Mr Speaker, I wish to make a statement about the Welsh Rate Support Grant.

I will deal first with the implications for Wales of the Statement which has just been made to the House by my Rt Hon Friend the Secretary of State for the Environment. The definition of relevant and total expenditure adopted in rate support grant reports for Wales since 1981 with the agreement of local government in Wales is, for the reasons outlined by my Rt Hon Friend, now seen as not meeting statutory requirements and being incorrect in law. Until this is put right I am unable to make further RSG reports. The urgent legislation being brought to the House will therefore validate for Wales as well as for England all past decisions involving the use of total or relevant expenditure and allow future decisions to be taken in line with previous practice.

I wish to do everything possible to minimise difficulties for local government so that they can proceed with budgeting and rating for the coming financial year, I am today giving to the Welsh Consultative Council on Local Government Finance and to all Welsh County and District Councils full details of my intentions for the main Report for 1987/88 and the Supplementary Report for 1986/87. A copy of my statement has been placed in the Library. The Supplementary Reports for 1984/85 and 1985/86 will be the subject of further consultation. My intentions take account of the views expressed to me by the Welsh Local Authority Associations and individual councils during consultations. They are, of course, dependent upon the approval by the House of these Reports, which will be laid upon enactment of the Local Government Finance Bill.

It is very important that Councils should feel able to proceed with their planning over the coming months in the knowledge that my intentions are firm. They, therefore, have my assurance that it is my intention not to take into account in the Main Report for 1987/88 and the Supplementary Report for 1986/87 any new data or representations received after 3 December; the Bill will provide for this. It can, therefore, be assumed for the purpose of calculating grant entitlements that the information I am making available today will be reflected in those reports. New or revised data will be taken into account in supplementary reports for the years concerned, as will be any additional resources for teachers' pay.

I turn now to the detail of my intentions for 1987/88. Provision for relevant expenditure will be £1,734 million or over 6% higher than budgeted spending in 1986/87; current expenditure will be 4.8% higher or more than 1% above the expected rate of inflation. Aggregate Exchequer grant will be £1,157m, unchanged from July; domestic rate relief remains unchanged at 18½p in the £. Block grant will be £901.7m.

In my discussions with the local authority associations about the 1987/88 settlement they stressed the need for stability between years in the grant distribution mechanisms. With this in mind I intend to retain the same basic block grant mechanisms used in the present year with no expenditure target for individual councils, and to leave unchanged the slope of the grant related poundage schedule both above and below the 10% threshold. The total of authorities' GREs will be set in line with overall provision. At the margin, decisions to increase spending will result in a cash reduction in grant for most authorities, while decisions to reduce spending will produce considerable rating benefits.

Grant recycling was justified in 1986/87 as an interim measure during the first year of operation of the new mechanisms following the abolition of targets for individual local authorities. This measure is no longer appropriate and I intend that the settlement for 1987/88 should give the further certainty of ensuring that each authorities' grant entitlement will depend solely on its own spending decisions and not be affected by decisions taken by other authorities. My Rt Hon Friend the Secretary of State for the Environment and I have already indicated that we propose to introduce legislation in the near future to abolish recycling.

In the first supplementary report for 1986/87 I intend to recycle block grant in full. Changes to aggregate relevant expenditure following from increases in police pay, expenditure on midday supervision in schools and GCSE will increase block grant by £1.3 million and the total of specific grants will be increased to £174.7m. The contribution of Welsh local authorities to the England and Wales further education pool will be £3.5m. The total of local authorities' GREs for the year will be reset in line with aggregate expenditure provision but I intend to introduce multipliers so as not to affect authorities' block grant entitlements.

The settlement I intend to make for 1987/88 is a very good one for Wales. The increases in all the main components - relevant expenditure, current expenditure, aggregate Exchequer grant and block grant - are well above the forecast rate of inflation.

I am sure that there will be general agreement that central and local government should work together to ensure that spending and rating decisions for next year are not hindered by the delay in our being able to make RSG reports. Today's announcement of my intentions will enable Welsh local authorities to reach their decisions in an orderly way. There can be no doubt that in so doing they must have regard to the interests of ratepayers and taxpayers. I am confident that the Welsh Local Authority Associations and all Welsh councils will recognise this and will respond constructively to the opportunity they now have to budget for very low rate rises indeed.

D/E asked to return booklet on City of Westminster briefing

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 December, 1986.

I enclose a letter and papers from Lady Porter who is to see the Prime Minister on Friday morning. Yesterday I asked Stephen Boys-Smith at the Home Office if he could provide some briefing by noon on Thursday. But, on looking more closely at the papers, I see the subject is for you as well as for him. Could I please leave it to you to liaise with Stephen, and ensure that we have briefing from both your Departments for the meeting.

(P.A. Bearpark)

Robin Young, Esq.,
Department of the Environment.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 December 1986

I enclose a copy of a letter from Lady Porter asking for a meeting with the Prime Minister.

This has been arranged for 9 o'clock on Friday of this week. Could you please let me have some briefing by noon on Thursday.

(P.A. BEARPARK)

Stephen Boys Smith, Esq.,
Home Office

SECRET

FILE 11
DAS

cc CNO H/C+H/L
CO DOT LPO
LOD
M/S PCO SO
DES CSO
COL PCO
DHSS HO
WO DTI

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 December 1986

Dear Robin,

The Prime Minister has considered the draft statement about the proposed legislation to deal with RSG expenditure definitions which was attached to your letter to Mark Addison of 11 December. She had two comments.

First, in paragraph 5 she has suggested amending the second sentence to read: "I was concerned that the accepted approach ... did not seem to correspond to the statute ..."

Secondly, in the final sentence of paragraph 7, the reference to the timetable sits oddly with the rest of the sentence. The Prime Minister has suggested that the timetable may need a separate sentence or paragraph.

I am copying this letter to the Private Secretaries to members of E(LA), to the Attorney General, to the Chief Whips in both Houses and to Sir Robert Armstrong.

Yours,

David.

D R NORGROVE

R. U. Young., Esq.
Department of the Environment

SECRET

010 PA on file Cf ?

Prime Minister 4

DANCING LEDGE
WHERWELL
ANDOVER, HAMPSHIRE
Chilbolton (026474) 296

12 December 1986

Dear Prime Minister

A very belated, and therefore I apologise for not writing to you sooner, thank you for the most courteous way in which you received the Chairmen of the other Associations and myself at Downing Street on Tuesday, 25 November. The delay has mainly been caused by my attendance at the National League of Cities Annual Conference in San Antonio, Texas, the equivalent American Association to the ADC. I found it very refreshing to be in the company of an organisation and a country that believed in and practiced free enterprise and competition, even encouraging competition between towns and where the Central Government have greatly reduced, and are continuing to reduce Central Government support.

I appreciated greatly your receiving us and believe the discussions were very constructive and I shall be watching with interest as the Scottish legislation passes through the House of Commons.

My main concern, as I believe democracy starts at district council level, is to see a strong and accountable local government within the country.

Whilst writing can I say how much I enjoyed watching the Party political broadcast last night which I thought was excellent.

Yours ever
Bob Morgan

The Rt. Hon. Margaret Thatcher, MP.,
Prime Minister,
10 Downing Street,
London, S.W.1.

CONFIDENTIAL

CCBG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

12 December 1986

WITHDRN

NBPM.

Dear Lord President,

"PAYING FOR LOCAL GOVERNMENT" - RESPONSE TO CONSULTATION

I was grateful for colleagues' comments on the draft document that was enclosed with my letter to you of 3 December.

I have taken account of the points that were raised: I enclose the version of the text that has gone to the printer.

In view of the shortage of time, it has been necessary to leave one or two issues of policy unresolved at this stage - notably the arrangements for caravans, and whether unmarried couples should be jointly and severally liable for the community charge. I hope that it will be possible for these to be considered by E(LF) early in the New Year.

The document will be published on Monday 15 December. The House will be informed by way of a written PQ; copies will be placed in the Library and the Vote Office. At the same time, I shall be publishing a summary of the responses to consultation a copy of which is also enclosed.

I am copying this letter, and the enclosures, to the Prime Minister, the Lord Chancellor, members of E(LF) and to Sir Robert Armstrong.

Yours sincerely,

pp NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence.)

This is 100% recycled paper

PAYING FOR LOCAL GOVERNMENT: THE COMMUNITY CHARGE

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FOREWORD

Abolition of domestic rates was the centrepiece of the Government's Green Paper "Paying for Local Government" (Cmnd 9714) published in January this year. The aim of the Government's proposals is to make local authorities more accountable to the people in their areas by replacing rates with a community charge, payable by all adults as a flat-rate amount in each area.

There have been over 1200 responses to the Green Paper in England, and 120 in Wales. The Government is grateful to those who sent in comments. Though opinions varied, more than twice as many people wanted to abolish the rates as wanted to keep them. The community charge received considerably greater support than any other replacement for domestic rates.

The rating system has been under review for too long. There is wide agreement that reform is needed. Equally, there is no prospect of a solution that commands universal support. The time has come to decide, and to embark on reform. The Government therefore confirms its intention to introduce the community charge in England and Wales.

The community charge will mean that the cost of paying for local services is shared out more fairly than it is at present. And a £1 per adult rise in spending will mean a £1 increase in the community charge. For the first time, every local elector will have a clear incentive to consider the costs, as well as the benefits, of extra local spending.

Clear accountability through the community charge will also require us to proceed with the other main proposals in the Green Paper. Although we are still considering the detailed responses on these matters, we can say that the Government will be introducing a simpler system of distributing the grants to local authorities which are paid for by taxpayers, and a uniform rate poundage for businesses in each country.

In England and Wales, the Government intends to introduce legislation as soon as practicable - no later than the first Session of the next Parliament - to bring about these changes. Its aim is that the new system should begin to come into effect in 1990.

Many of those who responded to the Green Paper expressed concern about practical problems associated with the community charge. The Government is publishing this document now in order to answer a number of questions about the operation of the new system. Its aim is to enable all those who will be affected to see howthe community charge will operate, and to give the opportunity for further discussion about the detailed arrangements before final decisions are taken.

NICHOLAS RIDLEY
Secretary of State
for the Environment

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Secretary of State
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PAYING FOR LOCAL GOVERNMENT: THE COMMUNITY CHARGE

What is the community charge?

1. The community charge is a flat-rate payment, levied by each local authority on the adults living in its area. The community charge will replace domestic rates, which the Government plans to abolish.

Who will pay it, and where?

2. Everyone over 18 living in this country, including foreigners, will be liable to pay the community charge. The only exceptions will be those under 19 but still at school, convicted prisoners and resident hospital patients.

3. At present, about 16 million householders in England and Wales pay rates. About 37 million people will pay the community charge. They will pay the amount levied by each local authority in whose area they live - so, for example, the overall community charge bill may be made up of separate amounts for the county council, the district council and the parish or community council. Those on low incomes will continue to get help through the social security system. Detailed arrangements will be settled later.

4. Some people live in properties where non-domestic rates are paid at present - including staff hostels in hospitals; hotels; and caretakers' flats in office blocks. Under the new system such people will pay the community charge. Buildings in residential use will no longer pay non-domestic rates: either they will be removed from the rating list entirely or, where part of the building is used for other purposes, the rateable value will be split by the Valuation Officer between the residential and other parts. No rates will be charged on the residential part.

5. People will pay the community charge to the district or borough where they have their sole or main residence. In the vast majority of cases, it will be obvious where people live. A few people have two or more homes, or spend part of the year abroad. It will be necessary to decide which is their main residence. Although such people may well wish to express a view, they will not be allowed simply to choose which it should be. The decision will be taken by a community charge registration officer appointed by the local authority. There will be the right of appeal set out in detail below.

6. Where people should pay will be determined according to the facts of each case, and in the light of similar cases decided by the courts. The registration officer will look at the individual's particular circumstances and will be able to consider such evidence as where the person is employed and where children go to school, as well as the length of time spent at each address. This approach is similar to that used in the rating system, where there is no detailed definition of 'the occupier' who is liable to pay rates. This works well, and the Government sees no need to set down a detailed definition of 'sole or main residence' for the purposes of the community charge.

What happens when someone moves house?

7. Like rates, liability for the community charge will be based on the actual period spent in an area. Someone living at the same address throughout the year will pay the full year's community charge there. When people move, they will notify the authority with which they are registered of the change of address and pay only the appropriate proportion of the year's charge there. They will register for the community charge at their new address. So, for example, someone who moved on 1 October would pay half the annual charge at each address. Arrangements for registration are discussed in more detail below.

How will students be treated?

8. The Green Paper proposed that students, like all other adults, should pay the community charge: they use local services and can vote in local elections. But it recognised that students might require special rules because it would be complex and costly for them to be required to register and deregister at the beginning and end of every term. It proposed that students in higher and further education should be liable for the community charge at their term-time addresses as if they were living there throughout the year. However, no final decisions have been taken about payment of the community charge by students in England and Wales.

What about empty houses and second homes?

9. The Green Paper recognised that owners of two homes should pay a contribution towards services in the area of their second home. Some local services - fire, police, roads, planning - are needed whether the house is lived in or not; and not levying bills on such property would give an undue windfall gain to owners of second homes.

10. It would not be appropriate to charge rates on such property after the abolition of domestic rating: any house can switch between use as a main residence and use as a second home, and there will no longer be a register of domestic rateable values. The Green Paper therefore suggested that second homes should bear a standard charge equal to two units of community charge for the area. The Government now proposes that this standard charge should apply to all dwellings not occupied as a main residence (including empty houses and holiday-let houses) except empty houses which are uninhabitable or which are temporarily empty for up to 3 months on a change of occupier. These will be exempt from any charge just as at present they do not pay empty property rates.

11. Setting the standard charge at two units of community charge in the area would mean that, the bill for each house was broadly, about the same as with rates. Local authorities may however consider that a charge at this level would be excessive for all or some of the property in their area: in particular, many authorities use their existing power not to rate empty houses, and may wish to preserve this position. The Government therefore proposes to give local authorities in England and Wales power to decide whether to set lower standard charges for particular categories of property. Special provision would need to be made for caravans and other property not suitable for year-round occupation where application of the standard charge may be inappropriate.

Will there be a community charge register?

12. Liability for the community charge will be based on the fact of residence in an area. There will be a separate register for each district and borough of those who are resident there. Councils will be required to have an officer formally designated as a community charge registration officer, with responsibility for registration.

13. The community charge register will be separate from the electoral register. The two will not have the same coverage. For example, some resident foreigners will appear on the community charge but not the electoral register; students studying away from home may appear at their home address on the electoral but not the community charge register. The community charge register will also be updated throughout the year to take account of changes of address; the electoral roll is not. The two registers will therefore be administered separately, although each may be used to check the other.

14. Once the registration officer is aware that an individual is resident in the area, he will add their name to the community charge register. The person concerned will immediately be told. Usually, this notification will merely confirm what the individual knew was going to happen. In some cases, however, the person may not be satisfied with the registration officer's decision; the individual may, for example, already be registered elsewhere, and regard that address as their main residence. They will then have the right of appeal against the decision of the registration officer.

Will the register be open to the public?

15. The register will record information about those who are liable for the community charge at each address within the area. The individuals concerned will have the right to see all the information held on the register about them, or which affects their community charge payments. Information available to the general public will be limited to a list of addresses and the names of those registered there.

How will the register be compiled?

16. Information for the community charge register will come from a variety of sources. The most important will be canvasses undertaken for the purpose. Every home will be sent a form on which details of those resident at that address will need to be entered. The first canvass will take place everywhere in the summer before the community charge comes into effect. Thereafter, there will be no set annual timetable: local authorities will be free to devise their own programmes for canvassing their areas. They will, for example, be able to spread the workload throughout the year or to decide that some parts of their areas need to be canvassed more frequently than others.

Who will be responsible for filling in the canvass form?

17. It would be impractical for every individual to have a duty to respond to canvasses: the registration officer would not know how many forms to expect from each address. The Green Paper therefore

suggested that heads of household should be responsible for responding to canvasses and for registering people who joined the household between canvassses.

18. The Government has taken note of the view expressed during consultation that the concept of 'head of household' is difficult to define and out-of-date. But because it still believes that one person at each address should be under a duty to respond to requests for information, it proposes to place this duty on a 'responsible person' at each address.

19. The Government accepts that clear rules are needed to determine who the responsible person should be. The responsible person for a particular address will be the owner or tenant living there. Where ownership or tenancy is in more than one name, the owners or tenants will all be responsible for supplying information unless one of them agrees to act on behalf of all of them. In cases of doubt, the registration officer will be able to nominate a person to act as the responsible person at that address; the individual concerned will have a right of appeal against the decision. The power of nomination will also be used where those living at an address want someone other than the owner or the tenant to complete canvass forms, and the registration officer is content with this arrangement. The responsible person at each address will be required to respond within a prescribed period of time to a canvass form and to supply complete and accurate information.

20. The Government has now decided that the duties of the responsible person will extend only to providing information on request and not to registering any new resident who may arrive between canvasses. That will be the responsibility of the new arrivals themselves.

What will happen if the canvass form is not filled in?

21. The Green Paper suggested that failure to respond to a canvass should be a criminal offence. A number of those responding to this proposal said that, wherever possible, it would be preferable to avoid using the criminal law. The Government accepts this point. Failure to respond to a canvass within the time allowed, or supplying incorrect or incomplete information, will therefore attract a civil penalty. The local authority will have powers to impose a flat rate penalty of £50 in the first instance. This will not carry a criminal record. It will, however, be imposed on everyone who does not have a reasonable excuse for such a failure. A reasonable excuse might, for example, be that the person had been away from home for the whole period after the form had arrived.

22. Where a person continues to refuse to supply information, even after a penalty has been levied, or continues to supply incorrect information, the local authority will have the power to impose a higher rate of civil penalty, of £200. In extreme cases it may be possible to prosecute individuals for offences under the Theft Acts.

23. Where a penalty is imposed, the person concerned will have a right of appeal. The appeal body will decide either that the penalty should stand, or, where it accepts that there was a reasonable excuse, that it need not be paid.

What will happen if an individual is not registered?

24. It will be possible for names to be added to the community charge register with retrospective effect. This will be done where the registration officer is satisfied that the person concerned has been living in the area since that date without being registered. There will be a right of appeal against the date from which the entry runs, as well as against inclusion on the register. Subject to any appeal, however, the community charge bill will cover the full period beginning on the date at which residence in the area began. The local authority will also be able to charge interest on the amount owed.

25. Individuals will have a duty to ensure that they are registered with the local authority in whose area they live. In cases where the individual has avoided registration for three months or longer, there will be an automatic civil penalty of £50, or 30% of the community charge avoided if that is greater. These penalties will be imposed in all cases except those where the individual concerned has a reasonable excuse. There will be a right of appeal against such penalties.

How will the local authority keep the register up-to-date and prevent evasion?

26. Some of the information that will assist in keeping the register up-to-date will be provided by the public. For instance, it should become routine for people moving house to notify the local authority of this - just as they do now with rates. Solicitors or others responsible for buying and selling houses may well remind their clients of the duty to register for the community charge at the new address; in many cases solicitors will doubtless carry out the formalities on their clients' behalf. Registration officers will follow up such information by sending out specific requests to an address or group of addresses for new residents to register.

27. There will be simple standard forms for notifying changes of address. These will be widely available. Banks and building societies will be asked to give them out when they offer mortgages; and housing associations when they grant new tenancies.

28. Registration officers will not be permitted to check the accuracy of the register against major national sources of data such as family practitioner records or information held by the Inland Revenue. However, they will be able to draw on most of the information that local authorities hold in connection with their existing functions and services.

29. Rating records (which give the names of rateable occupiers at most addresses) will be useful in establishing the register. With council tenants, the authority concerned will always have the name of at least one person at each address. Registration officers will be able to use the electoral roll to help check the completeness of the community charge register, and vice versa.

30. It is usual, when using many local services, such as applying for a library ticket or registering a child for school, to give a name and address. In future, it will be possible for such information to be checked subsequently against the community charge register. If the person concerned is not shown as living at that address, the registration officer will make further enquiries. Where he is satisfied that they should be registered there, he will add the name to the register in the way described earlier.

31. In some cases, checks could be run before the service was offered - for example, where someone was applying for a council house, or a rent rebate, or a home improvement grant. In no circumstances would people be prevented from obtaining services that they were entitled to. But where the registration officer was satisfied that the individual concerned was solely or mainly resident in the area, that person's name would be added to the register.

32. The only sources of local authority information that will not be accessible to the registration officer will be those that contain material of great personal sensitivity - social workers' casework files, for example, and information held by the police.

33. Local authorities will be able to encourage registration by offering preferential charging schemes for those living in the area. This is already common practice with adult education classes, for example.

What about people who move house frequently?

34. The vast majority of people will be individually registered where they live. However, a small proportion of the population, in particular young single people, live in privately rented accommodation and move frequently. Such people are heavily concentrated in parts of inner London and some university and seaside towns. Local authorities in these areas could suffer a serious loss of income if they were able to rely only on individual registration and collection. The Green Paper therefore proposed that people living in multi-occupied and communal accommodation should pay a collective community charge to the landlord, along with their rent. They would not be individually registered with the local authority.

35. There will always be some loss of accountability where people pay their community charge indirectly with the rent. The Government does not therefore wish to see the collective charge used widely; in its view it should be levied only on property where individual registration and collection would not be practical. It will be for local authorities to decide, in the first instance, whether the collective charge is appropriate. Landlords will have a right of appeal on the grounds that individual registration and collection would be practical.

36. Where the collective community charge is applied the landlord will be liable for the charge. He will be entitled to recover from each adult tenant, with the rent, a separately identified amount equal to the individual community charge for the area.

37. The local authority will charge the landlord according to the number of adults who live in the property. The landlord will be able to apply for the charge to be varied if the number of adult residents changes.

38. Some of those who responded to the Green Paper suggested that landlords should be required to maintain records of the names of people living in their property, and that local authorities should have a power of entry to establish how many people appeared to be living in a multi-occupied house. The Government is not at present persuaded of the need for these further provisions in England and Wales, but will consider further how the collective charge can most effectively be enforced.

Who will deal with appeals?

39. Most people will know where they should pay the community charge, and will make sure that they are on the register there. In those cases where problems do arise, however, there needs to be a straightforward and effective system for resolving disputes.

40. The most common appeals are likely to be against inclusion on the community charge register for an area, or against a civil penalty. Individuals will also be able to appeal against nomination as a 'responsible person' required to complete a canvass form. Landlords will be able to appeal against any decision by the local authority to levy the collective community charge on their property. There will also be appeals as to whether non-domestic rates should be paid on all or part of a property.

41. Proceedings should be kept simple, so that those concerned can explain their point of view. The Government therefore proposes to extend the remit of Local Valuation Courts (LVCs), which at present deal with appeals against rateable values, so that they would also be responsible for the appeals listed above. LVCs are made up of lay people; it will be up to them to decide cases on the basis of the facts. It will be possible to make further appeals to the High Court on points of law.

Who will receive bills?

42. District and borough councils will be responsible for collecting the community charge just as they are responsible for collecting rates. They will send out community charge bills at about the end of March every year to people on the community charge register on that date. Everyone who is liable for the community charge will receive a bill. Bills will also go to the landlords of properties for which the collective charge is being paid; and to those who are responsible for paying the standard charge.

43. Bills will cover the full period of the financial year that is about to start, though anyone who moves house during the year will only have to pay the amount that relates to the period when they lived in the area. Those who move into an area after 1 April will have their names added to the register; they will be sent a bill covering the remainder of the financial year.

44. Bills will show how much is being paid to each local authority (for example, the county council and the district council). As at present, further material will accompany the bill, explaining the services that the money will be used for, and how the amount being charged relates to the bill for the previous year. During the period when domestic rates and the community charge are running side-by-side some people will be paying both. Local authorities will have the

choice whether to send out combined bills to such people or whether to keep the two separate. Where they choose the former, they will have to ensure that the bill shows clearly how the total is made up.

How will married and unmarried couples be treated?

45. Everyone who is registered will receive their own community charge bill. So husbands and wives will be billed separately. But married couples will also be jointly and severally liable for each other's community charge. So if one partner fails to pay, the local authority will be able to take action against the other. That avoids the risk of authorities being unable to recover one of the community charges where couples have only one earner. Joint and several liability would not extend to couples who were separated.

46. Some of those who commented on the Green Paper pointed out that similar arguments apply to unmarried couples who live together. There too one partner may depend on the other's income; and, if social security benefits are payable, the couple are treated by the social security system as though they are married. The Government is therefore considering the suggestion that joint and several liability should apply to unmarried couples who live together.

Will there be payment by instalments?

47. Everyone has the right to pay the annual rates bill in not less than 10 instalments. But ratepayers have to opt to take up this right; only about half do so. With the community charge the system will work the other way round. Authorities will assume that everyone wishes to pay by instalments, although people will still be able to pay more than one instalment at a time if they wish. The bills they send out will show not only the total bill, but the amount of each instalment and the date on which it is to be paid.

48. Wherever possible, authorities will also want to encourage people to pay their instalments by bank or building society standing order, or by direct debit; nearly 90% of adults in this country now have a suitable bank or building society account. These methods of payment are not only much cheaper for local authorities than dealing with cash or cheques, they are also simpler for individuals and should help to minimise arrears - people will not have to remember to pay the instalment.

49. Where the amount of community charge to be paid is particularly small - for example because people are receiving maximum rebates, or during the period of transition from rates to the community charge - there will be circumstances where individuals are entitled to fewer than 10 instalments. This will simply be to avoid the amounts due each month being uneconomic to collect. But these rules will apply only where bills are below a set amount a year; and the size of the maximum instalment in such cases will be limited.

50. Council tenants and any adults living with them will also receive individual community charge bills. If the bill is not paid action will be taken against the individual concerned in the same way as for other community charge payers. Council tenants, however,

commonly make weekly or fortnightly rent payments to the local authority and there are well-developed arrangements for this. It will open to local authorities, if they find it convenient to do so, to accept payments of community charges with rent payments for any or all of the adults living at an address. But they will not be able to make the rent inclusive of community charges, nor compel a tenant to collect charges from other adults on behalf of the council.

What if people fail to pay?

51. Where a community charge payer falls behind with instalments, authorities will issue a reminder asking that the amount owed should be paid immediately. As with domestic rates, however, where the person concerned has difficulty paying, the authority will be able to discuss the problem with them. In some cases the individual may be eligible for a rebate which they are not claiming. In others, they may be genuinely willing to pay but find it difficult to do so at the time; in those circumstances authorities may come to an agreement to increase subsequent instalments to pay off the arrears.

52. If, after a reminder has been issued, no agreement has been reached as to how the debt should be paid, the authority will have the right to take action through the courts for recovery of the amount remaining to be paid for that financial year. Recovery will be through the magistrates' courts.

53. Faced with a summons for non-payment of the bill, some people will offer to pay or will come to some arrangement with the authority about the amount owed. For those that do not, the local authority will have two ways of recovering the debt. One will be a distress warrant, authorising the use of bailiffs to seize goods, which can then be sold. This is what happens with rates. The other will be an authority from the court enabling the local authority to require the amount owed to be deducted by instalments from a person's earnings. It is envisaged that the system regulating such deductions will be a simplification of present arrangements for attaching earnings to pay family maintenance or court fines. It will apply to employees, but not to the unemployed, self-employed or retired.

54. It is unlikely that deductions from earnings will be used in a large proportion of cases. It will however be useful where those in arrears are in employment, but are not householders or their spouses, and the value of their personal possessions may be less than the community charge. Were authorities not able to request deductions from earnings in such circumstances, these people might feel that they could avoid paying the community charge with impunity. Local authorities will usually apply for deductions from earnings only after bailiffs have tried and failed to seize sufficient goods. In some cases, however, where the local authority has reason to believe that a distress warrant would not be appropriate, it will be able to apply for deductions from earnings without first attempting recovery through the bailiffs.

55. A small number of people are sent to prison for not paying their rates. Before that happens, the court has to be satisfied that there

is 'wilful refusal or culpable neglect' - that is, they could have paid had they wanted to. It is proposed to carry over these arrangements to the community charge, though the possibility of making deductions from earnings will mean that it is much more difficult to refuse to pay the debt.

56. There will be some cases where the amount recovered through a distress warrant or direct deductions from earnings is not sufficient to meet the debt in full, but the failure is not due to wilful refusal or culpable neglect. In those cases, the courts will have the power, as they now have under the existing rates enforcement system, either to remit the sum owed or to allow it to remain outstanding (so that it can be recovered later if the financial circumstances of the individual improve).

Summary

57. Replacing domestic rates with a flat rate community charge will approximately double the number of those contributing to local expenditure and will mean that changes in the level of local spending have a clear and direct effect on the amount paid by local residents.

58. The Government's proposals will mean that

(i) every adult is liable to pay the community charge in the area of their sole or main residence;

(ii) the only exceptions are those under 19 who are still at school, and prisoners and resident hospital patients;

(iii) liability will depend on the actual period spent in an area;

(iv) empty property and second homes will be liable for a standard charge;

(v) there will be a register, kept by the community charge registration officer, of those living in each area;

(vi) the register will be based on information provided through canvassing and notification of changes of address, and will be checked against other information available to local authorities;

(vii) the duty to respond to canvasses will be placed on a 'responsible person' at each address; failure to supply information will attract a civil penalty;

(viii) there will also be civil penalties for individuals who fail to register;

(ix) appeals against registration decisions and against civil penalties will be heard by expanded Local Valuation Courts;

(x) everyone will receive an individual community charge bill, though married couples will be jointly and severally liable for payment;

(xi) local authorities will be able to levy a collective charge on the landlords of multi-occupied properties;

(xii) there will be a right to pay the community charge by instalments;

(xiii) arrangements for those who fail to pay will be similar to those that apply for rates, except that there will also be the possibility of direct deductions from earnings.

"PAYING FOR LOCAL GOVERNMENT" SUMMARY OF RESPONSES TO THE GREEN PAPER IN ENGLAND

1.1 A total of 1217 responses have been received, excluding 108 concerned solely with local authority capital expenditure. Figure 1 gives a breakdown of the responses by category of respondent.

Figure 1: Breakdown of Responses by Category of Respondent

Local Authority Associations	7	Professional Organisations & Trade Unions	36
County Councils	29	Political Organisations	34
Met Districts	20	Voluntary Organisations	14
Non-Met Districts	197	Local Councillors	19
London Local Authorities	22	Sports Organisations	8
Local Government Associated Bodies	18	Academics	7
Joint Boards	5	MPs	5
Town & Parish Councils	156	Others	10
Individuals	479		
Ratepayers' & Local Amenity Associations	25		
Businesses	46		
Commercial & Industrial Organisations	80		
		TOTAL	1217

1.2 A list of the organisations which submitted responses is attached to this summary.

1.3 Although the responses have come from a wide range of sources the majority fall into three distinct types:

i. Local authorities, local authority associations, parishes and bodies associated with local government (454);

ii. Individuals and ratepayers' & local amenity associations (504);

iii. Businesses and commercial & industrial organisations (126).

LOCAL NON-DOMESTIC TAXES

The Present System

2.1 A total of 337 respondents commented on the present non-domestic rating system. Figure 2 shows the numbers in each of the main categories of respondent who called for the retention of the present system unchanged, the retention of non-domestic rates as a tax on business, but in a modified form, and the complete abolition of non-domestic rates.

Figure 2: Views on the Present Non-Domestic Rating System

	No change	Retain with modifications	Abolish
Local Authorities, Parishes, etc	60	89	9
Individuals and Ratepayers' & Local Amenity Associations	2	33	31
Businesses and Commercial & Industrial Organisations	4	44	17
Others	8	32	8

2.2 Among local authorities and the business community there was a clear consensus for retaining non-domestic rates in some form as a tax on business, but widespread dissatisfaction with the way the present system operates. There was very little support for abolishing non-domestic rates altogether. The majority of individuals were also dissatisfied with the operation of the present system, but opinion was equally divided between those who advocated the abolition of non-domestic rates completely and those who favoured retaining non-domestic rates in a modified form.

2.3 Business respondents were principally concerned that the present system offered inadequate protection for the non-domestic ratepayer against high rates. A significant number advocated major changes, designed to remove the setting of non-domestic rates from local control.

2.4 Local authority respondents stressed the importance of locally set rates to the relationship between local authorities and businesses. They tended to favour relatively minor changes to the scope and operation of the present system - such as the rating of agricultural property - leaving the central features intact.

National Non-Domestic Rate

3.1 The Green Paper proposed a centrally-set, national non-domestic rate (NNDR) as an alternative to locally set non-domestic rates. A total of 542 respondents commented on this proposal. Figure 3 shows the numbers in each of the main categories of respondent who were for and against the NNDR.

Figure 3: National Non-Domestic Rate

	For	Against
Local Authorities, Parishes, etc	31	296
Individuals and Ratepayers' & Local Amenity Associations	33	21
Businesses and Commercial & Industrial Organisations	46	47
Others	25	43

3.2 The majority of local authorities who commented opposed the NNDR on the grounds that it would weaken the link between local authorities and their local business communities; that it would remove local control over a large element of local government income; and that it would have a severe impact on businesses in those areas where the present non-domestic rate poundage is below the national average. Most Parish Councils opposed the introduction of the NNDR on the grounds that the Green Paper proposals would not permit parishes to have any access to the non-domestic rate.

3.3 Many of the business respondents who commented welcomed the NNDR as a means of protecting businesses from high rates and of freeing them from the uncertainty of unpredictable annual rate increases. A significant number, however, opposed the NNDR because of the impact in areas where the present rate poundage is below the national average and the possible effect on the relationship between local authorities and businesses. For these reasons some business respondents either favoured the alternative proposal of freezing or capping non-domestic rates at present levels, or proposed that the NNDR should be set at a level below the current average national poundage.

3.4 A particular concern among business respondents was that a future Government might regard the NNDR as an easy source of revenue and use it to increase the burden of taxation on businesses. Several of them therefore sought an assurance that the proportion of local spending financed by the NNDR would not increase or, alternatively, supported the proposal that the NNDR should not be increased each year by more than the rate of inflation.

Discretionary Local Non-Domestic Rate

3.5 The Green Paper suggested that local authorities might be allowed to retain the discretion to levy a small rate on their non-domestic rate base, after consultation with their non-domestic ratepayers. Most of the respondents, in all categories, who commented on this suggestion (85 out of 123) felt it would offer insufficient incentive to local authorities either to enter into genuine consultation or to encourage development of their rateable value base.

LOCAL DOMESTIC TAXES

The Present System

4.1 A total of 600 respondents commented on the present domestic rating system. Figure 4 shows the numbers in each of the main categories of respondent who called for the retention of domestic rates on the present basis (ie with rental valuations), the retention of domestic rates with capital valuations, the retention of domestic rates on some other basis (eg with floorspace valuations) and the complete abolition of domestic rates.

Figure 4: Views on the Present Domestic Rating System

	Retain with Rental Valuations	Retain with Capital Valuations	Retain on some other basis	Abolish
Local Authorities, Parishes, etc	67	60	2	89
Individuals and Ratepayers' & Local Amenity Associations	22	9	10	236
Others	18	19	3	65

4.2 Local authority opinion was divided between retaining domestic rates in some form, and abolishing them altogether. Those authorities which favoured retention tended to stress the operational advantages of a property tax, its visibility to those liable to pay and the importance of regular and frequent revaluations. Those who advocated abolition tended to stress the unfairness and unpopularity of the domestic rating system.

4.3 Among individuals and other categories of respondent there was overwhelming support for the abolition of domestic rates and for the Government's argument that the present rating system is unfair.

4.4. Overall, those who supported abolition of domestic rates outnumbered those who supported retention by 2 to 1. This marks a major change since the responses to the 1981 Green Paper "Alternatives to Domestic Rates" when retention and abolition of domestic rates were supported by roughly equal numbers of respondents.

Alternatives to Domestic Rates

5.1 A total of 498 respondents expressed support for an alternative local tax. Figure 5 shows the numbers in each of the main categories of respondent who supported the community charge, local income tax, a combination of rates and local income tax and local sales tax.

Figure 5: Support for Alternatives to Domestic Rates

	Community Charge	Local Income Tax	Rates with Local Income Tax	Local Sales Tax
Local Authorities, Parishes, etc	44	84	39	1
Individuals and Ratepayers' & Local Amenity Associations	178	43	6	10
Others	61	28	3	1

5.2 Overall there was a larger measure of support for the community charge than for any of the other alternatives to domestic rates.

5.3 178 individual respondents and ratepayers' associations welcomed the community charge as a more equitable and accountable method of charging for local authority services. Altogether 321 local authorities and 244 individuals/ratepayers' associations expressed opposition to the community charge, although the figure for individual respondents includes 123 who wrote in specifically in response to a campaign by one Metropolitan Borough (Calderdale).

5.4 The majority of local authorities which commented opposed the community charge on the grounds that it would be expensive and difficult to collect and operate and that, in their view, it would be regressive and unrelated to ability to pay. A significant number of local authorities, as well as some respondents in other categories, argued that a local income tax would be the fairest local tax, since it would accurately reflect the ability of local residents to pay for local services. Some also argued that the buoyancy of local income tax was an advantage, because its yield would increase automatically even if the rate in the pound remained unchanged. Most Parish Councils opposed the community charge on the same grounds as they opposed the NNDR - that they would be denied access to the NNDR and would have to depend for their income on the community charge.

OTHER PROPOSALS

6.1 The Green Paper contained a number of other proposals - on the grant system, greater use of fees and charges and the role of the

Treasurer - which were primarily of interest to local authorities. The vast majority of local authorities which commented (166 out of 178) were in favour of the Government's proposal to simplify and stabilise the grant system, although a number were sceptical about the chances of achieving this aim. A majority were also in favour of greater use of fees and charges (50 out of 64), but opposed to the creation of a statutory role for the Treasurer (91 out of 101).

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ORGANISATIONS WHICH RESPONDED TO THE GREEN PAPER "PAYING FOR LOCAL GOVERNMENT" (CMND. 9714)

LOCAL AUTHORITY ASSOCIATIONS

ASSOCIATION OF COUNTY COUNCILS
ASSOCIATION OF DISTRICT COUNCILS
ASSOCIATION OF LARGER LOCAL COUNCILS
ASSOCIATION OF LONDON AUTHORITIES
ASSOCIATION OF METROPOLITAN AUTHORITIES
LONDON BOROUGHS ASSOCIATION
NATIONAL ASSOCIATION OF LOCAL COUNCILS

COUNTY COUNCILS

AVON COUNTY COUNCIL
BEDFORDSHIRE COUNTY COUNCIL
BUCKINGHAMSHIRE COUNTY COUNCIL
CLEVELAND COUNTY COUNCIL
CORNWALL COUNTY COUNCIL
CUMBRIA COUNTY COUNCIL
DERBYSHIRE COUNTY COUNCIL
DURHAM COUNTY COUNCIL
ESSEX COUNTY COUNCIL
GLOUCESTERSHIRE COUNTY COUNCIL
HAMPSHIRE COUNTY COUNCIL
HEREFORD AND WORCESTER COUNTY COUNCIL
HERTFORDSHIRE COUNTY COUNCIL
ISLE OF WIGHT COUNTY COUNCIL
KENT COUNTY COUNCIL
LANCASHIRE COUNTY COUNCIL
LEICESTERSHIRE COUNTY COUNCIL
LINCOLNSHIRE COUNTY COUNCIL
NORFOLK COUNTY COUNCIL
NORTH YORKSHIRE COUNTY COUNCIL
OXFORDSHIRE COUNTY COUNCIL
SOMERSET COUNTY COUNCIL
STAFFORDSHIRE COUNTY COUNCIL
SUFFOLK COUNTY COUNCIL
SURREY COUNTY COUNCIL
WARWICKSHIRE COUNTY COUNCIL
WEST SUSSEX COUNTY COUNCIL
WEST YORKSHIRE METROPOLITAN COUNTY COUNCIL
WILTSHIRE COUNTY COUNCIL

METROPOLITAN DISTRICT COUNCILS

BIRMINGHAM, CITY OF
BRADFORD,CITY OF
CALDERDALE BOROUGH COUNCIL
COVENTRY,CITY OF
DUDLEY BOROUGH COUNCIL
KIRKLEES BOROUGH COUNCIL
MANCHESTER CITY COUNCIL
NEWCASTLE-UPON-TYNE,CITY OF
OLDHAM BOROUGH COUNCIL
ROCHDALE BOROUGH COUNCIL
SALFORD, CITY OF
SHEFFIELD CITY COUNCIL
SOLIHULL BOROUGH COUNCIL
SOUTH TYNESIDE BOROUGH COUNCIL
ST HELENS BOROUGH COUNCIL
STOCKPORT METROPOLITAN BOROUGH OF
SUNDERLAND BOROUGH COUNCIL
TAMESIDE BOROUGH COUNCIL
TRAFFORD BOROUGH COUNCIL
WAKEFIELD, CITY OF

NON METROPOLITAN DISTRICT COUNCILS

ADUR DISTRICT COUNCIL
ALLERDALE DISTRICT COUNCIL
ARUN DISTRICT COUNCIL
AYLESBURY VALE DISTRICT COUNCIL
BABERGH DISTRICT COUNCIL
BASILDON DISTRICT COUNCIL
BASINGSTOKE & DEANE BOROUGH COUNCIL
BASSETLAW DISTRICT COUNCIL
BATH CITY COUNCIL
BERWICK-UPON-TWEED BOROUGH COUNCIL
BEVERLEY BOROUGH COUNCIL
BLABY DISTRICT COUNCIL
BLACKBURN BOROUGH COUNCIL
BLYTH VALLEY BOROUGH COUNCIL
BOOTHFERRY BOROUGH COUNCIL
BOURNEMOUTH BOROUGH COUNCIL
BRAINTREE DISTRICT COUNCIL
BRECKLAND DISTRICT COUNCIL
BRENTWOOD DISTRICT COUNCIL
BRIDGNORTH DISTRICT COUNCIL
BRIGHTON BOROUGH COUNCIL
BRISTOL CITY COUNCIL
BROADLAND DISTRICT COUNCIL
BROXBOURNE BOROUGH COUNCIL
BURNLEY BOROUGH COUNCIL
CANNOCK CHASE DISTRICT COUNCIL
CANTERBURY CITY COUNCIL
CARADON DISTRICT COUNCIL
CARLISLE CITY COUNCIL
CARRICK DISTRICT COUNCIL
CASTLE POINT DISTRICT COUNCIL
CHARNWOOD BOROUGH COUNCIL
CHELMSFORD BOROUGH COUNCIL
CHERWELL DISTRICT COUNCIL
CHESTER CITY COUNCIL
CHESTER-LE-STREET DISTRICT COUNCIL
CHESTERFIELD BOROUGH COUNCIL
CLEETHORPES BOROUGH COUNCIL
COLCHESTER BOROUGH COUNCIL
COTSWOLD DISTRICT COUNCIL
CRAVEN DISTRICT COUNCIL
CRAWLEY BOROUGH COUNCIL
CREWE & NANTWICH BOROUGH COUNCIL
DACORUM BOROUGH COUNCIL
DARLINGTON BOROUGH COUNCIL
DAVENTRY DISTRICT COUNCIL
DERWENTSIDE DISTRICT COUNCIL
DOVER DISTRICT COUNCIL
DURHAM CITY COUNCIL
EASINGTON DISTRICT COUNCIL
EAST CAMBRIDGESHIRE DISTRICT COUNCIL
EAST DEVON DISTRICT COUNCIL
EAST HAMPSHIRE DISTRICT COUNCIL
EAST LINDSEY DISTRICT COUNCIL
EAST STAFFORDSHIRE DISTRICT COUNCIL
EASTLEIGH BOROUGH COUNCIL
EDEN DISTRICT COUNCIL
ELLESMERE PORT & NESTON BOROUGH COUNCIL
ELMBRIDGE BOROUGH COUNCIL
EPPING FOREST DISTRICT COUNCIL
EPSOM AND EWELL BOROUGH COUNCIL
EXETER CITY COUNCIL
FENLAND DISTRICT COUNCIL
FOREST HEATH DISTRICT COUNCIL
FOREST OF DEAN DISTRICT COUNCIL

GILLINGHAM BOROUGH COUNCIL
GLOUCESTER CITY COUNCIL
GOSPORT BOROUGH COUNCIL
GRAVESHAM BOROUGH COUNCIL
GREAT GRIMSBY BOROUGH COUNCIL
GREAT YARMOUTH BOROUGH COUNCIL
GUILDFORD BOROUGH COUNCIL
HAMBLETON DISTRICT COUNCIL
HARROGATE BOROUGH COUNCIL
HART DISTRICT COUNCIL
HARTLEPOOL BOROUGH COUNCIL
HASTINGS BOROUGH COUNCIL
HAVANT BOROUGH COUNCIL
HERTSMERE BOROUGH COUNCIL
HUNTINGDONSHIRE DISTRICT COUNCIL
IPSWICH BOROUGH COUNCIL
ISLES OF SCILLY, COUNCIL OF THE
KETTERING BOROUGH COUNCIL
KING'S LYNN AND WEST NORFOLK BOROUGH COUNCIL
KINGSTON-UPON-HULL, CITY OF
KINGSWOOD DISTRICT COUNCIL
LANGBAURGH BOROUGH COUNCIL
LEICESTER CITY COUNCIL
LEOMINSTER DISTRICT COUNCIL
LICHFIELD DISTRICT COUNCIL
LUTON BOROUGH COUNCIL
MACCLESFIELD BOROUGH COUNCIL
MAIDSTONE BOROUGH COUNCIL
MALDON DISTRICT COUNCIL
MANSFIELD DISTRICT COUNCIL
MEDINA BOROUGH COUNCIL
MID BEDFORDSHIRE DISTRICT COUNCIL
MID SUFFOLK DISTRICT COUNCIL
MIDDLESBROUGH BOROUGH COUNCIL
MILTON KEYNES BOROUGH COUNCIL
MOLE VALLEY DISTRICT COUNCIL
NEWBURY DISTRICT COUNCIL
NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
NORTH BEDFORDSHIRE BOROUGH COUNCIL
NORTH CORNWALL DISTRICT COUNCIL
NORTH DEVON DISTRICT COUNCIL
NORTH NORFOLK DISTRICT COUNCIL
NORTH SHROPSHIRE DISTRICT COUNCIL
NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
NORTHAVON DISTRICT COUNCIL
NOTTINGHAM CITY COUNCIL
OSWESTRY BOROUGH COUNCIL
OXFORD CITY COUNCIL
PENDLE BOROUGH COUNCIL
PENWITH DISTRICT COUNCIL
PETERBOROUGH CITY COUNCIL
PLYMOUTH CITY COUNCIL
POOLE BOROUGH COUNCIL
PORTSMOUTH CITY COUNCIL
PRESTON BOROUGH COUNCIL
PURBECK DISTRICT COUNCIL
READING BOROUGH COUNCIL
REDDITCH BOROUGH COUNCIL
RESTORMEL BOROUGH COUNCIL
RICHMONDSHIRE DISTRICT COUNCIL
ROCHESTER UPON MEDWAY CITY COUNCIL
ROCHFORD DISTRICT COUNCIL
ROSSENDALE BOROUGH COUNCIL
ROTHER DISTRICT COUNCIL
RUGBY BOROUGH COUNCIL
RUNNYMEDE BOROUGH COUNCIL
RUSHCLIFFE BOROUGH COUNCIL
RUSHMOOR BOROUGH COUNCIL
RYEDALE DISTRICT COUNCIL

SALISBURY DISTRICT COUNCIL
SCARBOROUGH BOROUGH COUNCIL
SCUNTHORPE BOROUGH COUNCIL
SEDGEFIELD DISTRICT COUNCIL
SEDGEMOOR DISTRICT COUNCIL
SELBY DISTRICT COUNCIL
SHEPWAY DISTRICT COUNCIL
SHREWSBURY & ATCHAM BOROUGH COUNCIL
SLOUGH CORPORATION
SOUTH BEDFORDSHIRE DISTRICT COUNCIL
SOUTH BUCKS DISTRICT COUNCIL
SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
SOUTH HAMS DISTRICT COUNCIL
SOUTH LAKELAND DISTRICT COUNCIL
SOUTH NORFOLK DISTRICT COUNCIL
SOUTH NORTHAMPTONSHIRE DISTRICT COUNCIL
SOUTH RIBBLE BOROUGH COUNCIL
SOUTH SOMERSET DISTRICT COUNCIL
SOUTH STAFFORDSHIRE DISTRICT COUNCIL
SOUTHAMPTON CITY COUNCIL
SOUTHEND ON SEA BOROUGH COUNCIL
ST ALBANS CITY AND DISTRICT COUNCIL
ST EDMUNDSBURY BOROUGH COUNCIL
STAFFORD BOROUGH COUNCIL
STEVENAGE BOROUGH COUNCIL
STRATFORD-ON-AVON DISTRICT COUNCIL
STROUD DISTRICT COUNCIL
SUFFOLK COASTAL DISTRICT COUNCIL
SURREY HEATH DISTRICT COUNCIL
SWALE BOROUGH COUNCIL
TAMWORTH BOROUGH COUNCIL
TAUNTON DEANE BOROUGH COUNCIL
TEESDALE DISTRICT COUNCIL
TEIGNBRIDGE DISTRICT COUNCIL
TENDRING DISTRICT COUNCIL
TEST VALLEY BOROUGH COUNCIL
THAMESDOWN DISTRICT COUNCIL
THANET DISTRICT COUNCIL
THURROCK DISTICT COUNCIL
TORBAY DISTRICT COUNCIL
TORRIDGE DISTRICT COUNCIL
TUNBRIDGE WELLS BOROUGH COUNCIL
VALE OF WHITE HORSE DISTRICT COUNCIL
VALE ROYAL DISTRICT COUNCIL
WANSDYKE DISTRICT COUNCIL
WARWICK DISTRICT COUNCIL
WATFORD BOROUGH COUNCIL
WAVENEY DISTRICT COUNCIL
WEALDEN DISTRICT COUNCIL
WEAR VALLEY DISTRICT COUNCIL
WELWYN HATFIELD DISTRICT COUNCIL
WEST LINDSEY DIISTRICT COUNCIL
WEST SOMERSET DISTRICT COUNCIL
WIMBORNE DISTRICT COUNCIL
WINCHESTER CITY COUNCIL
WOKING BOROUGH COUNCIL
WOKINGHAM DISTRICT COUNCIL
WOODSPRING DISTRICT COUNCIL
WORTHING BOROUGH COUNCIL
WREKIN DISTRICT COUNCIL
WYCOMBE DISTRICT COUNCIL
WYRE BOROUGH COUNCIL
YORK CITY COUNCIL

LOCAL AUTHORITIES IN LONDON

BARKING & DAGENHAM,LONDON BOROUGH
BARNET,LONDON BOROUGH
BEXLEY, LONDON BOROUGH
BRENT,LONDON BOROUGH
CAMDEN, LONDON BOROUGH
CROYDON,LONDON BOROUGH
GREENWICH,LONDON BOROUGH
HAMMERSMITH AND FULHAM,LONDON BOROUGH
HARROW,LONDON BOROUGH
HAVERING,LONDON BOROUGH
HILLINGDON, LONDON BOROUGH
HOUNSLOW, LONDON BOROUGH
INNER LONDON EDUCATION AUTHORITY
ISLINGTON, LONDON BOROUGH
KENSINGTON AND CHELSEA,ROYAL BOROUGH
LONDON,CITY OF
REDBRIDGE, LONDON BOROUGH
RICHMOND UPON THAMES, LONDON BOROUGH
SUTTON,LONDON BOROUGH
WALTHAM FOREST, LONDON BOROUGH
WANDSWORTH, LONDON BOROUGH
WESTMINSTER CITY COUNCIL

LOCAL GOVERNMENT ASSOCIATED BODIES

ASSOCIATION OF DISTRICT COUNCILS (SHROPSHIRE BRANCH)
ASSOCIATION OF DISTRICT COUNCILS (ESSEX COUNTY BRANCH)
ASSOCIATION OF DISTRICT COUNCILS (NORTH YORKSHIRE BRANCH)
ASSOCIATION OF DISTRICT COUNCILS (WARWICKSHIRE BRANCH)
AVON LOCAL COUNCILS ASSOCIATION
DURHAM ASSOCIATION OF PARISH AND TOWN COUNCILS
EAST ANGLIA CONSULTATIVE COMMITTEE
ESSEX DISTRICT RATING AND REVENUE OFFICER GROUP
HAMPSHIRE ASSOCIATION OF PARISH COUNCILS
HERTFORDSHIRE DISTRICT COUNCILS ASSOCIATION
LAKE DISTRICT SPECIAL PLANNING BOARD
NORTHAMPTONSHIRE ASSOCIATION OF LOCAL COUNCILS
OXFORDSHIRE ASSOCIATION OF LOCAL COUNCILS
SHROPSHIRE ASSOCIATION OF PARISH AND TOWN COUNCILS
SOUTH BUCKS ASSOCIATION OF LOCAL COUNCILS
SUFFOLK ASSOCIATION OF LOCAL COUNCILS
SUFFOLK TOWN COUNCILS GROUP
SURREY COUNTY ASSOCIATION OF PARISH AND TOWN COUNCILS

JOINT BOARDS

GREATER MANCHESTER FIRE AND CIVIL DEFENCE AUTHORITY
GREATER MANCHESTER PASSENGER TRANSPORT AUTHORITY
MERSEYSIDE POLICE AUTHORITY
TYNE AND WEAR FIRE AND CIVIL DEFENCE AUTHORITY
TYNE AND WEAR PASSENGER TRANSPORT AUTHORITY

TOWN AND PARISH COUNCILS

ABBOTS BROMLEY PARISH COUNCIL
AINTREE PARISH COUNCIL
ALDBURY PARISH COUNCIL
ALDINGBOURNE PARISH COUNCIL
ALTON PARISH COUNCIL
AMPTHILL PARISH COUNCIL
AUGHTON PARISH COUNCIL
AYLESFORD PARISH COUNCIL
BAGINTON PARISH COUNCIL
BARBY PARISH COUNCIL
BARLASTON PARISH COUNCIL
BEACONSFIELD TOWN COUNCIL
BISHOP'S STORTFORD TOWN COUNCIL
BLIDWORTH PARISH COUNCIL
BLYTH PARISH COUNCIL
BOTHAMSTALL PARISH COUNCIL
BOUGHTON PARISH COUNCIL
BRACKLEY TOWN COUNCIL
BREAN PARISH COUNCIL
BRIDPORT TOWN COUNCIL
BRINGTON PARISH COUNCIL
BUDE-STRATTON TOWN COUNCIL
BULCOTE PARISH COUNCIL
BURNTWOOD TOWN COUNCIL
BURSTWICK PARISH COUNCIL
BUTLEY,CAPEL ST.ANDREW AND WANTISDEN PARISH COUNCIL
CARNABY PARISH COUNCIL
CARTERTON TOWN COUNCIL
CHAPEL AND HILL CHORLTON PARISH COUNCIL
CHEADLE TOWN COUNCIL
CHEDDLETON PARISH COUNCIL
CHEPPING WYCOMBE PARISH COUNCIL
CHESLYN HAY PARISH COUNCIL
CHILTON PARISH COUNCIL
CHIPPERFIELD PARISH COUNCIL
CHITTERNE PARISH COUNCIL
CINDERFORD TOWN COUNCIL
CIRENCESTER TOWN COUNCIL
CODSALL PARISH COUNCIL
COLTON PARISH COUNCIL
COLWICH PARISH COUNCIL
COLWICK PARISH COUNCIL
CONGRESBURY PARISH COUNCIL
CORNWOOD PARISH COUNCIL
CRANLEIGH PARISH COUNCIL
CRICK PARISH COUNCIL
CROPWELL BISHOP PARISH COUNCIL
DALSTON PARISH COUNCIL
DENHAM PARISH COUNCIL
DOWNHOLLAND PARISH COUNCIL
DUNSTABLE TOWN COUNCIL
EAST HENDRED PARISH COUNCIL
EAST MARKHAM PARISH COUNCIL
EASTWOOD TOWN COUNCIL
ENDON WITH STANLEY PARISH COUNCIL
ERLESTOKE PARISH COUNCIL
FARNHAM ROYAL PARISH COUNCIL
FELPHAM PARISH COUNCIL
FILEY TOWN COUNCIL
FOTHERBY PARISH COUNCIL
FRAMPTON COTTERELL PARISH COUNCIL
FRINTON AND WALTON TOWN COUNCIL

GAMSTON WITH WEST DRAYTON AND EATON PARISH COUNCIL
GERRARDS CROSS PARISH COUNCIL
GODALMING TOWN COUNCIL
GREAT WYRLEY PARISH COUNCIL
HARPENDEN TOWN COUNCIL
HARWORTH & BIRCOTES PARISH COUNCIL
HEADON-CUM-UPTON AND STOKEHAM PARISH COUNCIL
HEBDEN ROYD TOWN COUNCIL
HEDON TOWN COUNCIL
HERTFORD TOWN COUNCIL
HIGHAM FERRERS TOWN COUNCIL
HORNCASTLE TOWN COUNCIL
HORNSEA TOWN COUNCIL
HUNTINGDON TOWN COUNCIL
HURN PARISH COUNCIL
IMMINGHAM PARISH COUNCIL
INGATESTONE & FRYERNING PARISH COUNCIL
INGRESTRE WITH TIXALL PARISH COUNCIL
KEELE PARISH COUNCIL
KEMPSFORD PARISH COUNCIL
KEYWORTH PARISH COUNCIL
KINVER PARISH COUNCIL
LANGAR CUM BARNSTONE PARISH COUNCIL
LATHOM PARISH COUNCIL
LICHFIELD CITY COUNCIL
LITTLE DEAN LOCAL COUNCIL AND BURIAL AUTHORITY
LOCKING PARISH COUNCIL
LUTTERWORTH TOWN COUNCIL
LYDNEY TOWN COUNCIL
MANACCAN PARISH COUNCIL
MARLOW TOWN COUNCIL
MAVESYN RIDWARE PARISH COUNCIL
MAYFIELD PARISH COUNCIL
MELKSHAM TOWN COUNCIL
MITCHELDEAN PARISH COUNCIL
NAILSEA TOWN COUNCIL
NORTHALLERTON TOWN COUNCIL
NORTHWICH TOWN COUNCIL
OFFCOTE AND UNDERWOOD PARISH COUNCIL
OLD STRATFORD PARISH COUNCIL
PAPPLEWICK PARISH COUNCIL
PAUNTLEY PARISH COUNCIL
PENKRIDGE PARISH COUNCIL
PRESTON PARISH COUNCIL
RAINFORD PARISH COUNCIL
RAWCLIFFE PARISH COUNCIL
REDBOURN PARISH COUNCIL
REDMARLEY PARISH COUNCIL
ROLLESTON ON DOVE PARISH COUNCIL
RUFFORD PARISH COUNCIL
RUSPIDGE PARISH COUNCIL
RUSTINGTON PARISH COUNCIL
SANDON PARISH COUNCIL
SEAMER PARISH COUNCIL
SOUTHBOROUGH TOWN COUNCIL
ST BRIAVELS PARISH COUNCIL
STANSTED MOUNTFITCHET PARISH COUNCIL
STAUNTON COLEFORD PARISH COUNCIL
STAUNTON PARISH COUNCIL
STEVENTON PARISH COUNCIL
STONE TOWN COUNCIL
STRETTON PARISH COUNCIL
SWANSCOMBE AND GREENHITHE TOWN COUNCIL

TARVIN PARISH COUNCIL
TATTERSHALL-WITH-THORPE PARISH COUNCIL
TAVISTOCK TOWN COUNCIL
THETFORD TOWN COUNCIL
TOTTON & ELING TOWN COUNCIL
TYTHERINGTON PARISH COUNCIL
UCKFIELD TOWN COUNCIL
UPPER POPPLETON PARISH COUNCIL
WALDRINGFIELD PARISH COUNCIL
WALKERINGHAM PARISH COUNCIL
WARSOP PARISH COUNCIL
WELTON PARISH COUNCIL
WEST DEAN LOCAL COUNCIL
WEST MEON PARISH COUNCIL
WESTBURY-ON-SEVERN PARISH COUNCIL
WESTON-IN-GORDANO PARISH COUNCIL
WHEATLEY PARISH COUNCIL
WHITCHURCH TOWN COUNCIL
WILBARSTON PARISH COUNCIL
WILLOUGHBY WATERLEYS PARISH COUNCIL
WILLOUGHBY-ON-THE-WOLDS PARISH COUNCIL
WINDLESHAM PARISH COUNCIL
WINSCALES PARISH COUNCIL
WINSLOW TOWN COUNCIL
WINTERBOURNE PARISH COUNCIL
WIVENHOE TOWN COUNCIL
WOODHAM FERRERS PARISH COUNCIL
WORTH PARISH COUNCIL
WROUGHTON PARISH COUNCIL
YARNTON PARISH COUNCIL
YATE TOWN COUNCIL

LOCAL AMENITY, RATEPAYERS' AND RESIDENTS ORGANISATIONS

ALDWICK BAY ESTATE RESIDENTS ASSOCIATION
BARTON-UNDER-NEEDWOOD VILLAGE HALL MANAGEMENT COMMITTEE
BROADSTONE RATEPAYERS ASSOCIATION
CALDERDALE RENT & RATEPAYERS ASSOCIATION
CALIFORNIA RATEPAYERS ASSOCIATION
CAMDEN COMMERCIAL RATEPAYERS GROUP
CANNOCK WOOD AND GENTLESHAW VILLAGE HALL MANAGEMENT COMMITTEE
CHELTENHAM RATEPAYERS ASSOCIATION
CO-PARTNERSHIP CARAVAN ASSOCIATION LTD
DORSET FEDERATION OF RATEPAYERS AND RESIDENTS ASSOCIATIONS
EMSWORTH RATEPAYERS ASSOCIATION
FEDERATION OF ENFIELD RESIDENTS AND ALLIED ASSOCIATIONS
FOREST OF DEAN DISTRICT RATEPAYERS ASSOCIATION
HAMPSHIRE FEDERATION OF RATEPAYERS
HEADSTONE RESIDENTS ASSOCIATION
HOLLAND-ON-SEA RATEPAYERS ASSOCIATION
MORECAMBE & HEYSHAM RATEPAYERS & RESIDENTS ASSOC
NATIONAL UNION OF RATEPAYERS' ASSOCIATIONS
RALPH COURT (QUEENSWAY) TENANTS ASSOCIATION
REDCAR RATEPAYERS ASSOCIATION
SALISBURY RATEPAYERS ASSOCIATION
SOUTH HAMS ASSOCIATION OF RATEPAYERS
STIRCHLEY & DISTRICT RESIDENTS ASSOCIATION
TENDRING DISTRICT RATEPAYERS' GROUP
TRAFFORD FEDERATION OF OWNER-OCCUPIER RATEPAYERS ASSOCIATIONS

BUSINESSES

ADRETTA LIMITED
AMERSHAM PRINTS LTD
ASDA STORES
BANCO HISPANO AMERICANO LTD
BARCHAM GREEN & CO.LTD.
BARRETT,C R & H E LTD
BC & DW (FABRICATIONS) LTD
BEVAN FUNNELL LTD
BRITISH PETROLEUM COMPANY PLC
BROADLEY & CO
BROOKSIDE HOLIDAY CAMP LTD
COAST AND COUNTRY CARAVANS
COOPERS PAYEN LIMITED
CRANE PACKING LIMITED
CUTTS BROTHERS (DONCASTER) LIMITED
DIAMANTIS PATERAS LTD
FENWICK & SONS LTD
FULLER PEISER,MESSRS.
G.A.WOOD AND CO LTD
GERALD EVE & CO
HAINES WATTS
HPC ENGINEERING
IMPERIAL CHEMICAL INDUSTRIES PLC
JAMES DAWSON & SON LTD
J CROGGON & SON LTD
J E BEALE PLC
J STEVENS OF STAINES CARAVAN CENTRE LTD
KING AND CO. LONDON, W1N 9AE
M L AVIATION COMPANY LTD
MARKS AND SPENCER PLC
MESSRS HERRING,SON AND DAW
MOORVIEW MINI CENTRE (D.MIDGLEY LTD)
NATIONAL WESTMINSTER BANK PLC
PANASONIC UK LIMITED
PETER HEAVER INSURANCE SERVICES
POST OFFICE, THE
PRICE WATERHOUSE (OFFICE OF LOCAL GOVERNMENT SERVICES)
SEVENACRES CARAVAN PARK
SHELL U.K. LTD.
SHEPHERD NEAME LTD
SIMPSON, CRONE & CO
TAMAR PARK CARAVAN PARK
THE FRIZZELL GROUP LTD
TREGATILLIAN CARAVAN PARK
WILLIAM EVE AND SONS
WINBOURNE,MARTIN AND FRENCH

COMMERCIAL AND INDUSTRIAL ORGANISATIONS

AIMS OF INDUSTRY
ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE
ASSOCIATION OF BRITISH INSURERS
ASSOCIATION OF CORPORATE REAL ESTATE EXECUTIVES
ASSOCIATION OF INDEPENDENT BUSINESSES
AYLESBURY AND DISTRICT CHAMBER OF COMMERCE
BRISTOL CHAMBER OF COMMERCE AND INDUSTRY
BRITISH AGGREGATE CONSTRUCTION MATERIALS INDUSTRIES
BRITISH AIRPORTS AUTHORITY
BRITISH HOTELS, RESTAURANTS AND CATERERS ASSOCIATION

BRITISH PAPER AND BOARD INDUSTRY FEDERATION
BRITISH PRINTING INDUSTRIES FEDERATION
BRITISH PROPERTY FEDERATION
BRITISH RAILWAYS BOARD
BRITISH RETAILERS ASSOCIATION
BRITISH STEEL CORPORATION
BUSINESS RATES CONSULTATIVE COMMITTEE(MID DEVON DISTRICT)
CHEMICAL INDUSTRIES ASSOCIATION
CO-OPERATIVE UNION LTD
CONFEDERATION OF BRITISH INDUSTRY (EAST MIDLANDS REGIONAL COUNCIL)
CONFEDERATION OF BRITISH INDUSTRY
CONSULTATIVE GROUP OF GREATER LONDON CHAMBERS OF COMMERCE AND TRADE
CRAWLEY AND DISTRICT INDUSTRIES ASSOCIATION
DERBY & DERBYSHIRE CHAMBER OF COMMERCE & INDUSTRY
DEVON BUSINESS RATES GROUP
DORSET CHAMBER OF COMMERCE AND INDUSTRY
EAST DEVON BUSINESS ADVISORY COUNCIL
EASTBOURNE HOTELS' ASSOCIATION
ELECTRICITY COUNCIL
ENFIELD DISTRICT MANUFACTURERS' ASSOCIATION
ENGINEERING INDUSTRIES ASSOCIATION (MIDLANDS REGION)
ENGINEERING INDUSTRIES ASSOCIATION
FEDERATION OF SUSSEX INDUSTRIES AND CHAMBER OF COMMERCE
FORUM OF PRIVATE BUSINESS
GREATER HARROW CHAMBER OF COMMERCE
HACKNEY AND TOWER HAMLETS CHAMBER OF COMMERCE
HARLOW AND DISTRICT EMPLOYERS GROUP
HERTFORDSHIRE CHAMBER OF TRADE AND COMMERCE
HIGH WYCOMBE AND DISTRICT CHAMBER OF TRADE AND COMMERCE
INSTITUTE OF CHARTERED SHIPBROKERS
INSTITUTE OF DIRECTORS
KENSINGTON AND CHELSEA CHAMBER OF TRADE AND COMMERCE
KINGS LYNN CHAMBER OF TRADE AND COMMERCE
LEEDS CHAMBER OF COMMERCE AND INDUSTRY
LEICESTER AND COUNTY CHAMBER OF COMMERCE AND INDUSTRY
LONDON BOROUGH OF BEXLEY CHAMBER OF TRADE AND INDUSTRY
LONDON CHAMBER OF COMMERCE
MACHINERY USERS ASSOCIATION
MERSEYSIDE CHAMBER OF COMMERCE AND INDUSTRY
NATIONAL ASSOCIATION OF SHOPKEEPERS
NATIONAL ASSOCIATION OF STEEL STOCKHOLDERS
NATIONAL ASSOCIATION OF WAREHOUSEKEEPERS
NATIONAL CHAMBER OF TRADE
NATIONAL CHAMBER OF TRADE (LONDON COUNCIL)
NATIONAL CHAMBER OF TRADE (EAST SUSSEX COUNCIL)
NATIONAL FEDERATION OF RETAIL NEWSAGENTS
NATIONAL FEDERATION OF SELF EMPLOYED AND SMALL BUSINESSES
NATIONAL FEDERATION OF SELF EMPLOYED AND SMALL BUSINESSES (MERSEYSIDE REGION)
NATIONAL FEDERATION OF SELF EMPLOYED & SMALL BUSINESSES (HORNCASTLE BRANCH)
NATIONALISED INDUSTRIES CHAIRMENS' GROUP
NORFOLK CHAMBER OF TRADE
NORTH-WEST REGION CHAMBERS OF COMMERCE COUNCIL
NOTTINGHAMSHIRE CHAMBER OF COMMERCE AND INDUSTRY
PLANNING FOR ECONOMIC PROSPERITY
PLYMOUTH CHAMBER OF COMMERCE AND INDUSTRY
ROYAL TUNBRIDGE WELLS CHAMBER OF COMMERCE
SELBY DISTRICT CHAMBER OF TRADE AND COMMERCE
SHEFFIELD CHAMBER OF COMMERCE
SKEGNESS AND DISTRICT CHAMBER OF TRADE AND COMMERCE
THE BALTIC EXCHANGE
THE BREWERS SOCIETY
THE LONDON WHARFINGERS' ASSOCIATION LTD
UNITED KINGDOM AGRICULTURAL SUPPLY TRADE ASSOCIATION LTD

WANDSWORTH CHAMBER OF COMMERCE AND TRADE
WATER AUTHORITIES ASSOCIATION AND WATER COMPANIES ASSOCIATION
WATTON AND DISTRICT CHAMBER OF TRADE AND INDUSTRY
WELLINGTON & DISTRICT CHAMBER OF TRADE AND COMMERCE
WEST NORFOLK CHAMBERS RATES CONSULTATIVE COMMITTEE
WESTMINSTER CHAMBER OF COMMERCE
WYCOMBE DISTRICT MANUFACTURERS ASSOCIATION

PROFESSIONAL ORGANISATIONS AND TRADE UNIONS

ASSOCIATION OF DISTRICT COUNCIL TREASURERS
ASSOCIATION OF DISTRICT SECRETARIES
ASSOCIATION OF POLYTECHNIC TEACHERS
ASSOCIATION OF VALUATION OFFICE VALUERS
AUEW-TASS SOUTH RIBBLE BRANCH
BRITISH INSTITUTE OF MANAGEMENT
BRITISH PENSIONERS AND TRADE UNIONS ACTION ASSOCIATION (COVENTRY BRANCH)
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY
DISTRICT AUDITORS' SOCIETY
ESSEX FINANCIAL OFFICERS ASSOCIATION
FEDERATED UNION OF MANAGERIAL AND PROFESSIONAL OFFICERS
HUMBERSIDE FINANCIAL OFFICERS ASSOCIATION
INLAND REVENUE STAFF FEDERATION
INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATORS
LINCOLNSHIRE & DISTRICT SOCIETY OF RATING & VALUATION OFFICERS
LONDON RATING GROUP
MANAGERIAL,PROFESSIONAL AND STAFF LIAISON GROUP
NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION
NATIONAL ASSOCIATION OF TEACHERS IN FURTHER AND HIGHER EDUCATION
NATIONAL COMMITTEE OF LOCAL VALUATION PANELS
RATING AND VALUATION ASSOCIATION
RATING OFFICERS GUILD
RATING SURVEYORS ASSOCIATION
ROYAL INSTITUTION OF CHARTERED SURVEYORS
SOCIETY OF CLERKS OF VALUATION PANELS
SOCIETY OF COUNTY SECRETARIES
SOCIETY OF COUNTY TREASURERS
SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES
SOCIETY OF LOCAL COUNCIL CLERKS
SOCIETY OF METROPOLITAN TREASURERS
SOUTH YORKSHIRE LOCAL VALUATION PANEL
THE LAND INSTITUTE
THE LIBRARY ASSOCIATION
TRADES UNION CONGRESS
TYNE AND WEAR LOCAL VALUATION PANELS
UNITED KINGDOM FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN

POLITICAL ORGANISATIONS

ASSOCIATION OF COUNTY COUNCILS (CONSERVATIVE GROUP)
ASSOCIATION OF LIBERAL COUNCILLORS
BERWICK-UPON-TWEED CONSERVATIVE WOMENS CONSTITUENCY COMMITTEE
BILLERICAY AND DISTRICT CONSERVATIVE ASSOCIATION
BLACKBURN DISTRICT COUNCIL CONSERVATIVE GROUP
CALDER VALLEY CONSERVATIVE ASSOCIATION
CAMBRIDGESHIRE COUNTY COUNCIL (LABOUR GROUP)
CAMBRIDGESHIRE COUNTY COUNCIL (ALLIANCE GROUP)
CHIPPING BARNET CONSERVATIVE ASSOCIATION
CIRENCESTER & TEWKESBURY.CONSTITUENCY CONSERVATIVE ASSOCIATION

CONSERVATIVE GREATER LONDON LOCAL GOVERNMENT ADVISORY COMMITTEE
CONSERVATIVE WOMENS NATIONAL CONFERENCE
CUMBRIA COUNTY COUNCIL CONSERVATIVE GROUP
DEWSBURY CONSTITUENCY CONSERVATIVE ASSOCIATION
EAST HAMPSHIRE INDEPENDENT PROGRESSIVE ASSOCIATION
EAST HERTFORDSHIRE DISTRICT COUNCIL CONSERVATIVE GROUP
HALIFAX CONSERVATIVE ASSOCIATION
ISLE OF WIGHT CONSERVATIVE ASSOCIATION
LIBERAL PARTY
MANSFIELD CONSERVATIVE ASSOCIATION
MUDEFORD CONSERVATIVE GROUP
NORTH WEST LEEDS CONSERVATIVE ASSOCIATION
NOTTINGHAMSHIRE COUNTY COUNCIL(CONSERVATIVE GROUP)
NOTTINGHAMSHIRE LOCAL GOVERNMENT ADVISORY COMMITTEE
PETERBOROUGH CITY LIBERAL GROUP
PRESTON BOROUGH COUNCIL (CONSERVATIVE GROUP)
REDCAR CONSTITUENCY SOCIAL DEMOCRATS
ROMSEY AND WATERSIDE CPCC
SOUTH LEICESTERSHIRE CONSTITUENCY CONSERVATIVE ASSOCIATION (AYLESTONE BRANCH)
SOUTH-WEST NORFOLK CONSERVATIVE ASSOCIATION
STAFFORD CONSTITUENCY CONSERVATIVE ASSOCIATION
SURREY COUNTY COUNCIL LIBERAL/SDP ALLIANCE GROUP
WEST OXFORDSHIRE DISTRICT LABOUR PARTY
WOKINGHAM CONSERVATIVE COUNCIL

VOLUNTARY AND WELFARE ORGANISATIONS

AGE CONCERN ENGLAND
BRITISH PENSIONERS AND TRADE UNIONS ACTION ASSOCIATION
CHILD POVERTY ACTION GROUP
LEICESTER COUNCIL FOR VOLUNTARY SERVICE
LINCOLNSHIRE COMMUNITY COUNCIL
MANCHESTER COUNCIL FOR VOLUNTARY SERVICE
MARY MORRIS INTERNATIONAL STUDENT RESIDENCE
NATIONAL COUNCIL FOR VOLUNTARY ORGANISATIONS
NATIONAL COUNCIL OF WOMEN OF GREAT BRITAIN
NATIONAL COUNCIL OF WOMEN OF GREAT BRITAIN (HALIFAX BRANCH)
NATIONAL FEDERATION OF WOMENS' INSTITUTES
THE NATIONAL TRUST
THE SPASTICS SOCIETY
VOLUNTARY ORGANISATIONS PERSONAL SOCIAL SERVICES GROUP

SPORTING ORGANISATIONS

ASSOCIATION OF BRITISH RIDING SCHOOLS
BRITISH MOUNTAINEERING COUNCIL
CENTRAL COUNCIL OF PHYSICAL RECREATION
ENGLISH VOLLEYBALL ASSOCIATION
HYDE CRICKET CLUB
LAWN TENNIS ASSOCIATION
LEAGUE CRICKET CONFERENCE
ST ANNES-ON-SEA LAWN TENNIS AND SQUASH CLUB

ACADEMIC BODIES

COMMITTEE OF VICE-CHANCELLORS AND PRINCIPALS OF THE UNIVERSITIES OF THE UNITED KINGDOM
INSTITUTE FOR FISCAL STUDIES

OTHER

ARTS COUNCIL
HAPPY WANDERERS CLUB
JOSEPH ROWNTREE MEMORIAL TRUST
LAND RESEARCH TRUST
NATIONAL ASSOCIATION OF CITIZENS ADVICE BUREAUX
RURAL VOICE
SOWERBY BRIDGE & DISTRICT NEIGHBOURHOOD COUNCIL
THE HONOURABLE SOCIETY OF THE MIDDLE TEMPLE
THE UNITED COMMITTEE FOR THE TAXATION OF LAND VALUES LTD
THE VILLAGE HALLS FORUM

SECRET

10

DN

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Mark Addison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Prime Minister!
Content with the draft statement, apart from the odd drafting of para 7?
DRS 12/12

11 December 1986

Yes - I should have thought the timetable required a separate sentence on para

Dear Mark,

As you know, my Secretary of State is to make an oral statement next Tuesday, 16 December about the proposed legislation to deal with RSG expenditure definitions.

I enclose a draft statement, which is I think self-explanatory. We have square-bracketed the final sentence, since the Welsh statement was, I believe, discussed at Cabinet today.

I should be grateful for comments, to reach me by lunchtime on Monday 15 December. I am copying this letter and enclosure to the private secretaries to other members of E(LA), to the Attorney General, to the Chief Whips in both Houses and to Sir Robert Armstrong.

Yours,

R U Young

R U YOUNG
Private Secretary

This is 100% recycled paper

DRAFT STATEMENT

LOCAL GOVERNMENT: PROBLEMS WITH THE DEFINITION OF RELEVANT AND TOTAL EXPENDITURE

1. With permission Mr Speaker I would like to make a statement about the calculation of expenditure for rate support grant purposes.

2. Relevant and total expenditure are two key concepts which are basic to the local government finance system in England and Wales.

3. Since 1981 relevant and total expenditure have been calculated on the basis of the expenditure charged to a local authority's Rate Fund Revenue Account. This expenditure includes contributions from that account to, for instance, the Housing Revenue Account and other special funds. Contributions from such funds and accounts to the Rate Fund Revenue Account have been regarded as income reducing relevant and total expenditure.

4. This approach was adopted in 1981 in response to the views of the local authority Associations.

5. I have looked closely at the definitions of relevant and total expenditure because of some anomalies in the returns of expenditure received from a number of authorities. I was concerned that the accepted approach, despite the local authority Associations' desire for it, did not correspond to the statute, and I sought legal advice about this. That advice made it clear that the Department's treatment of expenditure was incorrect in law. Transfers between funds and accounts within the Rate Fund are not expenditure: expenditure only takes place when an authority has liabilities in the outside world and meets these from the general Rate Fund. A second opinion confirmed the advice.

seem to?

6. I must accept that advice. It means that past decisions which involved the concepts of total or relevant expenditure are

put in doubt, and that it would be quite improper for me or my Right Hon Friend the Secretary of State for Wales to take further decisions on the present basis. Until this matter is put right, we cannot therefore make any further RSG Reports, including the main Report for 1987/88, or complete the rate limitation process.

7. To deal with this highly technical problem, the Government will therefore be bringing urgent legislation before Parliament which will validate for England and Wales all past decisions involving the use of relevant or total expenditure and allow decisions to be properly taken for the remainder of the present Rate Support Grant system in line with the practice which has hitherto been adopted. Because the Bill is unlikely to receive Royal Assent in time to allow for the normal timetable on rate limitation, I propose to include in it provisions to set rate and precept limits for designated authorities by formula. The Bill is designed to make no changes in policy, but simply to apply existing policy within a tight timetable.

8. My Right Hon Friend the Secretary of State for Scotland administers the Scottish Rate Support Grant under separate legislation and the same problem does not arise. Some more minor difficulties in Scottish practice which have come to light will, however, also be remedied in the proposed legislation.

9. Authorities will be concerned, in the light of my statement, about the immediate position for 1987/88 and on outstanding Supplementary Reports. When the House returns in January I hope to announce my final decisions on the 1987/88 settlement for England and the Supplementary Reports for 1986/87 and 1985/86. The Bill will provide that those decisions are effectively frozen until I can formally ask the House to approve them. I shall make the relevant Reports immediately on Royal Assent to the validating Bill. Authorities will therefore be able to plan their budgets and rates for 1987/88 with confidence on the basis of my statement in January. Also in January my Right Hon Friends and I will inform designated authorities of the rate and precept limits which Bill will set.

10. My Department is today writing to all authorities and their Associations to explain the position. My Rt Hon Friend the Secretary of State for Wales will be making a statement on the Welsh position later this afternoon.

3F

9

QUEEN ANNE'S GATE LONDON SW1H 9AT

11 December 1986

NBPR at this stage

Dear Secretary of State

TOTAL EXPENDITURE BILL

Thank you for copying to me your letter of 5 December.

Although I think I understand the advice you have been given, the requirement to set maximum precepts on a formula basis causes me acute difficulties and makes a mockery of the very considerable efforts we have made to arrive at tough but realistic decisions on redeterminations over the last two years.

My difficulties arise because, as your and John MacGregor's officials know, our consideration of the redetermination applications by the joint police and joint fire and civil defence authorities had led us to the view that, while we could safely reject some 70% of the bids made for additional expenditure compared with the provisional ELs we issued in July, we needed to concede higher than average increases in respect of the West Midlands Police Authority and the West Yorkshire Fire and Civil Defence Authority.

As John Moore said in his letter of 8 December, doing this by a formula on the face of the Bill inevitably involves setting precept limits for all on the basis of the highest assessment, particularly when dealing with expenditure on the police and the fire services with which we can take no risks.

The results of our assessments (the detailed calculations on which John MacGregor's officials have) are at Column E of the attached table. These show that the formula requires us to apply a percentage increase of 6% to the provisional ELs in respect of the police authorities and an increase of 4% (rounded down from 4.3%) in respect of the fire and civil defence authorities.

But this produces the absurd result that several authorities will be permitted to precept at above the levels of their redeterminable applications. I do not believe it will be easy for you to defend this in the House since it contradicts our previous insistence on value for money and much of our argument about savings from the abolition of the metropolitan counties. I have therefore looked carefully at the possibility of reducing the assessments made for the West Midlands Police Authority and the West Yorkshire Fire Authority. In neither case would this be safe.

The Rt Hon Nicholas Ridley, MP.

/cont....

The proposal for the West Midlands Police Authority gives them in fact only just over half of what they sought in their redetermination application, in what is one of the most sensitive policing areas in the country. We have already taken a very stringent view of their requirements, rejecting completely the case for an increase in police force establishment (the Authority bid for 313 extra men) and cutting down sharply on the bid for extra civilians. But the Authority has convinced us that they face much higher costs, particularly for pensions and rent allowances than we had allowed in July. There is also a particularly large and unavoidable expenditure on computer systems which are being replaced in 1987-88. The Audit Commission was of course heavily critical of the support given to the West Midlands force by the Metropolitan County Council.

As for West Yorkshire, the increase in their EL compared to the other fire and civil defence authorities is mainly due to a slight reduction in the manpower saving we assumed in July. Again we are conceding only about half of what the Authority is asking for, and we must set this against the need to ensure that minimum standards of fire cover, which are not now being met, are achieved.

Given that I cannot reduce further these West Midlands and West Yorkshire figures, we would be forced under your requirement about a formula to apply these same figures to the other authorities in the same classes regardless of need. You may conclude, as I have done, that, whatever is decided for other classes of authority, it would be less harmful to our public expenditure policies and the signals we give to local government generally to remove the police and the fire and civil defence authorities completely from the precept control process for 1987-88. I understand that this can be done in your Bill. To do so would be to remove a cause of embarrassment and contention and probably ease its passage.

The saving grace is that we would also make clear that the very comprehensive controls we operate under section 85 of the 1985 Act related to manpower and administration would remain in place. We are the only Department to have adopted such controls, and given the very high proportion of expenditure in the police and fire service on manpower, they will in practice provide an effective form of constraint.

I am copying this letter to the recipients of yours.

Yours sincerely

APPROVED BY THE HOME SECRETARY
AND SIGNED IN HIS ABSENCE

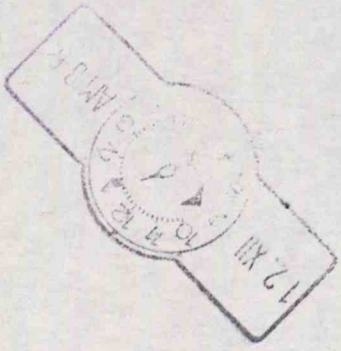
ANNEX A

Authority	A EL as originally determined	B Recommended total expenditure on non-formula basis (including redetermination and contingency)	C Percentage Increase from A to B	D Recommended total expenditure on formula basis (police authorities + 6 per cent; fire authorities + 4 per cent)	E Maximum precepts from D (percentage increase on 1986-87 in brackets)
	£	£M	%	£M	(p in the £)
POLICE					
Greater Manchester	89.121	89.121	Zero	94.468	18.58 (15.3)
Merseyside	62.047	63.776	2.8	65.770	24.85 (2.7)
South Yorkshire	36.726	37.171	1.2	38.930	17.08 (10.2)
Northumbria	45.542	46.115	1.3	48.275	15.06 (22.8)
West Midlands	81.402	86.303	6.0	86.303	12.72 (10.6)
West Yorkshire	66.117	67.439	2.0	70.084	20.61 (5.7)
FIRE					
Greater Manchester	43.312	44.239	2.3	45.044	10.24 (7.6)
Merseyside	29.284	29.753	1.6	30.455	7.21 (0.3)
South Yorkshire	20.681	21.010	1.6	21.508	10.85 (3.4)
Tyne and Wear	20.989	20.989	Zero	21.829	11.1 (1.1)
West Midlands	39.523	39.789	0.7	41.104	7.01 (6.9)
West Yorkshire	33.788	35.233	4.3	35.140	12.1 (8.0)
London	156.348	161.588	3.4	162.602	8.19 (6.3)

Local Govt

Relations

PT 31



SECRET

Ref. A086/3428

PRIME MINISTER

Cabinet: Total Expenditure Bill

The Lord President may wish to mention at Cabinet, under Parliamentary Affairs, that this Bill will be introduced next week in the House of Commons, and taken ahead with all possible speed after the Christmas Adjournment.

2. As you know, the Bill is necessary to give retrospective and prospective validation to a highly technical point of interpretation that would, if uncorrected, prevent the Rate Support Grant machinery and the rate and precept limitation machinery from taking their course next year. It has now become clear that the Bill will be so long (about 20 clauses) and complex that Royal Assent much before the beginning of April is not realistic. Mr Ridley has therefore secured the agreement of the Lord President and other colleagues concerned that the rate and precept limits for 1987-88 should be enacted on the face of the Bill. If this were not done, there would be a sequence of Orders and consultation periods stretching from Royal Assent to late May, or even June.

3. While the Lord President and the other Ministers concerned (including the business managers) fully agree that there is no other realistic way of preserving rate and precept limitation next year, the matter has so far been handled on a strict need-to-know basis, to prevent the Government's current vulnerability to legal challenge becoming known. Cabinet tomorrow is the last opportunity to inform all colleagues of what will be a very sensitive piece of legislation.

SECRET

BRIAAD

HANDLING

4. After the Lord President has briefly described the need for the Bill, you may wish to emphasise that strict confidentiality must be observed until the Bill is published. (The minutes of the item will be in a confidential annex.)

5. You may then wish to ask the Secretary of State for the Environment and the Chancellor of the Exchequer if they wish to comment further. (Final details of the treatment of joint police authorities and joint fire authorities are under discussion between the Home Secretary and the Chief Secretary : if that is raised you may simply wish to say that you expect these points to be resolved very quickly.)

6. The need for a validating Bill is manifest. If there should be any questioning of the approach that the Bill takes to rate-capping, you may wish to emphasise that the proposed course will give the authorities concerned certainty about their position; and that any other approach would lead to a most unwelcome period of acrimonious confusion following Royal Assent.

TJS Woolley
(Private Secretary)

pp ROBERT ARMSTRONG

10 December 1986

BRIAAD

SECRET

7

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

COPY NO. 2 OF 24

OUR REF :JM/PSO/15647/86
Serial No: 1716

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

8 December 1986

NBPR

Dear Nicholas,

RATE SUPPORT GRANT AND RATE CAPPING : TOTAL EXPENDITURE

Thank you for sending me a copy of your letter of 5 December.

Your proposal has the merit of simplicity. Setting precept limits on the basis of a common percentage uplift to determined ELs will inevitably relax expenditure control, to the extent that a percentage which is generous enough to give a reasonable figure for the most needy authority may be over-generous to others. But I do not think this problem is insurmountable as far as the PTAs are concerned, especially since we can continue to stress that further reductions will be required in 1988/89.

I am however troubled on two points. First, though it is now over six weeks since the Attorney's advice was received we have since that date been considering the PTAs' redetermination applications without referring to this problem, as instructed by Willie Whitelaw's letter of 3 November. Ministers and officials have conducted meetings with the Authorities, and have asked them to complete a large amount of work on a restricted timetable. We have also taken the line, in writing to the AMA, that redetermination applications must be considered individually and that there is little scope for collective discussion. If now we enact precept limits on a formula basis, even though the formula takes some account of the authorities' representations, it will be hard to avoid accusations of bad faith. The fact that it has taken so long to reach decisions and announce the legislation may lead to worse criticisms. To minimise this damage, a meeting already scheduled with the Greater Manchester MPs for next Monday will have to be cancelled. Clearly it would be much better for the Government's standing if this could be done after you have made a statement to the House.

SECRET

I am also concerned that the complexity of the legislation, and the business managers' decision that Royal Assent cannot be achieved until April, must call into question how far we can expect to get what we want eventually onto the statute book within the timetable proposed. This is of course a matter for you and the judgement of the business managers.

I am copying this letter to the Prime Minister, the Lord Privy Seal, the Chief Whips in both Houses and the Secretaries of State for the Home Department, Scotland, Wales, Education and Science, the Lord President of the Privy Council, Sir Robert Armstrong and Sir George Engel.

JOHN MOORE

LOCAL GOVT Relations PTB1

SECRET

6

1

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon Nicholas Ridley MP
Secretary of State for
the Environment
2 Marsham Street
London SW1P 3EB

8 December 1986

NBPM.

Dear Secretary of State

TOTAL EXPENDITURE BILL

Thank you for your letter of 5 December.

My particular responsibility is for precept limitation of the ILEA. I have compared the result which might be achieved through the formula (treating ILEA as a separate class but on the principles to be applied to other LEAs) with the approach I had been thinking of adopting towards the authority. It seems that the formula may be slightly more generous than I might otherwise have wished because there is no provision for drawing down of reserves and it involves a conservative estimate of the rateable value. By the latter, I mean that this formula refers to the rateable value used in the RSG Report for 1987-88 (i.e. that at April 1986), whereas under the Rates Act 1984 I would have used the latest estimate of the rateable value, thus taking into account any increase between its value at April 1986 and that latest estimate. Is it not possible to incorporate the latest estimate of Rateable Value into the formula? Otherwise, the formula approach looks acceptable, provided ILEA can be treated as a separate class of authority.

I also have an interest in the effect of your proposal on the eight rate-capped local education authorities. The test of the approach for these authorities will be whether it can produce a fair and reasonable result. This can only be confirmed by looking at the results of the formula. My officials are in touch with yours about the details, in particular the proposed treatment of teachers' pay. Subject to the satisfactory resolution of these points, and to confirmation that ILEA can be treated as a separate class, I am content with what you propose.

I am copying this letter to the Prime Minister, the Lord President of the Council, the Lord Privy Seal, the Chief Whips in both Houses and the Secretaries of State for the Home Department, Scotland, Wales and Transport, Sir Robert Armstrong and Sir George Engle.

Yours sincerely

Shirley Tindle

SECRET

Approved by the Secretary
of State and signed in his absence

LOCAL GOVT Relations PT31



005/3294

SECRET

5

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
London
SW1A 2AT

NBPR.

8 December 1986

Dear Willie,

TOTAL EXPENDITURE BILL

FILE WITH ON

I have seen a copy of Nicholas Ridley's letter of 5 December to you.

Having seen his explanation and protracted timetable for rate capping I can understand Nicholas' reasons for wishing to curtail it as under the original proposal and I am therefore prepared to accept his new approach.

But we must ensure that the change does not lead to any general relaxation in the pressure we planned to apply to rate-capped authorities. Nicholas suggests that it should involve no significant loss of control over the authorities concerned. But I am rather concerned that it would lead to pressure to set the formula rate cap for each class of authority by reference to the individual authority which would be hardest hit. That would inevitably mean that rate caps were less tight than we had intended for all other authorities in the same class, which could have very significant effects on public expenditure in 1987-88 and later years.

We must clearly find an approach which still achieves our public expenditure objectives, avoiding any such weakening in our general stance. One way of doing this would be to calculate the formulae in the Bill by reference to the average authority in each class (which means an element of rough justice).

LOCAL GOVT Relations PT31

SECRET

Whether we follow that course or some alternative with similar general results, the decisions to be taken on points 3-5 of Nicholas' annex are vital. And adjustments for redetermination (3) and teachers' pay (4) should be the minimum that can be defended for the average authority in each class. And reserves (5) should be indirectly taken into account in the adjustments.

I hope we also agree that we must resist firmly any attempt in Parliament, where I fear the formulae will be controversial, to amend the Bill in this area.

I am copying this letter to the Prime Minister, John Biffen, John Wakeham, Bertie Denham, Douglas Hurd, Nicholas Ridley, Malcolm Rifkind, Nick Edwards, Kenneth Baker, John Moore, Sir George Engle and Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR



SECRET

COPY 1 OF 14

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

4

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

Prime Minister
Mr Ridley now proposes to take powers for rate capping on the face of the bill.
DRN 5/12

5 December 1986

Dear Lord President,

TOTAL EXPENDITURE BILL

Following our discussion on Monday, my officials have been working up the proposals for rate limitation which we agreed to include in the Bill. This work has highlighted a timing issue which we did not fully address.

As you will recall, the proposal was to provide in the Bill that rate and precept limitation should continue this year as normal, but on a later timetable, given that Royal Assent could not be achieved until April. April 9 was mentioned at our meeting. The best approach would involve allowing designated authorities to fix rates and precepts the same way as all other authorities, and reducing them subsequently if they are above the limit we eventually set. In timetabling terms it would run as follows:

10 March	Precept authorities issue precepts (limitation powers not enforceable, but authorities have indication of proposed limits).
1 April	Rating authorities make rates (limitation powers not enforceable, but authorities have indication of proposed limits).
9 April	Royal Assent to total expenditure Bill.
10 April (?)	RSG Reports laid; formal redetermined expenditure levels and provisional rate/precept limits issued.
By 8 May	Orders fixing rate and precept limits laid before Parliament.
Between 8-22 May	Orders fixing rate and precept limits debated and made.

COPY 1 OF 14

After Orders are made, allow 4 weeks for precepting authorities to issue revised lower precepts; 6 weeks for authorities to issue revised lower rates; end date late June.

You will see the timing difficulty. I have therefore reconsidered whether we should adopt the alternative we looked at on Monday which links the total expenditure provisions with the enactment of rate and precept limits - by formula on a class basis to avoid hybridity. Timing here would be:

10 March	Precept authorities issue precepts (limitation powers not enforceable but authorities aware of exact limit to be set by Bill).
1 April	Rating authorities make rates (limitation powers not enforceable but authorities know exact limit to be set by Bill).
9 April	Royal Assent to total expenditure Bill.
10 April	RSG Reports laid; authorities notified of effect of precept/rate limit formula.

No further action by Government. Where authorities have set rates/precepts higher than the limit in the Bill, they will be required within 4 weeks (precepting authorities) or 6 weeks (rating authorities) to substitute the lower figures.

The difficulties we foresaw with this approach were the danger of hybridity, and the risk of loss of control of the authorities' expenditure. Avoiding hybridity depends on being able to deal with "classes" of authority. Maintaining effective control of expenditure depends on being able to define suitable classes. The proposed classes are described in the Annex. Parliamentary Counsel has seen this material and is checking it with the House authorities on the hybridity question. The position looks reasonably promising. The main outstanding issue is whether the separate treatment of ILEA would make the Bill hybrid, and I understand we will not get a firm answer on this until Monday. If we cannot treat ILEA as a separate class then I think we would have to treat all authorities designated for precept limitation as a single class, which would not be so satisfactory. On other aspects, there should be no scope for legal challenge to the limits provided the formula is applied correctly. The approach will necessarily be somewhat broad brush, but, with the classes I have identified, should involve no significant loss of control over the authorities concerned. Nor do I think that this approach will make the rate limitation provisions of the Bill much more controversial than they otherwise would be.

SECRET

COPY 1 OF 14

Subject to your views and those of colleagues therefore - which I would be grateful to have if possible by lunchtime on Monday - I propose to instruct Counsel to adopt the formula based approach to enacting rate limits. Such instructions have been prepared.

I am copying this letter to the Prime Minister, the Lord Privy Seal, the Chief Whips in both Houses and the Secretaries of State for the Home Department, Scotland, Wales, Education and Science and Transport, Sir Robert Armstrong and Sir George Engel.

Yours sincerely,

Rly

PP NICHOLAS RIDLEY
(Approved in draft by the Secretary of State and signed in his absence).

COPY 10F14

ANNEX

CLASSES

1. We would propose to set formulae which were the same for all authorities in each of the following classes:

Selective Rate Limitation

(a) Previously designated authorities;

(b) authorities newly designated for 1987/88.

Precept Limitation

(a) Transport authorities

(b) Police authorities

(c) Fire and Civil Defence Authorities

(d) ILEA

FORMULA

2. The basic formula would be -

$$\text{Maximum rate or precept} = (EL - BG)\ \frac{100}{RV}$$

Where EL - is the expenditure level determined in July and as validated in Bill;

BG - is the block grant (including the effects of LREs) estimated to be payable to the authority in the rate support grant report for 1987/88 for spending at EL;

RV rateable value used in the Report for 1987/88.

3. If it is desired to make some provision for redetermination of expenditure levels, the ELs for all authorities in a class can be uplifted by a given percentage.

4. An additional factor is necessary to take account of teachers' pay. This would be a factor of general application, but only biting on education authorities.

5. No direct account would be taken in the formulae of reserves (negative or positive).

COPY NO. 2 OF 14

3

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WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

NBPM.

5 December 1986

SECRET

From Secretary of State

I mentioned at our meeting on 1 December when we discussed the Total Expenditure Bill that I was coming under increasing pressure to announce the 1987/88 RSG Settlement for Wales. That pressure has now increased significantly following your announcement that there is to be a further round of consultation on the 1987/88 RSG Settlement for England.

Since I do not need to consult further I cannot offer that as an excuse for delaying the Welsh RSG settlement for 1987/88 and I am unable to refer to the fact that the Bill on total expenditure is the only factor causing me to delay making an announcement. I am therefore glad to learn that you are proposing to inform the House very shortly that there is a problem with total expenditure and that we propose to introduce a Bill to put matters right. We would be open to criticism if we were not to make this known to the House, particularly if the Bill is delayed until the New Year.

This would explain the delay in formal presentation of the RSG Reports for both countries. However, it does not in itself excuse me from announcing my conclusions on the RSG Wales 1987/88 settlement since consultation has been concluded. Therefore I hope that you and colleagues will agree that immediately following your statement I should make a statement making my position clear. This would set out my intentions on the RSG package for Wales for 1987/88, which would enable councils to proceed with budgetting and planning for the coming year. I realise that you will not be able to

/make a ...

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

make a similar statement until the New Year when you have considered responses to your latest proposals, but our positions are different and I hope you will not find difficulty in what I propose.

I am sending a copy of this to the Prime Minister, the Lord President, the Lord Privy Seal, the Chief Secretary, Treasury, the Secretary of State for Scotland and the Chief Whips of both Houses.

Yours sincerely,

Approved by the Secretary of State
and signed in his absence



COPY NO. 2 OF 14

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The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

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Yours sincerely,

Approved by the Secretary of State
and signed in his absence

David Norgrove Esq. 5

010

CABINET OFFICE

With the compliments of

J. E. ROBERTS

Joan asked me to send you a copy of this.

3/12.

70 Whitehall, London SW1A 2AS
Telephone 01 233

CMO

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233

1 December 1986

Dear Joan,

TOTAL EXPENDITURE BILL

The Lord President chaired a meeting this morning to consider the options for legislation to remedy the defect in the definition of Total Expenditure in the 1980 Local Government, Planning and Land Act. Present were the Secretaries of State for the Environment and for Wales, the Lord Privy Seal, the Chief Secretary, Treasury, Mr Ian Lang (Parliamentary Secretary, Scottish Office), and the Chief Whips of both Houses. In attendance were Mr Hieser, Mr Brearley, and Mr Roscoe (Department of the Environment), Sir George Engle, Mr de Vaal, and Mr Bowman (Parliamentary Counsel), Mr Jones (Welsh Office), Mr Pirie (Treasury), Mr Robson (Scottish Office), Mr Macluskie (Lord Advocate's Department), Mr MacLean (Chief Whip's Office), Mr Walters (Whip's Office, Lords), Mr Langdon and Mr Eland (Cabinet Office), and yourself.

The Secretary of State for the Environment said that given the clear advice of leading counsel and the Attorney General, the Government could not continue with the present basis. It would therefore be necessary to bring forward legislation urgently to validate past decisions and to establish a proper framework for the future. The options were described in Brian Leonard's letter to you of 28 November. Given the most recent advice from the House Authorities, omitting provisions about selective rate capping and precept limitation would have no advantages in securing a speedier Parliamentary passage of the Bill and option G need not be considered further. He therefore saw two realistic options. First, the Government could simply validate the existing procedures, which, because the necessary Bill could not be enacted in time to operate rate capping on the existing statutory timetable, would also have to provide for a new timetable (option B). Alternatively, the Government could adopt a more radical proposal (option F). All past decisions would be validated and rate and precept limits for 1987/88 would

Miss Joan MacNaughton
Private Secretary to Lord President of the Council

be enacted on the face of the Bill, on the basis of common provisions applying to each class of authority. At the same time the opportunity would be taken to introduce a radical new approach to determining grant payments, under which block grant would be increased by an equal percentage over 1986/87 for all authorities. This would break out of the cycle of ever increasing complexity and dissatisfaction inherent in the existing RSG System. It would also represent a move away from resource equalisation, which caused considerable problems in the Home Counties, and would pave the way for the new system of local government finance. The grant recycling bill would be unnecessary, although he recognised that there would need to be some compensating reduction in AEG. Moreover, no RSG or rate limitation orders would be needed. He recognised, however, that a fixed block grant would remove the pressure in the present system towards lower spending, and the total of local authority current expenditure might therefore increase.

The Chief Secretary said that he accepted that the legislation was necessary, and that he attached great importance to retaining rate and precept limitations. He was, however, concerned that if a system of fixed block grant payment were introduced there could be a considerable increase in local authority spending. A substantial reduction in AEG would be necessary to offset this, which would be very unpopular with many authorities. Moreover, it represented a considerable measure of rough justice, and he foresaw a great deal of opposition. He therefore favoured option B.

Mr Lang confirmed that provisions were necessary to validate previous Scottish practice and provide an adequate basis for further action on the penalty system and on selective expenditure reduction. The timetable was, however, less critical than in England and Wales. He anticipated that two clauses would be required.

In discussion, it was pointed out that provided the Bill was introduced in the Commons before the Christmas Recess, it should be possible to secure the Royal Assent by 9 April. But this would leave local authorities with considerable uncertainty, and indeed some might seek to exploit the situation for political ends. Splitting the Bill in two, with the first dealing with the amendment of the statutory timetable for rate capping and also possibly validating past decisions, might provide a greater degree of certainty, but would have serious disadvantages from the point of view of Parliamentary handling.

The Lord President, summing up the discussion, said that on balance the meeting preferred option B - under which the legislation would simply repair the defect and do what was required to allow the existing RSG and rate and precept limitations procedures to operate with no change in policy. The alternative of introducing a new block grant system risked weakening control over public expenditure; moreover to introduce a new system in haste and without the opportunity for full consideration would not be advisable. The Department of the Environment and Parliamentary Counsel should now make all possible haste to prepare the legislation, which would need to be introduced before the Christmas Recess. He and the other business managers would give further consideration to the Parliamentary handling, and in particular to the impact on the remainder of the legislative programme. In the meantime the Secretary of State for the Environment should proceed with consultations with local authorities on the revised distribution of RSG which had been agreed on by E(LA) the previous week.

I am copying this letter to the Private Secretaries to the Ministers and to the officials who were present.

Yours ever,

J E ROBERTS

PRIME MINISTER

RATE SUPPORT GRANT AND RATE CAPPING: TOTAL EXPENDITURE

As you know from Nicholas Ridley's letter of 23 October we are faced with an extremely serious problem in the operation of the local government finance legislation. Very briefly it centres on the fact that ever since the Local Government Planning and Land Act was enacted in 1980 we have calculated a local authority's "total expenditure" for the purpose of that legislation in a way that we must now acknowledge to have no lawful basis. The point is beginning to be exposed in the Department of the Environment's dealings with one local authority, and the Attorney General has advised that the Government could not hope to succeed in defending the past interpretation if the matter were challenged in court. Until our interpretation is validated by emergency legislation, no Rate Support Grant Orders can be laid, and local authorities cannot receive block grant for 1987/88. Far more awkwardly, until it is corrected the flaw in interpretation will also undermine the machinery for rate-capping overspending authorities.

2. I am now writing to let you know that the Bill that will be needed to deal with these points is going to be longer (some 17 clauses) and more complex than we had hoped. It also seems highly likely that there must be a Scottish component, though this is relatively simple.

3. The validating Bill will have to be on the statute book before the end of the financial year, and there are clearly going to be some problems in getting such a difficult measure through both Houses on that timescale. At the request of the business managers, therefore, officials prepared a variety of

ingenious alternative schemes. At a meeting today, however, it became clear that solving problems in one direction simply created greater ones in others, and there was general agreement that the right approach must be to press on with validating legislation that makes no changes to substantive policy. The Bill will need to be introduced before Christmas.

4. The other business managers and I are now taking stock of the implications of this for the rest of the programme and I will report again as soon as we have formed a clear view.

5. I am sending a copy of this minute to the Secretaries of State for Wales, the Environment, and Scotland, to the Lord Privy Seal, the Chief Secretary, and the Chief Whip, Commons, all of whom were either present or represented at today's meeting. I am also sending a copy to First Parliamentary Counsel and Sir Robert Armstrong.

Privy Council Office
1 December 1986

LOCAL GOVT

RELATIONS

PT 3/

CONFIDENTIAL

Department of the Environment
2 Marsham Street London SW1P 3EB
01-212 8051

Permanent Secretary
Terry Heiser CB

Sir Robert Armstrong GCB CVO
Permanent Secretary
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

Ref A086/3187

28 November 1986

NW

Dear Robert

LEAK INVESTIGATION: LOCAL GOVERNMENT FINANCE

Thank you for your letter of 6 November.

I did not pursue with Mr Ridley or Mr Waldegrave the statement recorded by Bruce Scott that they "are convinced that leaks are coming from a DOE official" because I know from other discussions that they profess complete confidence in the senior officials in the Department.

But I have gone back to both the Secretary of State and the Minister on this point. Mr Ridley said that his comment reflected the possibility in his mind that the one piece of information identified by Bruce Scott as a leak might have been passed on by a junior official. Mr Waldegrave told me that what he said to Bruce Scott reflected the fact that Robin Pauley got to know a number of officials in the Department during the years in which he was local government correspondent for the Financial Times. He considered that as a skilled journalist Robin Pauley might have been able to elicit by questions on the telephone sensitive information from an unwary official with whom he might have been on first name terms in the past.

Both the Secretary of State and the Minister reaffirmed to me their complete confidence in the Department's senior officials; and indeed in less senior officials whom they see frequently on politically controversial policies.

I am copying this letter to the recipients of yours.

Yours
Terry

T M HEISER

LOCAL GOVT

RELATIONS

PT 31



MJ2COM

ecBG

PERSONAL AND CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

28 November 1986

From the Private Secretary

RATE SUPPORT GRANT SETTLEMENT 1987/88

The Prime Minister was most grateful for the Lord President's minute of 26 November about the Rate Support Grant Settlement for next year in which he explained the effects of taking into account new and later data. She has noted the position.

David Norgrove

Miss Joan MacNaughton
Lord President's Office.

PERSONAL AND CONFIDENTIAL

JV

CC BG

8

2

PRIME MINISTER

You will remember that you saw these proposals earlier. (Barnet gains.)

RATE SUPPORT GRANT SETTLEMENT 1987/88

26/11

You will wish to know that E(LA) Committee discussed Nicholas Ridley's letter to me of 17 November at a meeting on 24 November.

2. In that letter Nicholas explained that he had received strong representations from members representing some of the Home Counties and outer London boroughs about the loss of grant which would be incurred by their authorities under the proposals for next year's Rate Support Grant Settlement published on 3 October.

3. Since those proposals new and later data has become available for GREs which he is obliged to take into account. The effect of this is to make matters worse for a number of authorities who are already losing grant including Hampshire and Berkshire who would lose a further £3.5 million each. Nicholas therefore proposed to introduce a tighter safety net of 7p to provide greater protection against grant losses and a cap of 12p to limit the grant increases of those who gain most.

4. E(LA) agreed that the new data left us with little choice but to go for the revised package. We are always faced with the problem that later data can change grant entitlements substantially, but unfortunately the legislation imposes an obligation to take this on board. In this case the changes incorporate the higher capital provision for 1987/88 announced in the autumn statement which tends to benefit shire districts and disbenefit shire counties.

8

5. We concluded that the proposed change should help most of those authorities worst affected at present including the Home Counties, outer London boroughs (such as Barnet, which will get an extra £2.6 million if they spend in line with the RSG assumption) and shire districts. Nicholas is proposing to issue a further consultation paper announcing his revised package early next week. This will go to all authorities and be announced in the House by a written answer. He is also preparing to brief Members about the effect of the revised proposals for their authorities on the same day, explaining the inevitability of the data changes and the benefits of the new proposals. An announcement of the final proposals would then follow in early January.

Privy Council Office
26 November 1986

SUBJECT
cc master

file EL3BOJ ecl

bc BS

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 November 1986

MEETING WITH THE LOCAL AUTHORITY ASSOCIATIONS

The Prime Minister yesterday evening met the Chairmen of the four local authority associations, Councillor John Layden, Chairman of the Association of Metropolitan Authorities, Councillor John Allison, Chairman of the Association of County Councils, Councillor John Morgan, Chairman of the Association of District Councils and Councillor Ken Fagan, President of the Convention of Scottish Local Authorities. There were also present your Secretary of State, the Secretary of State for Wales and the Secretary of State for Scotland together with Mr. Bernard Ingham and Mr. Peter Stredder, No.10 Policy Unit. The tone of the meeting was friendly almost throughout.

Opening the discussion Mr. Ken Fagan said the associations saw very great problems with the Green Paper proposals. They all understood and shared the view that local authority finance should have "an element of accountability". But the system should be fair and reflect ability to pay. The proposed poll tax did not meet these criteria. Mr. Fagan accepted that the rating system had problems. However there should be a review and the Government should set up appropriate machinery.

Mr. John Morgan said that the Association of District Councils supported the aim of greater accountability. But he and all his colleagues had particular doubts about the proposed reform of business rates. The unified business rate would distance commerce and industry from their local areas and communities. It would mean that 75 to 80 per cent of the income of local authorities would come from central government. Whilst this power might not be misused by the present government, a socialist government might be less scrupulous. It would also reduce the incentive to local authorities to bring commerce and industry to their areas. Their aim would tend to be to increase housing provision instead, in order to increase population and income from the community charge and from the business rates.

Councillor Layden also agreed that the present system needed improving whilst arguing that the Green Paper did not provide the right answers. All of the associations opposed the community charge, though in a constructive way. The cost

of collection would be up to 2½ times the cost of collecting rates and there would be a high level of evasion. Moreover the charge would be unrelated to ability to pay. (Councillor Layden at this point launched into an attack on the possibility that Rotherham might potentially be rate-capped in a future year even though its spending polices were responsible.) There should be a mini-Widdicombe inquiry.

Councillor Allison urged the Government to allow the associations time to find a consensus alternative to the Green Paper proposals. He felt they would achieve unanimity if given time. Whilst the Government might not find the alternative proposals acceptable there could well be elements which would be found acceptable.

Replying, the Prime Minister drew attention to the unpopularity of rates, which were deeply unfair. There was almost unanimity that rates should be abolished, but no agreement on what should replace them. The Layfield Report had proposed a rating system based on capital values. The effects on old people would be very damaging and revaluations would be particularly hard to handle. The Prime Minister then pointed to the support the Green Paper proposals had received from business interests and from ratepayers in England, Wales and Scotland. There would need to be a long transitional period into the new system. But it would greatly strengthen local accountability, and give stability to business. Rebates would be provided for the community charge, working in a similar way to the present system of rate rebates, though the percentages might be different. It would not be consistent to complain about ability to pay and, as some did, to support proposals for a local income tax. Moreover the collection of rates and rent was itself not altogether satisfactory. It was too late to alter the main thrust of the proposals although the Government would appreciate help from the associations on the details of how to apply them. The Prime Minister concluded by expressing the Government's recognition of the important role played by local government.

In further discussion, the local authority representatives continued to argue that with more time they could find alternative proposals and a consensus. Would the Government give them until January? The Prime Minister and other Ministers present drew attention to the differences between the associations, and the total inability generally to agree alternative proposals during the past 15 or more years.

Concluding the discussion, the Prime Minister said that if the local authorities had any rabbits, they should of course pull them out. Any further proposals would be exceedingly unlikely to change the main thrust of the Government's policy, though the local authorities could help enormously with their application. The Secretary of State for the Environment offered to meet the local authority associations again if they wished to discuss major new proposals and on technical points they were welcome to talk to his officials.

I attach a transcript of the interviews given by the Secretaries of State for Environment and Wales after the meeting.

I am copying this letter to Colin Williams (Welsh Office) and Robert Gordon (Scottish Office).

DAVID NORGROVE

Robin Young, Esq.,
Department of the Environment.

DN

NICHOLAS RIDLEY AND NICHOLAS EDWARDS INTERVIEW OUTSIDE NO 10 DOWNING STREET 25 NOVEMBER, 1986 AFTER MEETING OF LOCAL AUTHORITY ASSOCIATIONS WITH THE PRIME MINISTER

Q: A fruitful meeting then, Mr Ridley?

NR: I thought very fruitful. It's always interesting to discuss these things. I think the position was that everybody in the room virtually felt that the present system wasn't at all satisfactory and wasn't working well. When it comes to the question of what to replace it with there were as many different opinions on the other side of the table as there were people, and there is no unanimity in local government as what would be a better system. Under those circumstances, and this has been going on for a very long time, for decades almost, I think the Government is right to make up its mind and decide that an alternative system has to be put in place. Of course there's difficulties with every system and we will be listening to local government and ratepayers as well in implementing the new system so that we get it as near right as we possibly can. And they offered to cooperate with us in doing that.

Q: Would you agree also that there was a consensus?

NR: No but there wasn't a consensus amongst them. Different associations have all got different views about what should be in the replacement package for the rates. I think there was very close to a consensus that the rate increase would have to go, at least as it is at present.

NE: I think there was total consensus that the present system is highly unsatisfactory and isn't working. I mean one after the other they all said that. They

said if only we could talk about it longer, in some miraculous way one could come up with a solution. But everyone was very careful. Every single one of the local authority representatives was very careful not to actually propose a solution. When pressed as to what the solutions were, there was simply vague talk about reform, various possibilities, but no solid suggestions of any kind.

Q: The Government has no intention of changing its proposals?

NR: We are going to, I think, at the moment we have no alternative but to stick to our present proposals of a community charge and a unified business rate, but where we are open to consultation and discussion is in improving the details of both of those. And on that aspect of it Parliament will have a say very soon on the Scottish Bill, they will be voting and debating the detail. But the Government is long past the point where it is asking for suggestions on different principles, different nature altogether. We have been doing this work for 30 years to my personal knowledge the debate has been going on. We've had Leyfield, we've had the 1977 Labour Green Paper, we had our own White Paper in 1981 or 82 whenever it was about the rates and now Government has made up its mind. The ratepayers won't tolerate delay for a longer period. The ratepayers believe the system is rotten. The ratepayers would be absolutely horrified if the Government were now to withdraw and say, well let's have a further period of consultation and discussion, let's think again. This would cause a storm among ratepayers in England, Scotland and Wales because they want the system tackled and we are firmly committed to putting in the community charge system instead, and we will do that.

Where we are very open is to discussing and consulting on the detail.

Q: Does the commitment for England and Wales after the next election also still stand?

NR: Yes, very strongly. I have said and I repeat that in the first Queen's Speech after the election, possibly in the Queen's Speech before the election, that there will be the Bill for England and Wales.

Q: [Inaudible.]

NR: Not really, not really. We all agreed that the rate support grant system as I presently have to operate it is the most extraordinarily capricious and unfair system which, I think you are very kind to me, they all said that they didn't believe it was possible to operate the present system without there being anomalies and unfairnesses thrown up by it. There was no defence for that and there was no talk about the present rate support grant settlement at all.

Q: You said, Secretary of State, that the ratepayers would be very angry if you didn't go ahead and do something now, aren't they going to be equally angry if its more expensive and more cumbersome when they are reformed?

NR: Well in all reforms there's some gainers and some losers, but at least its a system which people can understand; it's a system which is fair; and it's a system which will I think be immediately understood by the people who have to pay the taxes. One of the troubles with the present rating system is that people simply don't comprehend how their rate bill is made up. They may be in a low spending area with a

very efficient council and they may have to pay a very high rate. They may have very low incomes themselves. The unfairnesses in the present system are simply not possible to defend. We don't defend them. And when we come to the new system we'll have to try and get it as good as possible so that people broadly speaking will accept it. I'm not saying that everybody in the land will accept it, but I think it can be made broadly acceptable and I thought that the local authority associations were not very far from agreeing with that.

Q: Thank you very much.

"PAYING FOR LOCAL GOVERNMENT" - LOCAL AUTHORITY ASSOCIATIONS' MEETING WITH THE PRIME MINISTER, 25 NOVEMBER

The purpose of the meeting

1. The meeting is the result of a joint approach from the three main local authority associations for England and Wales - the Association of County Councils (ACC), Association of District Councils (ADC) and Association of Metropolitan Authorities (AMA) - and the Convention of Scottish Local Authorities (COSLA) to discuss the Green Paper "Paying For Local Government" (Cmnd 9714). Notes on the four associations and biographical details of those who will be representing them at the meeting, are at flag A.

2. The associations' letter (below) alleges that

> "there is widespread opposition to the proposed community charge and the uniform business rate".

It claims that

> " a consensus can be found about the kinds of change that are needed which will meet the Government's stated objectives of greater accountability and fairness".

3. The purpose of the meeting is

> - to tell the associations that the Government's proposals have in fact attracted a good deal of support;
>
> - to leave them in no doubt about the Government's intention to proceed with reform; and
>
> - to expose the divisions of opinion between the associations as to what should be done.

Line to take

4. The associations' assessment of reaction to the Green Paper overlooks the degree of support - particularly from the public - for

the community charge. It also ignores the evidence that business is unhappy that councils should retain discretion to set the level of non-domestic rates.

5. The Government believes that greater accountability and fairness require that everyone able to vote in local elections should be directly liable to contribute towards the cost of local spending; and that the amount they pay should directly reflect changes in local spending. The Green Paper proposals were chosen because they meet those objectives where alternatives do not.

6. The associations' letter implies that a consensus might be found among the associations for an alternative to the Green Paper proposals. That seems surprising, in view of the differences apparent between the associations from their responses (discussed in more detail below).

7. We now gather that the 'consensus' is likely to amount to no more than the suggestion that there should be a further, wide-ranging review of all the options. That will certainly not do.

- Over the last 10 years, this subject has already been exhaustively examined from every possible point of view.

- There is strong evidence of public disenchantment with the present rating system. Ratepayers will see the idea of 'further consideration' as an excuse for not giving them the reforms they want.

- The Government is satisfied that its proposals are both fair and workable -

  - indeed that they are the only way that the objectives of accountability and fairness (now, apparently, shared by the associations) can be met.

8. A speaking note is at flag B, and a note on the main issues at flag C.

The Green Paper proposals

9. The Green Paper was published on 28 January 1986. Its main proposals were that

- non-domestic rates should be set by central Government as a uniform rate in the £. The proceeds would be pooled and redistributed to all authorities as a common amount per adult. There would be a revaluation of all non-domestic properties;

- the grant system should be simplified, to consist of needs grant (which would compensate for differences in what authorities needed to spend to provide a standard level of services), and standard grant (which would be a common amount per adult);

- domestic rates should be phased out and replaced by a community charge, payable by all adults at a flat rate in each area.

The Green Paper also proposes that, initially, changes in authorities' incomes arising from the new grant and non-domestic rate arrangements would be offset by a self-financing "safety net".

10. A note on the effects of the proposals is at flag D.

Outcome of consultation

11. The consultation period ended on 31 July in Scotland and 31 October in England and Wales.

- A majority of respondents was against the idea of a national non-domestic rate. But the bulk of the opposition was from local authorities. Most businesses were in favour either of a national rate or of capping non-domestic rates.

- A large majority favoured abolition of domestic rates. But, because there was support for other alternatives (primarily Local Income Tax (LIT)), the community charge did not receive majority support. Again, however, there was a noticeable

difference between local authorities and other respondents. The latter were far more likely to favour abolishing rates and introducing the community charge.

12. So far as the local authority associations are concerned

- the ACC favour LIT, but admit that there are disagreements within the association, which is split along party lines.

- the ADC favour the retention of domestic rates, based on capital values, though the Chairman (Cllr Morgan) is known to be unhappy about the negative tone of the response.

- The AMA oppose the community charge but do not say what should be done instead.

- COSLA also argue that the community charge would be unfair and unworkable. But, like the AMA, they offer no alternative - this reflects the Labour Party's indecision on the subject.

13. All the associations argue that non-domestic rates should continue to be set locally. Fuller summaries of the associations' responses are at flag E.

Next Steps

14. The Queen's Speech announced a Bill to abolish domestic rates in Scotland and introduce the community charge. Target date for publication of the Bill is 27 November. The Bill will to some extent be an 'interim' measure: though it will deal in detail with the community charge, it will provide only for 'capping' of non-domestic rates. The move to a national rate, and pooling the proceeds, will be left to subsequent legislation. It cannot happen until harmonisation of valuation systems has been achieved.

15. The new arrangements will come into effect in Scotland in 1989. Domestic rates will then begin to be phased out, disappearing completely by 1992.

16. In England and Wales, where the consultation period ended more recently, the formal position is that the Government is considering responses to the Green Paper. But Mr Ridley has made clear - most recently in the House on 17 November - the Government's commitment to legislate in the first Session after the Election, with the new system coming into effect in 1990. The aim is, before Christmas, to make a formal response to the consultation, and an announcement of the intention to proceed with the community charge.

Doc4lmt

Association of County Councils

Association of District Councils

Association of Metropolitan Authorities

Convention of Scottish Local Authorities

5 November 1986

The Rt. Hon. Margaret Thatcher MP FRS
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister

PAYING FOR LOCAL GOVERNMENT

As the consultation period on the Green Paper (Cmnd. 9714) ends, it has become clear that there is widespread concern about the Government's proposals for financing local government in the future.

Apart from the opposition of individual local authorities themselves and all our Associations - irrespective of political control - there is widespread opposition to the proposed community charge and the uniform business rate from professional bodies, the city, the trade unions and other sectors of the Community.

As the next session of Parliament draws near, and with the likelihood of a Bill for Scotland being included in the Queen's Speech, we, the leaders of local government in Great Britain, earnestly ask you to meet us, with your Secretaries of State, to discuss ways of finding a system of local government finance that you and we can all live with.

We all agree that the present system needs improving but genuinely believe that the Green Paper does not provide the right answers. However, from the wide range of responses to the Green Paper, with all the political and professional expertise they represent, we believe a consensus can be found about the kind of change that are needed which will meet the Government's stated objectives of greater accountability and fairness.

Please give serious consideration to our approach for a meeting. We will happily forgo other commitments to be available to meet you.

Yours sincerely

Bob L Morgan John Allison John Hayden Ken Fagan

Chairman
ADC
9 Buckingham Gate
London SW1

Chairman
ACC
Eaton House
66A Eaton Square
London SW1

Chairman
AMA
35 Great Smith Street
London SW1

President
COSLA
Rosebery House
9 Haymarket Terrace
Edinburgh

Association of Metropolitan Authorities

Represents metropolitan district councils, London boroughs and ILEA. Bromley LB has seceded.

Political composition:
- 44 Labour authorities
- 11 Conservative
- 2 Liberal
- 11 No overall control

Chairman: Councillor John (Jack) Layden (Labour)
Chairman since 1984, Leader of Rotherham since 1974. Councillor since 1953. A miner and a JP.

Association of County Councils

Represents 45 non-metropolitan county councils in England and Wales ie all except Avon and Derbyshire.

Political composition:

- 73 Conservative seats
- 59 Labour
- 30 Alliance
- 11 Independent

Chairman: Councillor John Allison CBE (Labour). Recently elected Chairman following change in ACC political control. Leader of West Glamorgan County Council since 1977, and previously leader of Swansea Borough Council 1967/74. Director of Development Corporation - Wales since 1967.

Association of District Councils

Represents 332 non-metropolitan districts in England and Wales. Basildon DC has seceded.

Political composition:

70 Conservative seats
30 Labour
5 Independent
1 Liberal

Chairman: Councillor John Morgan OBE (Conservative) Chairman since 1984. Member Test Valley Borough Council since 1974. Previously parish and rural district councillor. Prominent in International Union of Local Authorities, especially Europe.

Convention of Scottish Local Authorities

Represents all local authorities in Scotland (9 regions, 53 districts and 3 island areas)

Political composition:

31 Labour authorities
3 Conservative
22 Independent
1 Alliance
7 No overall control

President: Councillor Ken Fagan (Labour)
Elected President 1986. Formerly Vice President. Dundee District Councillor.

B.

DRAFT SPEAKING NOTE

I was glad to see from your letter that you accept that the present system of paying for local government needs improving. I note, too, that you accept the Government's objectives of greater accountability and fairness.

It must be right to limit the burden that local authorities can impose on businesses - not only for the sake of businesses themselves, but because it is reasonable to ensure that the cost of variations in spending should be met by those who can decide what spending should be: the voters in the area.

So far as domestic rates are concerned, when we published our 1981 Green Paper "Alternatives to Domestic Rates", we did not find general acceptance that rates should go. That is not the case now. The reaction to the present Green Paper clearly shows how unpopular domestic rates have become. People realise too that merely tinkering with the system, for example by basing rates on capital values, would not solve the problem. Indeed, it would probably make it worse. Think of those retired people, whose home is their only major asset. Taxing them on the value of that would be the cruellest form of wealth tax.

Nor is Local Income Tax the answer. It would fail to make people aware of the costs of local services as well as the benefits, because it would be paid by only 20 million out of 35 million voters. Furthermore, it would damage incentives. Putting up income tax rates by as much as 10p in the £ - which is what would happen in some inner

city areas - is the last thing that such authorities need to help regenerate the local economy. Quite apart from the administrative problems, income tax is simply not a suitable tax to be set at different rates by 400 different local authorities.

Some people have suggested that the community charge will not be fair. What is unfair about saying that three adults should pay three times as much as one? Indeed, the fairness of the community charge is demonstrated by the fact that nearly all single pensioners would be better off with the community charge than they are with rates.

We shall, of course, be happy to consider detailed points on how the changes should be brought about. But I have to say that the time is passed for trying to persuade us on the broad thrust of our proposals.

I must make it clear, too, that if the only proposal you have to offer is that there should be yet further review and yet more delay, then that suggestion is not acceptable. It is not acceptable to me because it would not be acceptable to businesses and domestic ratepayers, who already think that reform is overdue.

Manipulation Prop Tax

Scotland

Ratepayers Assn - welcomed proposals unreservedly

Chamber of Commerce - small business - welcome

CB - welcome

Doc43mt

English

CBI - Chamber of Commerce of individuals - strong majority in favour of abolishing rates..

Wales

CBI (Cardiff support green paper proposals in principle

ANNEX C

MAIN ISSUES

Q The national non-domestic rate:

- is an attack on local autonomy

A - Increased local autonomy depends on increased accountability, to be achieved by local electors paying for high levels of local spending, rather than a minority of electors, or central government or non-domestic ratepayers as at present. Fixing the contribution made by business is an essential part of this package.

- would damage many businesses

A - Companies in low rate poundage areas would face higher bills. But overall believe that the balance of gains and losses points to a uniform poundage - with gain of certainty about future rate increases. Transitional arrangements would cushion losses.

- Would remove the incentive for local authorities to encourage economic development and talk to local business

A - Local authorities with a concern for economic development of their area would continue to maintain a dialogue with the business community.

- There is no incentive under the present system to attract business to increase the value of rateable property. Increases in rateable value reduce grant entitlement.

- is unnecessary. Why not simply freeze non-domestic rates in real terms as the Scots are doing?

- The proposal to freeze Scottish non-domestic rates is an interim measure. Eventually there should be a uniform non-domestic rate across England, Scotland and Wales. Freezing the rate is not a permanent solution to the problem because it does nothing to reduce

the unfairly high rates set by some authorities. It is particularly unattractive in England [and Wales] because of the great variation in rate poundages between different areas.

Q The community charge would be expensive to operate and easy to evade

A - Expansion of number of local taxpayers inevitably means higher collection costs. But worthwhile for increased fairness and accountability.

- The Associations' pessimism about evasion of registration underestimates the information available to the local authority - from rating records, electoral roll, use of services, rent rebates, school registration records, library lists, etc.

- And the individual moving home would have an incentive to notify the council, to end his liability for the community charge. Notifying the authority would become routine, like notifying the electricity board.

Q The community charge will be unfair

A - Over the range of incomes, the community charge is no worse related to incomes than domestic rates. It actually bears less harshly on the lowest income households (those earnings up to £75 a week) than domestic rates because many of the poorest households (the widowed and one-parent families) have only one adult.

- And the pattern of payments between types of households would be fairer: the single pensioner would pay less while the large household with several adults would pay more.

- There will be support for those on low incomes through the social security system.

Q Why are the Scots legislating first?

A - Partly because the need for legislation is greatest in Scotland. Partly because the exising Scottish legislation makes it easier to

adopt an 'interim approach on grant and non-domestic rates. And the Scots are ahead of the English and Welsh because they have already carried out at revaluation.

Q Why not keep the rates, but based on capital values?

A - Of those responses to the consultation processed so far, a clear majority are in favour of abolishing the rates.

- Basing rates on capital values would worsen the situation it would further weaken the relationship between rates bills and ability to pay. Would hit London and the SE especially hard. It would hit not only owner occupiers under pressure from high mortgages, but also tenants who would not even be benefitting in the long term from increased capital values.

- It would do nothing to overcome the fundamental flaws of the rating system: too few people pay, regular revaluations are needed, etc.

Q Why not (possibly self-assessed) local income tax?

- Only 20 million would pay LIT. Some who paid LIT would not be ratepayers, and vice versa, but even so there would not be a massive expansion in taxpayers compared to 18 million householders. Therefore only a limited gain in accountability, since there are 35 million voters in England.

- The system would run directly counter to the Government's objective of reducing burden of income tax and could lead to LIT rates in some areas well over four times those of other area. Any attempt to compensate for the differences in incomes between local authorities would undermine local accountability. It would mean that authorities which drove away high earners by imposing high tax rates would automatically be compensated with increased grant.

- High administration costs, especially if reformed rating system also retained (as proposed by ADC and AMA but not ACC).

- Would be complex and expensive for local authorities to administer themselves, even if based on "self-assessment". Self-assessment would be a major headache for the individual taxpayer.

- Relying on Inland Revenue information would not solve the problems: presently the national income tax system does not keep individuals' home addresses for instance.

- Administering LIT through the PAYE system would put extra burdens on business. Would also mean a local authority setting the local income tax would be be unable to predict its revenue and would be vulnerable to changes made by the Chancellor in the Budget, after LIT rates had been set.

Doc36mt

THE EFFECTS OF THE GREEN PAPER PROPOSALS

(i) The effect on local authority income

1. When the new system was fully operational, local authorities' income would be affected in the following ways.

- Low spending authorities would gain additional income from the proposal to pool the proceeds of the national non-domestic rate. High-spending authorities, currently levying above-average non-domestic poundages would lose income.

- Authorities where domestic rateable values were high would gain grant income, and low domestic RV areas would lose. At present the block grant system takes resources away from areas with high rateable values.

2. The Green Paper proposes, however, that a 'safety net' might be used to prevent these effects arising in the first year of the new system, and to control the rate at which changes in income arose thereafter.

(ii) The effects on individuals

3. Within each local authority area, households would be affected in two different ways.

- In general, single person households would tend to see their bills reduced; and households with 3 or more adults would tend to see larger bills.

- Households living in properties with relatively low RVs will tend to gain.

4. The main gainers will be those living alone. 85% of single pensioners will gain. Those on the lowest incomes - under £75 a week - would, on average, be better off with the community charge than with rates.

5. The main losers will be young single adults living with their parents not presently paying for their local services. But even when the new system is fully in place, 85% of tax units will either gain, or lose less than £2 a week. And the phasing out of rates over several years will give people time to adjust.

Doc42mt

SUMMARY OF KEY RESPONSES TO THE GREEN PAPER

NAME OF RESPONDENT: ASSOCIATION OF METROPOLITAN AUTHORITIES (AMA)

1. Views on proposals for national non-domestic rate (NNDR)

The AMA oppose every aspect of the proposed NNDR. They say it will destroy the accountability of local authorities to local businesses; severely damage the autonomy of local government; lead to a steady reduction in the relative contribution businesses made to local authority spending; unfairly penalise businesses in the South East. They refuse to accept that local authorities have milked the non-domestic ratepayer and blame the increase in non-domestic rates on the Government's policy of cutting AEG. They reject the proposed 5% discretion as too small to do any good and very uneven in its impact (ie worth far more per head in high resource areas then in low resource areas).

2. Views on proposal to abolish domestic rates

The AMA regard domestic rates as a very strong tax in operational terms (difficult to evade and easy to collect). They regard rates as fairer than the community charge, but seem on balance to advocate a local income tax, perhaps supplemented by rates.

3. Views on the community charge

They reject the community charge on all counts. They regard it as a regressive and say it will be difficult and expensive to operate and collect. They argue that draconian powers will have to be introduced if the system is to be made to work and they reject as spurious the aim of increasing accountability and the notion that the local tax should be regarded as a charge for services. They say the impact of the community charge will be particularly severe on pensioner couples and young adults and in inner city areas. They challenge the Government's own analysis of the effects of the community charge and the pattern of gainers and losers. They object particularly to the "gearing effect" produced by placing on community charge payers the whole burden of marginal increases in local authority expenditure.

4. View on the proposed new grant system

The AMA oppose the simplification of the grants system at the expense of equity. They would prefer a system that accurately reflects local needs to one that is simple and easy to understand. They also maintain that the case against resource equalisation is not proven: they see it as a vital part of regional policy and claim that ending it could mean the loss or transfer to more prosperous regions of 100,000 jobs. They oppose the extension of specific grants on the grounds that they erode local discretion.

5. Other comments

They reject the argument that extending the use of fees and charges increases accountability.

Doc5007mt

SUMMARY OF KEY RESPONSES TO THE GREEN PAPER

NAME OF RESPONDENT: ASSOCIATION OF COUNTY COUNCILS (ACC)

1. Views on proposals for national non-domestic rate (NNDR)

The ACC regard the proposed NNDR as inconsistent with their conception of local government, which derives from the general principle that power should be exercised locally rather than centrally. They say the NNDR would weaken local accountability, break the link between local councils and local businesses, and that it would be open to manipluation by central Government. They accept that if domestic rates are to be abolished there can be no question of giving local authorities unlimited access to the non-domestic rates, and therefore suggest that the ratio of non-domestic to domestic rates might be fixed by statue.

2. Views on proposal to abolish domestic rates

There are varying views among ACC members about the fairness of rates and no clear consensus about an alternative. They argue that replacing the rates can only be justified if the new system is more equitable, broadens the tax base; is tempered by ability to pay and is a tax rather than a charge for services: only a local income tax fits these criteria. The ACC as an association advocates the introduction of a local income tax. If there is to be a new system, the ACC feel it should stand on its own: they do not support the idea of 2 or more local taxes.

3. Views on the community charge

The ACC contend that the community charge fails to satisfy their criteria for a new local tax, places too heavy a burden on those with low or no incomes, and poses serious problems of determination and enforcement.

4. Views on the proposed new grant system

The ACC supports the use of grants to compensate for differences between areas in both resources and needs. They feel there is a balance to be struck between fairness and simplicity in the operation of the grant system and appear to incline towards fairness rather than simplicity.

5. Other comments

They strongly oppose the proposal to make all residents pay at least 20% of their local tax bill.

Doc8009mt

SUMMARY OF KEY RESPONSES TO THE GREEN PAPER

NAME OF RESPONDENT: ASSOCIATION OF DISTRICT COUNCILS (ADC)

1. Views on proposals for national non-domestic rate (NNDR)

The ADC criticise the NNDR as centralist and an attack on local autonomy. They argue it will seriously weaken the relationship between local authorities and the business community; destroy any business interest in local spending decisions; remove local authorities' incentive to encourage industrial development; result in local authorities being starved of income; produce an arbitrary income for each local authority, unrelated to local needs and resources. They also contend that uprating the NNDR in line with national inflation levels will be inadequate for local needs; that the proposed 5% discretionary element will be insufficient to sustain the local authority/business link; and that businesses in low-rating areas will lose out substantially as a result of the switch to the NNDR. Instead, they advocate continuation of the existing system with regular revaluations.

2. Views on proposal to abolish domestic rates

The ADC say the rates have many strengths (cheap to collect; difficult to evade; predictable yield) and are reasonably conducive to accountability. For want of a better system, they advocate retention of domestic rates, perhaps based on capital valuations, with regular revaluations. They are reasonably well-disposed towards local income tax as a possible supplement to domestic rates.

3. Views on the community charge

The ADC resolutely oppose the community charge. They suggest that the Green Paper places too much emphasis on accountability and not enough on practicability: the community charge will be expensive to operate (more accounts, more staff, more computers needed), relatively easy to evade (more summonses, more court cases) and unfair (more regressive than rates with the rich gaining and the poor losing out). They reject the notion that the community charge is in any way akin to a charge for services and point to the unfairness of the "gearing effect" (whereby a 1% increase in expenditure will produce varying percentage increases in the community charge from authority to authority - from 2% to 10%). They also suggest that there may be a need to cap parish community charges.

4. Views on the proposed new grant system

The ADC advocate improving the current grant system so that it delivers certainty in-year and incorporates warnings of what future grant levels will be. They do not regard simplicity as a vital consideration, if it is at the expense of accuracy and fairness. A particularly interesting proposal they put forward is that all grants should be paid not to tiers of local authorities, but at local taxpayer level. This would have the effect of enabling taxpayers to see clearly the level of expenditure of each tier, before central Government grant is paid.

5. Other comments

The ADC support the extension of non-domestic rating to agricultural property.

Doc8009mt

GREEN PAPER 'PAYING FOR LOCAL GOVERNMENT' (CMND 9714)

RESPONSE FROM CONVENTION OF SCOTTISH LOCAL AUTHORITIES (COSLA)

SUMMARY

1. COSLA accept that the rating system is not ideal but argue that its weaknesses have been overstated. They suggest that the problems in the present local government finance system have arisen from reductions in central government support, combined with too infrequent revaluations.

2. They are opposed to the regressive nature of the community charge and to any arrangements which would involve limiting the relief available to those on lowest incomes. They draw attention to "enormous difficulties" of making the community charge work (particularly during the transitional period) and mention problems of tax evasion, infringement of privacy, and failure to take up voting rights.

3. COSLA consider that the Green Paper proposals for nationally set non-domestic rates are inconsistent with its theme of increasing local accountability; they argue that local accountability implies withdrawal by central government from interference in local affairs.

4. They deny that the Green Paper proposals offer a long term solution. They think that rates should - after improvement-be retained at least as one of the taxes available to local government. They do not accept the Government's reasons for rejecting local income tax and a local sales tax, and want to see the main issues re-examined through a constructive dialogue between central and local government.

PRIME MINISTER

MEETING WITH THE LOCAL AUTHORITY ASSOCIATIONS

You have a briefing meeting in the morning with the Ministers concerned before seeing the leaders of the four local authority associations in the afternoon. Mr. Ridley, Mr. Edwards and Mr. Rifkind will be present.

The meeting is being held now because the Scottish bill is to be published later this week. It seemed right for you to see them before then.

Bernard will be present at the briefing meeting. The local authority associations are likely to make hostile statements to the press afterwards and he must be in a position to counter them. Ministers may also need to be ready to give interviews.

The departmental briefing is clear and reasonably concise for a change.

The main points are:

(i) there is widespread agreement that the present system cannot be allowed to continue;

(ii) the Government's proposals have attracted a good deal of support;

(iii) other solutions - local income tax or sales tax for example - suffer from serious disadvantages and have gained no general support;

(iv) the Government intends to proceed with reform.

David Norgrove
24 November 1986

JA2AGS

CC BG
cc BT/up

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

24 November 1986

Dear Mr Norgrove.

You copied to me your letter of 19 November to Robin Young about the Prime Minister's meeting on Tuesday, 25 November with the local authority association to discuss reform of local government finance.

The main proposals in the Green Paper will apply more or less uniformly in Wales and England; the only difference of substance is that it is envisaged that rates will be phased out over six years in Wales rather than the ten years proposed for England.

However, the Prime Minister might wish to be aware that in Wales there has by no means been the total opposition to the Green Paper which is implied by the associations in their letter. While the Welsh branches of the ADC and ACC have indeed been very critical, the largest District Council in Wales (Cardiff) has written in specifically to dissent from the ADC (Wales) response and to say that "there is a need to abolish that most hated tax, rates, based on property values, and the City Council, therefore, supports the Green Paper proposals in principle, but would wish to see further studies of the section dealing with equalisation of non-domestic rates". The Prime Minister might also wish to know that although the Welsh Counties Committee have rejected the Green paper proposals, they clearly do not see the technical problems of the community charge as insuperable; in fact, they are sufficiently impressed by the idea to propose that if the new system is introduced then county councils should be responsible for operating the community charge rather than the district councils, which run the present rating system. Councillor Allison, the Chairman of the ACC, is also a member of West Glamorgan County Council. In the business community the CBI (Wales) has come out firmly in favour of both the unified non-domestic rates and the community charge proposals.

/What has come ...

David Norgrove Esq
10 Downing Street
LONDON
SW1

What has come across in many of the 120 responses received in Wales is that the present system is widely regarded as unfair and too complex. The Prime Minister may also wish to make the point that a majority of private individuals in Wales who commented on the community charge were in favour of it; and, despite the very legitimate and important interests of local government itself, it is the local taxpayer who is most affected by the proposals, and who has perhaps the most important voice in all these discussions.

I am copying this letter to Robin Young (DOE) and Robert Gordon (Scottish Office).

Yours sincerely.

Rhys Williams.

pp. R C WILLIAMS

file 4 6
LO4 AHN
cc Prof Griffiths

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 November 1986

LOCAL AUTHORITY NEEDS INDICATORS

I showed the Prime Minister the document you sent me which sets out the definitions of the indicators used in assessing RSG (Appendix 2 to Annex J of some document or other.) The Prime Minister found this absurd and has said it must be stopped. She looks forward to seeing the paper which the Treasury has in preparation and to chairing a discussion to bring this to an end.

BF1

DAVID NORGROVE

Alex Allan, Esq.,
H.M. Treasury.

ECL

CONFIDENTIAL

CEG

610

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister for Health

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

NBPT.

21 November 1986

Dear Willie,

RATE SUPPORT GRANT SETTLEMENT 1987/88

I am afraid that Norman Fowler and I are unable to attend Monday's meeting of E(LA) and am therefore writing to let you have our comments on Nicholas Ridley's letter to you of 17 November.

The need to take account of the later data will be another blow for PSS authorities as a further £20 million grant will be lost. However, I appreciate that you have no choice but to take this into account.

I have no strong views on whether the option you propose is adopted. It would ease the loss to PSS authorities only very marginally. As you know the main problem here lies with the decision made earlier to safety net the grant changes which would have flowed from our decisions on service provision.

It is essentially a matter of judgement as to the balance of advantage in easing the position for some authorities at the expense of others at this stage. I am content for that to be left to discussion on Monday.

Copies of this letter go to the Prime Minister, members of E(LA), the Attorney General, the Chief Whip and Sir Robert Armstrong.

Yours ever.
Tony.

TONY NEWTON

YdS/D.5

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 November, 1986.

MEETING WITH LOCAL AUTHORITY ASSOCIATIONS

The Prime Minister is, as you know, to meet the local authority associations on Tuesday, 25 November, to discuss reform of local authority finance. I should be grateful for briefing from you and the Scottish Office, as appropriate, to reach here by close on Friday this week.

I am sending copies of this letter to Robert Gordon (Scottish Office) and Colin Williams (Welsh Office).

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

KCB/G

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John MacGregor MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

19 November 1986

NBPM

Dear John,

SPECIFIC GRANTS TO LOCAL AUTHORITIES

I am sorry not to have commented before now on your letter of 11 September to Nicholas Ridley about the report of the Working Group on Specific Grants. The report does, of course, make it clear that most of the Group's analysis and recommendations apply only to England and Wales. I have therefore thought it appropriate to await colleagues comments before responding on these proposals in which I have a common interest.

I think that the Group's scrutiny of existing grants has been useful. As you know, the Scottish Office had already carried out such a scrutiny in respect of grants within AEG in Scotland before the Working Group was set up. It achieved a similar weeding out. It was agreed with the Convention of Scottish Local Authorities to discontinue four of the grants reviewed.

As a result the report's conclusions concerning individual grants are mainly in accord with those which we had already reached and there is only one recommendation for the abolition of a grant with which I cannot agree: the termination of the basic services grant to encourage local authorities to provide road access, drainage etc for new industrial sites. I wish to add my support to what has been said by Paul Channon and Nicholas Edwards. Experience has shown that these can act as a useful piece of fine-tuning to assist the provision of essential services for new industry in the assisted areas. The last regional policy review identified a number of cases where the grants had supported the creation of significant numbers of new jobs, at relatively modest cost. On this evidence their retention would be consistent with the cost-effective approach to regional policy which we have set ourselves. I am content, however, to go along with Paul Channon's suggestion that the overall effectiveness of the grants should be more closely monitored than has been the case hitherto, and my officials will be ready to take part in any discussions on this which may be arranged.

I also have an interest in clean air grant and rate rebates for the

disabled but, as Nicholas Ridley and Tony Newton point out, these are matters for separate discussion.

Turning to the general issues, those relating to cash limiting and rates of grant are perhaps the most important. I agree that we should consider the scope for cash limiting grants within AEG wherever it makes practical sense and I am content that each case be looked at on its merits. A number of my grants are already cash limited, of course, and it may be that there is not much scope for going further.

The report's recommendations on grant rates are particularly important to me. Rate Support Grant here is, of course, paid at a higher percentage than block grant in England and Wales and we therefore need higher incentives to influence local authorities' priorities. I am glad to see recognition of this in the report but, more generally, I share Nicholas Ridley's scepticism about the value of attempting to construct hard and fast rules.

On a detailed point, I am concerned about the explicit recommendation for a reduction in the rate of grant in respect of one grant which is unique to Scotland, grant to assist the provision of piers and harbour facilities for ferry purposes in the Highlands and Islands. This is an important part of our policy towards the islands, which has been the subject of special scrutiny by the Montgomery Committee, and to abandon the well established level of support, which is relevant to various proposals for future improvements, would cause damage out of all proportion to the amounts of money involved.

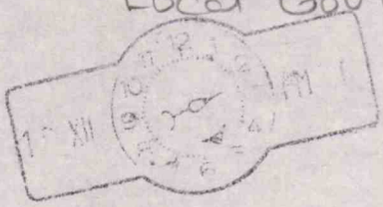
The Group's discussion of new grant proposals did not concern me directly, as I have no proposals at present for any new grants, and I had not understood your letter to imply a proposal that there should be a general prohibition on new specific grants. However, I note that some colleagues have formed that impression. It might therefore be useful to record my view that any such proposal would be an unreasonable restriction.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nick Edwards, Douglas Hurd, Kenneth Baker, Norman Fowler, John Moore, David Young, Paul Channon, Michael Jopling, Richard Luce, Quintin Hailsham and to Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

Local Gov't; Relations PT30





10 DOWNING STREET

Caroline

Could you arrange a meeting please, I now, with

Ridley
Rifkind
Edwards

and these people for 1 hour if possible before the end of the month?

DRW

Now many from County Councils Commission Briefing.

10 DOWNING STREET

Prime Minister

Nr Ridley's firm advice is that you should meet these people with him and the territorial Ministers.

Agree?

DRN

Yes

cf TO FILE

cc (B)

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1

18 November 1986

Dear David,

PAYING FOR LOCAL GOVERNMENT: REQUEST FOR A MEETING BY THE LOCAL AUTHORITY ASSOCIATIONS

ATTACHED

Thank you for your letter of 6 November about this joint letter by the Leaders of the 3 English and Welsh associations and the Convention of Scottish Local Authorities.

With the exception of the Association of District Councils, the local authority associations are Labour-controlled. But there is no doubt that the views expressed in the letter reflect the majority views of all their local authority members. They clearly believe that in making a concerted approach they can reasonably expect an opportunity to put their case. In my Secretary of State's view a rejection would be widely resented by local councillors of all parties.

The Associations' letter says that they are prepared to join in work to find another answer to local finance which would meet the Government's objectives of greater accountability and fairness. We think this offer should be probed, and exposed if it is not genuine.

Finally, there is still scepticism within local government as well as outside it - that the Government is firm in its resolve to undertake reform in England and Wales. It will aid further development work if that message is delivered forcefully and from the top.

For these reasons, my Secretary of State's advice is the Prime Minister, supported by territorial Ministers, should agree to a meeting. I enclose a short draft letter.

I am copying this letter to Robert Gordon (Scottish Office) and Colin Williams (Welsh Office).

Yours sincerely,

Robin Young.

R U YOUNG
Private Secretary

This is 100% recycled paper

Draft letter for PS/Prime Minister to send to the Leaders of the Local Authority Associations

4

Paying for Local Government

You wrote to the Prime Minister seeking a meeting to discuss the Government's proposals for the reform of local finance.

The Prime Minister is prepared ~~for~~ to meet you with the Leaders of the other associations and we will be in touch by telephone to make arrangements.

CONFIDENTIAL

cc PG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

Prime Minister 2
Table C is the most informative. I suggest await comments from colleagues.
DEV
17/11

17 November 1986

Dear Lord President,

RATE SUPPORT GRANT SETTLEMENT 1987/88

As you know I have had some very fierce reactions from our colleagues in the House, who represent some of the Home Counties and Outer London Boroughs, to our proposals for next year's Rate Support Grant Settlement set out in the Consultation Paper of 3 October.

Since we published that paper we have received, as we knew we would, later data for GREs which I am obliged to take into account. I am afraid the effect of these is generally to make matters worse for those counties who are losing grant this year compared to last. The grant effects of the latest data are set out in Column 1 of Table A. All but four counties lose grant in comparison with the entitlements shown in the Consultation Paper, and Hampshire and Berkshire lose a further £3½m each. These figures make it very difficult for us to hold to the Consultation package.

I have therefore considered the small number of options available to us at this stage to see whether any changes could be made to the proposed Settlement to alleviate the position. Only one shows any promise - the introduction of a tighter safety net which limits grant losses to 7p, rather than to 12p as currently proposed, accompanied by a cap to limit grant increases to 12p. The grant effects of this combined net and cap are shown in Column 2 of Table A and the cumulative change since the Consultation Paper is shown in Column 3.

The tighter net, together with a new cap, gives substantial extra protection to those already losing grant. Although they still lose compared with 1986/87 Surrey benefits by £7.9m, Hertfordshire by £4.9m and Oxfordshire by £3.8m compared with the Consultation Paper. Nearly all the shire districts benefit as do all Outer London Boroughs except Newham. Barnet for example benefits by £2.6m, Bromley by £2m and Redbridge by £1m.

The cap causes loss of grant for 21 authorities of two main types as shown in Table B; first, authorities who were severly capped in 1986/87 including Birmingham, Bradford, Cleveland and Derbyshire; second, those Metropolitan Police Authorities which stand to make large gains out of the change to base the police GRE on establishments. The cap reduces the gains of grant in our original proposals for Birmingham by £32.5m, Bradford £10m, Derbyshire £21.7m, Cleveland nearly £11m and the Merseyside and West Yorkshire Police Authorities over £6m each. But all these authorities would still receive more grant than in 1986/87. However, a number of them are litigious, and caps are particularly resented. I do not need to remind colleagues that it was Birmingham who successfully challenged their cap this year, and it seems highly probable that they would seek to challenge us again. I have therefore taken the precaution of seeking Treasury Counsel's advice as to whether the powers in the Rate Support Grants Act to set multipliers to limit grant increases can be properly applied in the present circumstances. He has advised that the introduction of a cap should be legally defensible provided I set out my reasoning very clearly.

We could therefore confidently take this option. I should point out, however, that if we do so, four counties - Berkshire, Buckinghamshire, East Sussex and Northamptonshire - will lose more grant than in the Consultation Paper because the benefit of the new net and cap is worth much less to them than the grant effect of the revisions to GREs. And a further 22 counties, while still gaining grant compared with 1986/87, will get less grant than shown in the Consultation Paper as a result of revision to GREs. Of course, if we do not pursue the new option the position of all these authorities, except the 5 who are capped, will be even worse. Table C illustrates the change in grant from 1986/87 under the Consultation Paper proposals and under the new option, for the counties and the Outer London Boroughs. All this will need careful handling in the House.

It is a question of judgement as to whether pursuing this option will satisfy those who consider themselves hard done by under the present proposals, and whether it is worth trying to buy off the attack in one quarter only to have it reappear in another quarter.

In view of the additional losses caused by the revised GREs, on top of the adverse reaction to the current proposals, I suggest it is not a realistic option to do nothing, I propose therefore that we should introduce the tighter net of 7p and a cap of 12p. If the Settlement is not to slip until after Christmas I shall need to reconsult as soon as possible. I should be grateful for comments by 20 November so that we can discuss as necessary at E(LA) on 24 November.

Copies of this letter go to the Prime Minister, members of E(LA), the Attorney General, the Chief Whip and Sir Robert Armstrong.

Yours sincerely,

pp NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence.)

TABLE A

1987/88 SETTLEMENT : OPTIONS FOR CHANGE

	GRANT CHANGES SINCE THE CONSLTN PAPER				INCREASE ON 1986/7 ACTUAL POUNDAGES		
	COL 1 Effect of new data	COL 2 Effect of 7p net and 12p cap	COL 3 Overall change since the Conslt Paper	COL 4 Change in grant from 1986/7	COL 5 Consultation Paper	COL 6 Consultation Paper arrangements but with new data	COL 7 New data with 7p net, 12p cap
	(£m)	(£m)	(£m)	(£m)	(%)	(%)	(%)
TOTAL England	(4.000)	(.000)	(4.000)	529.498	.7	.9	.9
TOTAL Shire districts	6.265	19.033	25.299	.530	1.5	.7	(1.1)
TOTAL Shire counties	(36.456)	(.769)	(37.224)	145.776	2.5	3.3	3.3
TOTAL Metropolitan distri	16.002	(23.938)	(7.936)	183.962	(.9)	(1.1)	(.3)
TOTAL Metropolitan Police	.649	(14.688)	(14.039)	21.270	(10.5)	(10.8)	(4.2)
TOTAL Metropolitan Fire A	.598	.100	.698	7.377	(4.0)	(4.4)	(4.5)
TOTAL Metropolitan Transp	6.467	(7.993)	(1.526)	42.956	(31.7)	(33.6)	(31.2)
TOTAL central boroughs	(.124)	-	(.124)	(2.792)	2.8	3.0	3.0
TOTAL other inner London	2.334	10.657	12.991	51.135	(.4)	(.7)	(3.3)
TOTAL inner London boroug	2.210	10.657	12.867	48.342	1.3	1.2	.1
ILEA	-	-	-	-	2.5	2.6	2.6
TOTAL outer London boroug	(1.518)	17.229	15.711	73.702	3.7	4.1	2.8
Metropolitan Police	(.021)	.341	.320	2.654	11.3	12.0	11.9
London Fire & CD Authorit	1.648	.107	1.755	2.857	1.4	.4	.4
TOTAL Shire areas	(30.190)	18.265	(11.926)	146.306	2.4	2.9	2.7
TOTAL Metropolitan areas	23.716	(46.519)	(22.803)	255.564	(4.4)	(4.8)	(3.6)
TOTAL London	2.318	28.335	30.653	127.556	2.1	2.2	1.5

1987/88 SETTLEMENT : OPTIONS FOR CHANGE

	GRANT CHANGES SINCE THE CONSLTN PAPER				INCREASE ON 1986/7 ACTUAL POUNDAGES		
	COL 1 Effect of new data (£m)	COL 2 Effect of 7p net and 12p cap (£m)	COL 3 Overall change since the Conslt Paper (£m)	COL 4 Change in grant from 1986/7 (£m)	COL 5 Consultation Paper (%)	COL 6 Consultation Paper arrangements but with new data (%)	COL 7 New data with 7p net, 12p cap (%)
SHIRE COUNTIES							
Avon	(.931)	(.681)	(1.611)	14.456	3.2	3.5	3.8
Bedfordshire	(.663)	3.815	3.152	(3.866)	8.1	8.5	6.2
Berkshire	(3.449)	.306	(3.143)	(7.539)	2.9	4.5	4.3
Buckinghamshire	(1.640)	.244	(1.396)	(1.451)	10.4	11.1	11.0
Cambridgeshire	(1.922)	.211	(1.711)	1.670	(1.7)	(.2)	(.3)
Cheshire	(.261)	.322	.061	1.522	6.2	6.2	6.1
Cleveland	(2.244)	(10.728)	(12.972)	14.272	(1.9)	.1	5.9
Cornwall	(.219)	(.725)	(.944)	8.332	(5.4)	(4.7)	(3.8)
Cumbria	(.845)	.118	(.727)	6.404	(6.0)	(5.1)	(5.2)
Derbyshire	(.741)	(21.656)	(22.397)	17.509	(.4)	(.0)	8.6
Devon	(1.387)	.272	(1.115)	8.974	(1.6)	(.7)	(.8)
Dorset	(2.187)	.207	(1.979)	3.137	4.3	6.0	5.8
Durham	(.190)	.135	(.055)	6.653	(1.7)	(1.4)	(1.5)
East Sussex	(1.965)	.237	(1.728)	(1.848)	2.2	3.1	2.9
Essex	.516	.557	1.073	(9.016)	6.4	6.6	6.5
Gloucestershire	.354	.155	.509	4.829	(3.5)	(3.4)	(3.5)
Hampshire	(3.569)	7.540	3.971	(7.310)	7.0	8.0	6.0
Hereford and Worcester	(.495)	.207	(.288)	2.934	.5	1.1	.9
Hertfordshire	1.487	4.919	6.405	(9.295)	5.8	5.6	4.1
Humberside	(1.907)	.230	(1.676)	1.189	10.8	11.7	11.6
Isle of Wight	(.058)	.631	.574	(.067)	9.6	10.1	7.7
Kent	.723	.450	1.173	11.513	2.4	2.4	2.3
Lancashire	(1.220)	.339	(.881)	20.628	2.4	3.2	3.1
Leicestershire	(1.575)	.271	(1.304)	9.462	(3.5)	(2.4)	(2.6)
Lincolnshire	(.496)	.152	(.345)	5.092	(3.7)	(3.1)	(3.2)
Norfolk	(.005)	.220	.215	13.272	(1.3)	(.9)	(1.1)
Northamptonshire	(1.207)	.180	(1.027)	(1.223)	13.2	14.3	14.1
Northumberland	(.170)	(2.180)	(2.350)	6.177	(10.3)	(9.8)	(6.7)
North Yorkshire	(.087)	.185	.098	2.545	6.4	7.0	6.9
Nottinghamshire	(1.044)	.289	(.754)	21.400	(11.2)	(10.5)	(10.6)
Oxfordshire	(1.361)	3.798	2.438	(4.512)	8.2	9.3	7.0
Shropshire	(.832)	.107	(.725)	4.683	(1.2)	.1	.0
Somerset	(.636)	.123	(.513)	3.008	3.5	4.6	4.5
Staffordshire	(1.810)	.295	(1.515)	7.395	(1.6)	(.4)	(.5)
Suffolk	(1.614)	.190	(1.424)	2.070	5.4	6.8	6.6
Surrey	(.240)	7.937	7.689	(11.268)	8.7	9.2	6.6
Warwickshire	.381	.164	.545	(.519)	3.9	3.8	3.6
West Sussex	(1.485)	.242	(1.243)	2.529	.5	1.6	1.4
Wiltshire	(1.455)	.150	(1.305)	2.004	2.6	3.8	3.6

1987/88 SETTLEMENT : OPTIONS FOR CHANGE

	GRANT CHANGES SINCE THE CONSLTN PAPER				INCREASE ON 1986/7 ACTUAL POUNDAGES		
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	(£m)	(£m)	(£m)	(£m)	(%)	(%)	(%)
GREATER LONDON							
City of London	(.001)	-	(.001)	(1.590)	1.3	.9	.9
Camden	(.123)	-	(.123)	(.058)	.2	1.4	1.4
Greenwich	.179	.795	.974	.527	6.2	6.1	4.1
Hackney	.391	.893	1.284	9.658	(9.7)	(10.0)	(11.8)
Hammersmith and Fulham	.050	.885	.935	.716	21.1	21.7	17.2
Islington	(.056)	1.297	1.241	5.442	(10.2)	(10.7)	(13.3)
Kensington and Chelsea	(.064)	1.778	1.714	(4.759)	110.9	114.8	82.9
Lambeth	(.231)	1.472	1.241	20.945	(8.0)	(8.3)	(10.3)
Lewisham	(.007)	.858	.851	5.713	(5.3)	(5.4)	(7.2)
Southwark	.719	1.442	2.161	6.793	(5.7)	(5.9)	(7.9)
Tower Hamlets	.197	1.202	1.400	.936	3.7	3.4	1.0
Wandsworth	1.156	.036	1.192	5.164	46.5	37.6	37.3
Westminster	.000	-	.000	(1.144)	6.6	6.8	6.8
Barking and Dagenham	1.257	.044	1.301	.843	5.4	4.2	4.1
Barnet	(.109)	2.660	2.551	(2.269)	10.8	11.2	8.1
Bexley	(.385)	1.342	.957	.257	14.3	15.8	12.7
Brent	.344	.084	.428	29.189	(2.8)	(3.3)	(3.4)
Bromley	(.127)	2.179	2.052	(.808)	10.0	10.4	6.9
Croydon	.722	.117	.838	.691	10.3	10.7	10.6
Ealing	(.849)	.099	(.751)	(1.026)	9.3	10.8	10.6
Enfield	1.435	.498	1.932	(.759)	18.6	16.6	15.9
Haringey	(.922)	1.533	.612	18.009	(5.6)	(5.8)	(7.5)
Harrow	(.423)	1.512	1.089	(.867)	17.9	18.7	15.7
Havering	(.793)	1.632	.839	(.553)	8.6	10.2	7.1
Hillingdon	.142	2.510	2.652	(3.139)	6.9	7.3	4.7
Hounslow	(.886)	.083	(.803)	8.828	(10.9)	(9.5)	(9.5)
Kingston-upon-Thames	(.100)	1.225	1.125	(.532)	12.4	12.9	9.6
Merton	.070	1.308	1.378	(.064)	10.2	10.6	7.3
Newham	(.780)	(5.092)	(5.872)	26.072	(41.9)	(40.7)	(35.0)
Redbridge	(.494)	1.496	1.002	.040	7.7	8.7	5.5
Richmond-upon-Thames	.480	1.387	1.867	(.625)	22.4	22.8	19.9
Sutton	(.071)	1.269	1.198	(.568)	11.1	11.5	8.4
Waltham Forest	(.030)	1.345	1.315	.982	11.4	11.8	9.3
ILEA	-	-	-	-	2.5	2.6	2.6
London Fire & CD Authorit	1.648	.107	1.755	2.857	1.4	.4	.4
Metropolitan Police	(.021)	.341	.320	2.654	11.3	12.0	11.9

1987/88 SETTLEMENT : OPTIONS FOR CHANGE

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	(£m)	(£m)	(£m)	(£m)	(%)	(%)	(%)
GREATER MANCHESTER							
Bolton	.289	.064	.353	4.533	3.1	2.9	2.7
Bury	.101	.044	.145	2.038	7.5	7.7	7.6
Manchester	1.429	.169	1.598	1.853	2.2	1.7	1.7
Oldham	.084	.052	.136	4.633	(4.0)	(3.8)	(3.9)
Rochdale	.757	.047	.805	1.393	13.4	11.9	11.8
Salford	1.635	.018	1.653	6.660	.1	(1.5)	(1.5)
Stockport	(.271)	.088	(.184)	3.506	(.2)	.4	.2
Tameside	(.227)	.048	(.178)	4.418	(5.5)	(5.3)	(5.4)
Trafford	.474	.086	.560	1.073	(3.5)	(3.9)	(4.0)
Wigan	.493	.071	.564	5.179	3.9	3.5	3.4
Greater Manchester Police	.204	(2.737)	(2.534)	3.240	(6.6)	(6.9)	(1.7)
Greater Manchester Fire &	.158	.023	.181	1.580	(2.5)	(2.9)	(3.0)
Greater Manchester Transp	.426	.043	.469	12.685	(37.8)	(38.4)	(38.5)
MERSEYSIDE							
Knowsley	(.336)	.894	.558	1.016	16.2	16.2	14.3
Liverpool	.376	2.901	3.277	4.214	13.8	13.9	12.1
St Helens	(.015)	.988	.973	.994	(5.4)	(5.3)	(7.3)
Sefton	(.117)	1.288	1.171	.574	5.6	5.6	3.5
Wirral	(.277)	1.855	1.578	.605	7.7	7.9	5.6
Merseyside Police Authori	.157	(6.304)	(6.147)	8.275	(29.4)	(29.9)	(16.0)
Merseyside Fire & CD Auth	.040	.013	.053	1.749	(11.1)	(11.6)	(11.7)
Merseyside Transport Auth	10.713	(8.371)	2.342	17.325	(37.0)	(49.9)	(40.0)
SOUTH YORKSHIRE							
Barnsley	.235	.832	1.067	2.361	8.6	8.8	6.8
Doncaster	.207	1.277	1.484	2.717	6.5	6.6	4.7
Rotherham	.145	.875	1.020	2.094	3.6	3.7	2.0
Sheffield	1.507	1.207	2.715	17.776	(10.9)	(11.9)	(12.5)
South Yorkshire Police Au	.047	(.917)	(.870)	1.839	(6.5)	(6.7)	(2.4)
South Yorkshire Fire & CD	.082	.010	.092	.956	(5.1)	(5.6)	(5.7)
South Yorkshire Transport	-	-	-	-	(23.8)	(23.7)	(23.7)

1987/88 SETTLEMENT : OPTIONS FOR CHANGE

	GRANT CHANGES SINCE THE CONSLTN PAPER				INCREASE ON 1986/7 ACTUAL POUNDAGES		
	COL 1 Effect of new data (£m)	COL 2 Effect of 7p net and 12p cap (£m)	COL 3 Overall change since the Conslt Paper (£m)	COL 4 Change in grant from 1986/7 (£m)	COL 5 Consultation Paper (%)	COL 6 Consultation Paper arrangements but with new data (%)	COL 7 New data with 7p net, 12p cap (%)
TYNE AND WEAR							
Gateshead	.618	.935	1.553	3.214	(12.5)	(13.5)	(15.2)
Newcastle upon Tyne	(1.145)	1.810	.665	17.311	(6.8)	(6.0)	(7.4)
North Tyneside	.165	.936	1.100	4.171	1.4	.8	(1.0)
South Tyneside	(.059)	.663	.604	1.914	2.3	3.9	1.9
Sunderland	(1.075)	(1.887)	(2.962)	6.167	(1.0)	.9	3.6
Northumbria Police Author	.022	.482	.504	.333	7.2	7.2	4.7
Tyne and Wear Fire & CD A	.081	.009	.090	1.345	(8.4)	(8.9)	(8.9)
Tyne and Wear Transport A	(3.200)	.254	(2.946)	5.441	(55.1)	(44.7)	(45.5)
WEST MIDLANDS							
Birmingham	.923	(32.529)	(31.606)	29.500	(15.1)	(14.9)	(4.6)
Coventry	1.420	.098	1.518	4.498	(2.2)	(3.7)	(3.8)
Dudley	(.208)	.098	(.110)	5.268	(6.1)	(5.7)	(5.9)
Sandwell	1.782	.106	1.888	7.264	(1.4)	(2.8)	(2.9)
Solihull	1.173	.069	1.242	1.648	6.3	4.2	4.1
Walsall	1.678	.084	1.761	4.044	(3.9)	(5.0)	(5.1)
Wolverhampton	1.211	.094	1.305	7.044	(5.3)	(6.7)	(6.9)
West Midlands Police Auth	.098	1.209	1.307	1.238	7.6	7.6	4.7
West Midlands Fire & CD A	.140	.029	.169	1.345	(2.7)	(3.0)	(3.1)
West Midlands Transport A	(2.063)	.053	(2.010)	5.212	(32.0)	(26.9)	(27.0)
WEST YORKSHIRE							
Bradford	1.253	(9.987)	(8.734)	10.055	(16.0)	(17.2)	(7.1)
Calderdale	.212	.038	.250	3.262	6.4	6.0	5.9
Kirklees	.001	(.259)	(.259)	7.944	2.6	3.2	3.5
Leeds	1.492	2.839	4.331	1.845	8.4	8.2	6.4
Wakefield	.072	.150	.223	1.172	13.6	13.2	13.0
West Yorkshire Police Aut	.121	(6.421)	(6.300)	6.346	(23.6)	(23.8)	(8.7)
West Yorkshire Fire & CD	.098	.015	.113	.400	(.4)	(.7)	(.8)
West Yorkshire Transport	.590	.029	.618	2.293	(12.2)	(13.2)	(13.2)

TABLE B

1987/8 SETTLEMENT : AUTHORITIES WITH CAPS UNDER THE NEW PACKAGE

	Change from 1986/87 grant entitlement — Consultation Paper issued on 3rd October (£m)	New Package (£m)	Grant change from Consultation Paper (£m)
SHIRE COUNTIES			
Isles of Scilly	(.003)	.072	.075
Avon	16.067	14.456	(1.611)
Cleveland	27.244	14.272	(12.972)
Cornwall	9.276	8.332	(.944)
Derbyshire	39.906	17.509	(22.397)
Northumberland	8.527	6.177	(2.350)
OUTER LONDON BOROUGHS			
Newham	31.944	26.072	(5.872)
METROPOLITAN DISTRICTS			
Salford	5.007	6.660	1.653
Sunderland	9.129	6.167	(2.962)
Birmingham	61.106	29.500	(31.606)
Bradford	18.790	10.055	(8.734)
Kirklees	8.203	7.944	(.259)
JOINT BOARDS			
Greater Manchester Police Auth	5.774	3.240	(2.534)
Merseyside Police Authority	14.421	8.275	(6.147)
South Yorkshire Police Authori	2.709	1.839	(.870)
West Yorkshire Police Authorit	12.646	6.346	(6.300)
Merseyside Transport Authority	14.983	17.325	2.342
SHIRE DISTRICTS			
Plymouth	.643	.894	.251
Easington	1.096	.901	(.195)
Blackpool	.640	.586	(.054)
Northampton	.012	.488	.476

TABLE C

TABLE C

'/88 RATE SUPPORT GRANT SETTLEMENT: GRANT CHANGES

	Change in grant from 1986/87		
	Consultation Paper £m	New Option £m	Change in grant since Consultation £m
Counties receiving less grant than in 1986/87 but more grant than in Consulation Paper			
Bedfordshire	-7.0	-3.9	3.2
Essex	-10.1	-9.0	1.1
Hampshire	-11.3	-7.3	4.0
Hertfordshire	-15.7	-9.3	6.4
Isle of Wight	-0.6	-0.1	0.6
Oxfordshire	-6.9	-4.5	2.4
Surrey	-19.0	-11.3	7.7
Warwickshire	-1.1	-0.5	0.5
Counties receiving less grant than in 1986/87, and less grant than in the Consultation Paper			
Berkshire	-4.4	-7.5	-3.1
Bucks	-0.1	-1.5	-1.4
E Sussex	-0.1	-1.8	-1.7
Northants	-0.2	-1.2	-1.0
Counties receiving more grant than in 1986/87 and more grant than in the Consultation Paper			
Cheshire	+1.5	+1.5	0.1
Gloucestershire	+4.3	+4.8	0.5
Kent	+10.3	+11.5	1.2
Norfolk	+13.1	+13.3	0.2
N Yorks	+2.4	+2.5	0.1
Counties receiving more grant than in 1986/87, but less grant in the Consultation Paper			
Avon	+16.1	+14.5	-1.6
Cambs	+3.4	+1.7	-1.7
Cleveland	+27.2	+14.3	-13.0
Cornwall	+9.3	+8.3	-0.9
Cumbria	+7.1	+6.4	-0.7
Derbyshire	+39.9	+17.5	-22.4
Devon	+10.1	+9.0	-1.1
Dorset	+5.1	+3.1	-2.0
Durham	+6.7	+6.7	-0.1
Hereford and Worcs	+3.2	+2.9	-0.3
Humberside	+2.9	+1.2	-1.7
Lancs	+21.5	+20.6	-0.9
Leics	+10.8	+9.5	-1.3
Lincs	+5.4	+5.1	-0.3
Northumberland	+8.5	+6.2	-2.3
Notts	+22.2	+21.4	-0.8
Shropshire	+5.4	+4.7	-0.7
Somerset	+3.6	+3.1	-0.5
Staffs	+8.9	+7.3	-1.5
Suffolk	+3.5	+2.1	-1.4
W Sussex	+3.8	+2.5	-1.2
Wilts	+3.3	+2.0	-1.3

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1987/88 RATE SUPPORT GRANT SETTLEMENT: GRANT CHANGES

DON

	Change in grant from 1986/87		
	Consultation Paper £m	New Option £m	Change in grant since Consultation £m
Boroughs receiving less grant than in 1986/87 but more grant than in Consulation Paper			
Hillingdon	-5.8	-3.1	2.7
Barnet	-4.8	-2.3	2.6
Bromley	-2.9	-0.8	2.1
Enfield	-2.7	-0.8	1.9
Richmond Upon Thames	-2.5	-0.6	1.9
Harrow	-2.0	-0.9	1.1
Sutton	-1.8	-0.6	1.2
Kingston Upon Thames	-1.7	-0.5	1.1
Merton	-1.4	-0.1	1.4
Havering	-1.4	-0.6	0.8
Boroughs receiving less grant than in 1986/87, and less grant than in the Consultation Paper			
Ealing	-0.3	-1.0	-0.8
Boroughs receiving more grant than in 1986/87 and more grant than in the Consultation Paper			
Haringey	+17.4	+18.0	0.6
Brent	+28.8	+29.2	0.4
Redbridge	-1.0	0.0	1.0
Bexley	-0.7	+0.3	1.0
Barking & Dagenham	-0.5	+0.8	1.3
Waltham Forest	-0.3	+1.0	1.3
Croydon	-0.1	+0.7	0.8
Boroughs receiving more grant than in 1986/87, but less grant than in the Consultation Paper			
Hounslow	+9.6	+8.8	-0.8
Newham	+31.9	+26.1	-5.9

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CHANCELLOR OF THE EXCHEQUER

Prime Minister

A paper is in preparation.

DRN 14/11

David,

These are the full horrors of the needs indicators for LA spending in England.

The particular idiocy I mentioned to you is highlighted on p53.

Alex

This is absurd. We must stop it & replace with no more than 10 indicators

Appendix 2 to Annex J

DEFINITIONS OF INDICATORS

(The indicator references in this Appendix differ in many cases from those used in previous rate support grant reports)

A. PEOPLE IN THE AREA

Population. For the purpose of the Report, the population of an area and the number of persons of particular ages in the area shall be the number estimated by the Registrar General and certified by him to the Secretary of State for Rate Support Grant purposes; and, except where the Report otherwise provides, the number shall be estimated by reference to the population on 30 June 1984.

A1. Residents. Total population in the area of a local authority on 30 June 1984.

A2. Daytime net inflow. The number of persons working but not resident in the area at the date of the 1981 Census, and subtracting therefrom the number of persons resident in but working outside the area.

A3. Visitor nights. The total estimated number of nights stayed by visitors in the local authority's area per year as estimated by the Secretary of State on the basis of the Long Distance Travel Surveys.

A4. Children under 5. The number of children under 5 years of age on 30 June 1984.

A5. Children under 11. The number of children under 11 years of age on 30 June 1984.

A6. Children 11-15. The number of children 11-15 years of age on 30 June 1984.

A7. Children 11-17. The number of children 11-17 years of age on 30 June 1984.

Pupils counted for the purposes of Indicators A8, A9 and A10 are those for whom the authority is financially responsible. They comprise pupils who, as estimated by the Secretary of State for Education and Science and certified by him for Rate Support Grant purposes on the basis of a count at the beginning of the Spring term 1985:

(i) belonged to the area of the authority and were registered as pupils at county, voluntary or special schools maintained by the authority or by any other authority in England or Wales; or

(ii) did not belong to the area of any authority and were registered as pupils at county, voluntary or special schools maintained by the authority or by any other authority in England or Wales; or

(iii) were registered as pupils at independent schools, or schools not maintained by an authority and approved by the Secretary of State as special schools under Section 9(5) of the Education Act 1944, and in respect of whom the tuition fees were paid in full by the authority; or

(iv) were receiving education outside school in pursuance of arrangements made by the authority.

A8. School pupils of primary age. The number of pupils who had attained the age of 5 and had not attained the age of 11 on 31 August 1984.

A9. School pupils – secondary under 16. The number of pupils who had attained the age of 11 and had not attained the age of 16 on 31 August 1984.

A10. School pupils aged 16 and over. The number of secondary school pupils who had attained the age of 16 on 31 August 1984.

A11. Non-advanced further education students. Non-advanced further education students counted for rate support grant purposes comprise those home students (a term which includes citizens of any member country of the European Community) attending relevant courses as defined at (a) below who live in the authority's area and attend its colleges or those of another authority, and also those who attend its colleges and are regarded as not belonging to the area of any authority in England or Wales. Student numbers are weighted according to fee status and the cost of provision. The definition is formally expressed as: the sum to one decimal place of the number of full-time equivalent further education students in the area of the authority (as defined at (a) below) in each of the categories listed at (b) below.

(a) The number of full-time equivalent further education students in the area of an authority is the number estimated by the Secretary of State for Education and Science and certified by him for rate support grant purposes who on 1 November 1984 either:

(i) belonged to the area of the authority and were enrolled on courses at establishments of further education maintained or assisted by an authority in England or Wales; or

(ii) did not belong to the area of any authority in England or Wales and were enrolled on courses at establishments of further education maintained or assisted by the authority, except persons attending:

– courses in the evening only or on a part-time basis not involving release from employment; or

– courses for which the establishment is deemed to have charged a full-cost fee; or

– advanced further education courses which are specified in Schedule 2 to the Block Grant (Education Adjustments) (England) Regulations 1984.

(b) (i) Home students who had not attained the age of 19 on 31 August 1984 attending courses within Group A as specified below, multiplied by 1.3735;

(ii) home students who had not attained the age of 19 on 31 August 1984 attending courses within Group B as specified below, multiplied by 0.9677;

(iii) home students who had attained the age of 19 on 31 August 1984 attending courses within Group A as specified below, multiplied by 1.0301;

(iv) home students who had attained the age of 19 on 31 August 1984 attending courses within Group B as specified below, multiplied by 0.6243;

(v) home students attending a Mode A course under the Manpower Services Commission's Youth Training Scheme, multiplied by 0.4370.

GROUP A comprises courses (except as specified under GROUP B below) in the following subjects – health, engineering and technology, agriculture and forestry, mathematics, biological and physical sciences, chemistry, architecture and planning, nautical science, transport, art, design, drama, and music.

GROUP B comprises all courses in other subjects; and courses in any subject in preparation for any of the following qualifications:

General Certificate of Education; Certificate of Secondary Education;
Certificate of Further Education; and Certificate of Extended Education.

A12. People aged 16-24. The number of persons 16-24 years of age in the area of the authority on 30 June 1984.

A13. People aged 25-44. The number of persons 25-44 years of age in the area of the authority on 30 June 1984.

A14. People aged 45-64. The number of persons 45-64 years of age in the area of the authority on 30 June 1984.

A15. People aged 18-64. The number of persons 18-64 years of age in the area of the authority on 30 June 1984.

A16. Elderly people aged 65 and over. The number of persons 65 years of age or over living in the area of the authority on 30 June 1984.

B. PHYSICAL FEATURES OF THE AREA

B1. Area. The number of hectares comprised in the area of a local authority on 1 April 1985 and certified by the Ordnance Survey.

B2. Sparseness of school population:

(i) (a) For primary education, the sparsity of each education authority area as defined below multiplied by the sum of (i) and (ii) below:

(i) the value of Indicator A8, multiplied by 1.0;

(ii) the value of Indicator C2 as defined below, multiplied by 0.166;

(b) For secondary education for pupils below school leaving age, the sparsity of each education authority area as defined below multiplied by the sum of (i) and (ii) below:

(i) the value of Indicator A9, multipled by 1.0;

(ii) the value of Indicator C3 as defined below, multiplied by 0.166;

(c) For secondary education for pupils above school leaving age, the sparsity of each education authority area as defined below multiplied by the sum of (i) to (iii) below:

(i) the value of Indicator A10, multiplied by 1.0;

(ii) the value of Indicator A9, multiplied by 0.0014;

(iii) the value of Indicator C3 as defined below, multiplied by 0.0018.

In each of the three cases above, the sparsity is calculated as the sum of the population of those wards within the education authority area with ½ or less persons per hectare as at the 1981 Census, divided by the total population of the education authority as at the 1981 Census, as estimated by the Secretary of State.

(ii) (a) For primary education, the sparsity of each education authority area as defined below multiplied by the sum of (i) and (ii) below:

(i) the value of Indicator A8, multiplied by 1.0;

(ii) the value of Indicator C2 as defined below, multiplied by 0.166;

(b) For secondary education for pupils below school leaving age, the sparsity of each education authority area as defined below multiplied by the sum of (i) and (ii) below:

(i) the value of Indicator A9, multiplied by 1.0;

(ii) the value of Indicator C3 as defined below, multiplied by 0.166;

(c) For secondary education for pupils above school leaving age, the sparsity of each education authority area as defined below multiplied by the sum of (i) to (iii) below:

(i) the value of Indicator A10, multiplied by 1.0;

(ii) the value of Indicator A9, multiplied by 0.0014;

(iii) the value of Indicator C3 as defined below, multiplied by 0.0018.

In each of the three cases above, the sparsity is calculated as the sum of the population of those wards within the education authority area with more than ½ persons per hectare but less than or equal to 4 persons per hectare as at the 1981 Census, divided by the total population of the education authority as at the 1981 Census, as estimated by the Secretary of State.

Density of Settlement

B3a(i). Ward-weighted density: general indicator. For every district and London borough this shall be the resident population of the area on 30 June 1984 multiplied by the factor for ward-weighted density as defined below. For any area which consists of two or more districts or London boroughs the indicator shall be the sum of the district or borough figures.

B3a(ii). Ward-weighted density: refuse collection indicator. For every district and London borough this shall be the number of domestic hereditaments in the area of the authority, as shown in the valuation list on 1 April 1985, multiplied by the factor for ward-weighted density defined below.

Factor for ward-weighted density. The sum over all wards within the area of the authority of the number of persons per hectare within each ward as at the 1981 Census multiplied by that ward's share of the total population in the authority at the 1981 Census, as estimated by the Secretary of State, multiplied by:

> the ratio of the resident population of the authority at 30 June 1984 to the resident population at 30 June 1981 as estimated by the Registrar General.

B3b. Simple density. The resident population of the authority at 30 June 1984 multiplied by the ratio of the resident population of the authority at 30 June 1984 to the number of hectares comprised in the area of the authority at 1 April 1985 as certified by the Ordnance Survey.

Length of roads. Following the abolition of the metropolitan counties and the Greater London Council, the Secretary of State for Transport will become the highway authority for certain roads from 1 April 1986. Indicators of road lengths as at 1 April 1984 (B4 to B6, B7a and B8) reflect this transfer of responsibilities. Indicators of road lengths as at 1 April 1981 (Indicators B7b and B9b) relate to roads for which the relevant local authority was the highway authority on 1 April 1981.

Department of Transport roads (for which the Secretary of State for Transport is the highway authority, subject to the notes above):

B4. Motorways. The main-line length (in kilometres) of trunk roads defined as motorways in the area of the authority, as at 1 April 1984.

B5. Trunk roads in built-up areas. The length (in kilometres) of trunk roads, excluding motorways, in the area of the authority which are subject to a speed restriction not exceeding 40 miles per hour, as at 1 April 1984.

B6. Trunk roads in non-built-up areas. The length (in kilometres) of trunk roads, excluding motorways, in the area of the authority which are not subject to a speed restriction of 40 miles per hour or less, as at 1 April 1984.

Local authority roads (for which the relevant local authority is the highway authority subject to the notes above):

B7. Principal roads in built-up areas. The length (in kilometres) of principal roads in the area of the authority which are subject to a speed limit not exceeding 40 miles per hour:

(a) as at 1 April 1984;
(b) as at 1 April 1981.

B8. Principal roads in non-built-up areas. The length (in kilometres) of principal roads in the area of the authority which are not subject to a speed limit of 40 miles per hour or less, as at 1 April 1984.

B9. Other roads in built-up areas. The length (in kilometres) of all other roads in the area of the authority which are subject to a speed limit not exceeding 40 miles per hour:

(a) as at 1 April 1984;
(b) as at 1 April 1981.

B10. Other roads in non-built-up areas. The length (in kilometres) of all other roads in the area of the authority which are not subject to a speed limit of 40 miles per hour or less, as at 1 April 1984.

B11. Usage adjustment factor for road maintenance. The sum in the area of the authority of (i) and (ii) below:–

(i) Indicator B7a as defined above, multiplied by 1.0;

(ii) Indicator B9a as defined above, multiplied by 0.3283;

multiplied by the sum of the following:–

(iii) –1107.542;

(iv) Indicator A1 divided by the sum of Indicators B7a, B8, B9a and B10 as defined above, multiplied by 9.05309;

(v) annual average vehicle kilometres on principal roads in built-up areas during 1982 and 1983 as estimated by the Secretary of State for Transport, divided by B7a as defined above, multiplied by 0.0007265;

(vi) annual average heavy goods vehicle kilometres on principal roads in built-up areas during 1982 and 1983 as estimated by the Secretary of State for Transport, divided by B7a as defined above, multiplied by 0.02218.

B12. Weather adjustment factor for road maintenance. The sum in the area of the authority of Indicators B7a, B8, B9a and B10 as defined above, multiplied by the sum of the following:–

(i) the annual average number of days of snow-lying during 1979/80 to 1982/83 as estimated by the Secretary of State for Transport, multiplied by 8.89429;

(ii) the annual average number of days of frost during 1979/80 to 1982/83 as estimated by the Secretary of State for Transport, multiplied by 0.86349.

Properties

B13 and B14. Number of properties. The number of non-domestic and domestic hereditaments respectively in the area of the authority as shown in the valuation list on 1 April 1985.

B15. Shopping and restaurant floorspace. The floorspace in square metres of shops and restaurants (excluding combined shops and dwellinghouses) at 1 April 1984 as estimated by the Secretary of State from data supplied to him by the Inland Revenue Valuation Office.

Development

B16. Building Regulations applications. The number of applications for building regulation work determined by the authority (excluding the City of London and inner London boroughs) in 1984/85 as estimated by the Secretary of State on the basis of figures published by CIPFA in "Planning and Development Statistics 1985/86 Estimates". For the City of London and inner London boroughs the number of applications received by District Surveyors' Offices between January 1984 and December 1984 as estimated by the Secretary of State from data supplied to him by the Greater London Council.

B17. Planning applications. The total number of planning applications determined by the authority in the year 1983/84 as estimated by the Secretary of State from the returns of planning decisions and the number of applications for development determined by the Secretary of State in 1983/84 under section 7(1) of the New Towns Act 1981.

Other

B18. Protected coastline. The length in metres of coastline protected by works under the Coast Protection Act 1949, as estimated by the Secretary of State.

C. SOCIAL AND ENVIRONMENTAL PROBLEMS

Additional educational needs, as indicated by socio-economic factors, are deemed to give rise to a need for additional expenditure in the provision of nursery education (C1), compulsory schooling (C2 and C3) and the youth service (C6). These additional needs shall be calculated from the proportions of the total number of children in private households aged 0-17 in the area of the authority, who:

(a) were born outside the UK, Ireland, Old Commonwealth or the USA or whose head of household was born outside the UK, Ireland, Old Commonwealth or the USA, multiplied by a weight of 2.0;

(b) lack exclusive use of a bath or inside WC or live at a density of occupation greater than 1.5 persons per room;

(c) live in a household containing a lone-parent family;

(d) live in households containing four or more dependent children aged under 16;

and from that proportion of dependent children (defined as all persons under 16, as well as persons aged 16 and under 25 who have never married and are in full-time education) in private households in the area of the authority whose:

(e) head of household is classified as a semi-skilled or unskilled manual worker or a farm worker;

all as estimated by the Secretary of State on the basis of the 1981 Census; and from:

(f) the average number of dependent children of claimants receiving Supplementary Benefit, as estimated by the Secretary of State on the basis of quarterly returns for February 1983 to December 1983, as a proportion of all children aged under 18 as at 30 June 1983, as estimated by the Registrar General.

C1. Shall be the sum (to the nearest whole number) of proportions (a) to (f) multiplied by the number of children under 5 years of age in the area of the authority (Indicator A4).

C2. Shall be the sum (to the nearest whole number) of proportions (a) to (f) multiplied by the number of school pupils of primary age in the area of the authority (Indicator A8).

C3. Shall be the sum (to the nearest whole number) of proportions (a) to (f) multiplied by the number of school pupils – secondary under 16 in the area of the authority (Indicator A9).

C4. School pupils in families receiving Supplementary Benefit. The proportion at (f) above multiplied by the number of school pupils in the area of the authority (Indicators A8, A9 and A10).

C5. Youth unemployment. The average number of persons under the age of 20 in the area of the authority claiming Unemployment Benefit, Supplementary Benefit or National Insurance Credits at Unemployment Benefit Offices, as estimated by the Secretary of State on the basis of quarterly returns for October 1984 to July 1985 supplied by the Department of Employment.

C6. Children aged 11-17 in less advantaged areas. The sum of the proportions (a) to (f) above multiplied by the number of children 11-17 years of age in the area of the authority, expressed to the nearest whole number.

C7. Residents living in privately rented accommodation. The number of persons in the area of the authority living in privately rented or housing association accommodation as estimated by the Secretary of State on the basis of the 1981 Census.

C8. Residents – effects of area's social conditions. The resident population of the area multiplied by the sum, expressed to two decimal places, of the factors below:

(a) a constant of −40.570;

(b) Indicator B3a(i) divided by population (A1), multiplied by 0.20358;

(c) annual average population decline in the area of the authority between 1974 and 1984 as a proportion of population in 1984, on the basis of population estimated by the Registrar General, multiplied by 980.39;

(d) the proportion of persons in the area of the authority in households in accommodation which is not self-contained, multiplied by 317.68;

(e) the proportion of persons in the area of the authority in households without exclusive use of a bath or inside WC, multiplied by 224.30;

(f) the proportion of persons in the area of the authority in households living at a density of occupation greater than 1.5 persons per room, multiplied by 379.72;

(g) the proportion of persons in the area of the authority in households with only one adult aged 16 or over with one or more children aged under 16, multiplied by 648.74;

(h) the proportion of persons in households in the area of the authority whose head was born in the New Commonwealth or Pakistan, multiplied by 67.922;

where the proportions in (d) to (h) are as estimated by the Secretary of State on the basis of the 1981 Census.

C9. Total unemployment. The average number of persons in the area of the authority claiming Unemployment Benefit, Supplementary Benefit or National Insurance Credits at Unemployment Benefit Offices, as estimated by the Secretary of State on the basis of quarterly returns for October 1984 to July 1985 supplied by the Department of Employment.

C10. Public transport demand factor. The proportion of persons in households in the area of the authority without a car or van as estimated by the Secretary of State on the basis of the 1981 Census, multiplied by Indicator B3a(i) as defined above.

C11. Recreation net unit cost adjustment factor. The sum in the area of the authority of (i) to (ix) below:–

(i) Indicator A1 as defined above, multiplied by 5.74793;

(ii) Indicator A2 as defined above, multiplied by 1.1618;

(iii) Indicator A3 as defined above, multiplied by 0.101901;

(iv) Indicator A5 as defined above, multiplied by 16.66174;

(v) Indicator A6 as defined above, multiplied by 35.1096;

(vi) Indicator A12 as defined above, multiplied by 10.60072;

(vii) Indicator A13 as defined above, multiplied by 5.5567;

(viii) Indicator A14 as defined above, multiplied by 0.73871;

(ix) Indicator C9 as defined above, multiplied by 37.3771;

multiplied by the sum of the following:–

(x) Indicator A3 divided by A1 as defined above, multiplied by −0.0014952;

(xi) Indicator B3a(i) divided by A1 as defined above, multiplied by 0.0169587;

(xii) Indicator C10 divided by B3a(i) as defined above, multiplied by 0.406572.

C12. Concessionary fares for the elderly and handicapped. Calculated as:

(i) the number of persons of pensionable age in the area of the authority (the sum of Indicator A16 and the number of women aged 60-64 years) as at 30 June 1984;

multiplied by:

(ii) the square root of predicted bus vehicle miles per hectare in the area of the authority as defined below, expressed to four decimal places;

this product expressed to the nearest whole number.

Predicted bus vehicle miles per hectare. The sum in the area of the authority of (a) and (b) below:

(a) The proportion of persons in households without a car or van as estimated by the Secretary of State on the basis of the 1981 Census, multiplied by Indicator A1, multiplied by 97.848;

(b) Indicator A1 multiplied by −7.998;

divided by Indicator B1; this quotient expressed to six decimal places.

D. COSTS OF PROVIDING SERVICES

D1. Higher costs in the London area. The sum of:

(a) the proportionate addition to education costs resulting from the payment of London Weighting and other cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State for Education and Science, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A4, A7 to A11, A15, A16, B2(i)(a) to B2(ii)(c), C1 to C6;

(b.1) the proportionate addition to costs of arts and libraries services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(a), A2(a), B15(a);

(b.2) the proportionate addition to costs of personal social services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authroity in respect of the following Indicators: E12 to E14, E17;

(b.3) the proportionate addition to costs of police and fire services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(b), B1(a), B3a(i)(a), B4, B5(a), B6, B7a(a), B8(a), E1, E4, E5;

(b.4) the proportionate addition to costs of other Home Office services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(c), B5(b), B7a(b), B9a(a), E2, E3;

(b.5) the proportionate addition to costs of road maintenance, road safety, parking, and debt charges on roads resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(d), B7a(c), B7b, B8(b), B9a(b), B9b, B10 to B12;

(b.6) the proportionate addition to costs of concessionary fares and public transport revenue support resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: C10, C12;

(b.7) the proportionate addition to costs of recreational services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(e), A2(b), A3(a), A5, A6, A12 to A14, C9(a), C11;

(b.8) the proportionate addition to costs of refuse collection and disposal resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(f), A2(c), B1(b), B3a(ii), B3b, B14(a);

(b.9) the proportionate addition to costs of planning services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(g), B3a(i)(b), B16, B17, C9(b);

(b.10) the proportionate addition to costs of other services resulting from the cost differences between London and surrounding areas and the rest of the country as estimated by the Secretary of State, multiplied by the amounts of grant-related expenditure allocated to an authority in respect of the following Indicators: A1(h), A2(d), A3(b), B13, B14(b), B15(b), B18, C7, C8, E8;

(c) an adjustment for additional high labour costs for personal social services as estimated by the Secretary of State.

D2. Special costs in the Isles of Scilly. The amount of additional expenditure by the Council of the Isles of Scilly estimated by the Secretary of State to arise because of special circumstances affecting the Isles of Scilly and not taken into account elsewhere in the formula.

E. SPECIAL REQUIREMENTS OF PARTICULAR SERVICES

E1. Notifiable offences recorded by the police. The average number of notifiable offences in the area of the appropriate police authority recorded by the police in 1982 and 1983 as published in "Criminal Statistics 1982" and "Criminal Statistics 1983" by the Secretary of State for the Home Department. For authorities served by a combined police authority (and Northumberland County Council where police services are provided entirely by Northumbria Metropolitan Police Authority) the number of such offences shall be apportioned to the authorities in proportion to their resident population.

E2. Defendants proceeded against at magistrates' courts for indictable offences. The number of defendants against whom there were proceedings for indictable offences at magistrates courts in the area of the authority for the year 1983, excluding courts in the Inner London Commission Area, and excepting Tottenham Magistrates Court (where numbers are assigned to the London Borough of Enfield) as notified to the Secretary of State by the Secretary of State for the Home Department.

E3. Defendants proceeded against at magistrates' courts for summary offences. The number of defendants against whom there were proceedings for summary offences at magistrates courts in the area of the authority for the year 1983, excluding courts in the Inner London Commission Area, and excepting Tottenham Magistrates Court (where numbers are assigned to the London Borough of Enfield) as notified to the Secretary of State by the Secretary of State for the Home Department.

E4. Number of fires. The average in 1983 and 1984 of the number of fire calls in the area of the authority involving either large or small fires, including chimney fires, as notified to the Secretary of State by the Secretary of State for the Home Department.

E5. Area of high fire risk. The number of hectares within the area of the authority which are classified as highest fire risk areas published by CIPFA in "Fire Services Actual Statistics 1984/85", as subsequently amended by CIPFA ("Errata", December 1985).

E6a. Expenditures on mandatory student awards, education pools, rate rebates, rent allowances and rebates and land drainage. The sum, to the nearest pound, for the authority of:

(i) the amounts estimated by the Secretary of State for Education and Science to be incurred in respect of:

(a) the contribution to education pools (under regulations made under Schedule 10 to the Local Government Planning and Land Act 1980) during the financial year 1986/87 relating to that or earlier years as notified to the authority by the Secretary of State for Education and Science;

(b) 10 per cent of the amount of mandatory student awards eligible for grant in respect of 1986/87 under section 8(2) of the Local Government Act 1974;

(ii) (a) 13.15 per cent of the gross amount of non-certificated statutory rate rebates plus 0.88 per cent of the gross amount of certificated rate rebates eligible for subsidy in respect of 1986/87 under section 32 of the Social Security and Housing Benefits Act 1982, as estimated by the Secretary of State;

(b) 10 per cent of the gross amount of rate rebates for the disabled eligible for rate rebate grant in respect of 1986/87 under section 69 of the Local Government Planning and Land Act 1980, as estimated by the Secretary of State;

(iii) 12.32 per cent of the gross amount of non-certificated statutory rent rebates plus 0.013 per cent of the gross amount of certificated rent rebates eligible for subsidy in respect of 1986/87 under section 32 of the Social Security and Housing Benefits Act 1982, as estimated by the Secretary of State;

(iv) 13.12 per cent of the gross amount of non-certificated statutory rent allowances plus 1.18 per cent of the gross amount of certificated rent allowances eligible for subsidy in respect of 1986/87 under section 32 of the Social Security and Housing Benefits Act 1982, as estimated by the Secretary of State;

(v) the net expenditure in 1986/87 on land drainage and flood prevention and on precepts paid in respect of land drainage to Regional Water Authorities or internal drainage boards, as estimated by the Secretary of State.

E6b. Passenger transport debt charges. The amount of debt charges on passenger transport services as estimated by the Secretary of State from revenue outturn forms submitted to him for 1980/81.

E7. Notional Housing Revenue Account (HRA) Deficit in 1986/87 calculated as:

(i) the projected total of HRA capital charges in 1986/87, calculated as the sum of:

(a) projected net interest payments in 1986/87, defined as interest payments on outstanding debt less interest receipts from the sale of HRA dwellings, and estimated from 1983/84 outturn information for each authority projected to 1986/87 using estimated capital expenditure based on housing capital allocations, and the index of sales potential as defined below;

(b) projected principal repayments in 1986/87 estimated from each authority's actual repayments in 1983/84 and estimated capital expenditure;

and (c) the estimated amount of HRA capital expenditure met from revenue in 1986/87, calculated as a standard proportion of estimated 1986/87 capital expenditure;

plus (ii) the projected expenditure on management and maintenance of HRA dwellings in 1986/87, net of income from heating charges, estimated as each authority's average level of management and maintenance expenditure per dwelling (in 1980/81 prices) for the years 1978/79, 1979/80 and 1980/81, multiplied by its estimated 1986/87 dwelling stock; to which product is added a standard amount per dwelling multiplied by the authority's estimated 1986/87 dwelling stock such that the national total equals the 1986/87 control total;

less (iii) the projected rent income on HRA dwellings in 1986/87 estimated from the average rent that the authority would have received in 1980/81 if it had charged the average rents for authorities in its economic planning region for HRA dwellings in each of the 33 categories as described in CIPFA "Housing Rent Statistics", increased to 1986/87 in line with ministerial rent guidelines, and charged on its estimated 1986/87 dwelling stock reduced for the level of void lettings accepted for GRE purposes; plus an amount multiplied by the estimated net voluntary rate fund contribution in 1980/81 adjusted for unrecharged general administration;

plus (iv) the projected net total of other expenditure and income items in the HRA in 1986/87, excluding those items relating to rent rebates, and including an estimated amount for unrecharged general administration attributable to the HRA. It is calculated on the basis of information for 1983/84 multiplied by a

standard inflation factor, from which product is deducted a standard amount per dwelling multiplied by the authority's estimated 1986/87 dwelling stock such that the national total for this item equals the 1986/87 control total;

less (v) the projected amount of housing subsidy receivable in respect of 1986/87 expenditure, estimated from the basic amount for calculation of 1984/85 housing subsidy, and the application of housing subsidy rules to changes in income and expenditure items consistent with the calculation of items (i) to (iv) above;

plus (vi) the projected deficit on dwellings transferred to the authority from the GLC after 1 April 1985, not included in the calculation of items (i) to (v) above.

For authorities in receipt of dwellings transferred from the GLC there is:

(vii) an amount estimated to reflect the projected deficit on the transferred stock (included in the calculation of items (i) to (vi) above) that, but for the abolition of the GLC, would have been funded by the GLC.

Subject to the overall constraint that the value of this Indicator is the highest of:

(a) the result of the formula described in items (i) to (vi) above;

(b) item (vii);

(c) zero.

The number of void lettings accepted for GRE purposes is defined as 2 per cent of the average HRA dwelling stock, plus half of any amount by which the authority's void lettings exceeded 2 per cent, up to a maximum allowance of 3 per cent of stock, as estimated by the authority for 1984/85.

The index of sales potential is calculated as the total number of sales in progress for an authority (as at 31 March 1984, and subject to a ceiling of 10% of housing stock) multiplied by the average sale price to tenants in that authority in 1983/84 (as a measure of price variations in different parts of the country). Where sales in progress figures are missing for an individual authority, an estimate based on earlier returns of that authority is used. Where fewer than 50 dwellings were sold in 1983/84, or the relevant data are missing, the regional average sale price is used instead.

The amounts specified in subparagraphs (i) to (vii) above and within the above definitions are as estimated by the Secretary of State on the basis of returns made to him on FH8102, FH8402 and FH8412 housing subsidy claim forms, Housing Investment Programme (HIP) returns, P1 forms on sales of council houses for the first quarter of 1984, CIPFA's "Housing Rent Statistics", a special return on unrecharged general administration for 1982/83, and information supplied to him by the GLC; the relevant amounts for dwellings transferred from certain New Town Corporations have been included in amounts specified in subparagraphs (i) to (v) for the authorities who now hold them.

E8. Deaths. The number of deaths registered in 1983 in the area of the authority of the deceased's former usual residence as published by OPCS in "1983 Vital Statistics (Series VS No. 10)".

E9. Financing of new capital expenditure. The estimated cost falling on rates and block grant in 1986/87 of financing capital expenditure for the financial years 1981/82 to 1986/87 on most rate fund services. E9 covers all services except housing, police, magistrates' and coroners' courts, probation, land drainage and all trading services. Gross prescribed capital allocations for transport, education, personal social services, Urban Aid and the other services block for 1986/87 are scaled to the total capital provision net of capital receipts for each service; and deductions made to reflect income from capital grants including Transport Supplemenary Grant and expenditure on trading services and land drainage. The financing cost of these net allocations are the estimated debt charges, revenue contributions to capital account, and uncapitalised expenditure, using assumptions common to all authorities. An allowance for leasing charges is made. The continuing debt charges from the financing of 1981/82, 1982/83, 1983/84, 1984/85 and 1985/86 capital expenditure are calculated on a similar basis with the exception that those for 1981/82 to 1983/84 are scaled to take account of total outturn debt incurred. These debt charges are added to the 1986/87 figures. Estimated specific grants attributable to these financing costs, and the financing costs of pooled education capital expenditure are deducted.

The estimated debt charges on those assets assumed to become the responsibility of residuary bodies following the abolition of the Metropolitan County Councils and the Greater London Council are distributed amongst the successor authorities on the basis of population.

Final prescribed expenditure allocations are not available. Estimates based generally on 1985/86 allocations have been used. It is intended to substitute actual allocations in a supplementary report.

E10. Local rail networks. Calculated as the sum, in the area of the authority, of the following:

(i) the route mileage of local rail networks (defined as associated local railway services on more than one route) in 1985/86 supported by local authorities, as estimated by the Secretary of State for Transport, multiplied by 60661.2;

(ii) the costs (in £ million to six decimal places) of infrastructure (defined as expenditure in the nature of revenue expenditure on track, signalling and terminals) in 1985/86, as estimated by the Secretary of State for Transport, multiplied by 773934.5.

E11. Adjustments for police and probation authorities. For a local authority in a combined probation area and/or served by a combined police authority, the adjustment is the difference as estimated by the Secretary of State between the relevant portion of grant-related expenditure calculated for the area of the local authority and its share, apportioned on the basis of expenditure, of that calculated for the combined probation area or the area of the combined police authority.

For counties in which services are partly provided by a county police force and partly by the Metropolitan Police, the adjustment is the difference between the relevant portion of grant-related expenditure for the area of the county and that calculated for the county police area, as estimated by the Secretary of State.

For Northumberland County Council, where police services are provided entirely by Northumbria Police Authority, the adjustment has the effect of subtracting from Northumberland County Council's grant-related expenditure an amount equal to the component relating to police services which it would otherwise receive according to the formula described in Appendix 1 to Annex J.

Personal Social Services

Children under 5 at risk (X1) is calculated as Indicator A4 multiplied by the sum of the proportions of children under 5 in the area of an authority who:

(i) live in households without exclusive use of a bath or inside WC or live in households at a density of occupation greater than 1.5 persons per room, multiplied by 0.047661;

(ii) live in households containing a lone-parent family, multiplied by 0.45864;

(iii) live in households whose head was born in the New Commonwealth or Pakistan, multiplied by 0.029293;

all as estimated by the Secretary of State on the basis of the 1981 Census.

Children under 5 – effects of area's social conditions (X2) is calculated as the sum, expressed to two decimal places, of the factors below:

(i) a constant of −37.513;

(ii) Indicator B3a(i) divided by Indicator A1, both for the authority, multiplied by 0.22355;

(iii) annual average population decline between 1974 and 1984 in the area of the authority as a proportion of population in 1984, on the basis of population estimated by the Registrar General, multiplied by 985.18;

(iv) the proportion of persons in the area of the authority in households living in accommodation which is not self-contained, multiplied by 336.87;

(v) the proportion of children under 5 in the area of the authority in households without exclusive use of a bath or inside WC, multiplied by 283.62;

(vi) the proportion of children under 5 in the area of the authority in households with a density of occupation greater than 1.5 persons per room, multiplied by 154.69;

(vii) the proportion of children under 5 in the area of the authority in housholds containing a lone-parent family, multiplied by 101.29;

(viii) the proportion of children under 5 in households in the area of the authority whose head was born in the New Commonwealth or Pakistan, multiplied by 42.152;

where the proportions in (iv) to (viii) are as estimated by the Secretary of State on the basis of the 1981 Census.

Children under 5 – adjustment for fostering (X3) is calculated as the sum of the factors below:

(i) a constant of −0.06334;

(ii) the proportion of persons aged 18 and over in the area of the authority with a density of occupation greater than 1.5 persons per room, multiplied by 4.1574;

(iii) the proportion of married women aged 25-59 in the area of the authority who are economically active, multiplied by 0.20077;

where the proportions in (ii) and (iii) are as estimated by the Secretary of State on the basis of the 1981 Census.

E12. Social services for children under 5. The sum of the following:

(i) Indicator X1 as defined above, multiplied by 1297.0505;

(ii) Indicator X1 multiplied by X2 as defined above, multiplied by 3.48596;

(iii) Indicator X1 multiplied by X3 as defined above, multiplied by 1360.385;

(iv) Indicator X1 multiplied by X2, multiplied by X3, multiplied by 5.4964.

Children aged 5-17 – effects of area's economic conditions (X4) is calculated as the sum, expressed to two decimal places, of the factors below:

(i) a constant of −8.7307;

(ii) the proportion of children aged 5-17 in the area of the authority in households with four or more dependent children aged under 16, multiplied by 143.94;

(iii) the proportion of children aged 5-17 in the area of the authority in households without exclusive use of a bath or inside WC, multiplied by 371.98;

(iv) the proportion of children aged 5-17 in the area of the authority in households with a density of occupation greater than 1.5 persons per room, multiplied by 245.02;

(v) the proportion of dependent children in the area of the authority in households whose head is classified as a personal service worker, unskilled manual worker or farm worker, multiplied by 211.28;

(vi) the average number of dependent children in the area of the authority of claimants receiving Supplementary Benefit, as estimated by the Secretary of State on the basis of quarterly returns for February 1983 to December 1983, as a proportion of all children aged under 18 as at 30 June 1983, as estimated by the Registrar General, multiplied by 68.315;

(vii) the average number of persons in the area of the authority claiming Unemployment Benefit, Supplementary Benefit or National Insurance Credits at Unemployment Benefit Offices, as estimated by the Secretary of State on the basis of quarterly returns for October 1984 to July 1985 supplied by the Department of Employment (Indicator C9), divided by the total number of residents at 30 June 1984 as estimated by the Registrar General (Indicator A1), multiplied by 209.11;

(viii) the ratio of the average income of tax-units with an income greater than the tax threshold in the area of the authority to the average income of tax-units with an income greater than the tax threshold in England, as estimated by the Secretary of State on the basis of the Inland Revenue 1982/83 Survey of Personal Incomes, multiplied by −54.037;

where the proportions in (ii) to (v) are as estimated by the Secretary of State on the basis of the 1981 Census.

Children aged 5-17—effects of area's social conditions (X5) is calculated as the sum, expressed to two decimal places, of the factors below:

(i) a constant of −42.408;

(ii) Indicator B3a(i) divided by population (A1), both for the authority, multiplied by 0.31736;

(iii) annual average population decline between 1974 and 1984 in the area of the authority as a proportion of population in 1984, on the basis of population estimated by the Registrar General, multiplied by 1373.0;

(iv) the proportion of persons in the area of the authority in households living in accommodation which is not self-contained, multiplied by 483.69;

(v) the proportion of children aged 5-17 in the area of the authority in households containing a lone-parent family, multiplied by 164.67;

(vi) the proportion of children aged 5-17 in households in the area of the authority whose head was born in the New Commonwealth or Pakistan, multiplied by 65.671;

where the proportions in (iv) to (vi) are as estimated by the Secretary of State on the basis of the 1981 Census.

Children aged 5-17—factor for residential care (X6) is calculated as the number of children aged 5-17 in the area of the authority, multiplied by the sum of the factors below:

(i) a constant of −0.0033014;

(ii) Indicator X4 as defined above, mutiplied by 0.000028512;

(iii) Indicator X5 as defined above, multiplied by −0.000016818;

(iv) the proportion of children aged 5-17 in households containing a lone-parent family in the area of the authority as estimated by the Secretary of State on the basis of the 1981 Census, multiplied by 0.04786.

Children aged 5-17—factor for fostering care (X7) is calculated as the number of children aged 5-17 in the area of the authority, multiplied by the sum of the factors below:

(i) a constant of −0.0017347;

(ii) Indicator X4 as defined above, multiplied by 0.000014387;

(iii) Indicator X5 as defined above, multiplied by −0.000019434;

(iv) the proportion of children aged 5-17 in households containing a lone-parent family in the area of the authority as estimated by the Secretary of State on the basis of the 1981 Census, multiplied by 0.037894.

E13. Social services for children aged 5-17. The sum of the following:

(i) Indicator X6 as defined above, multiplied by 19478.01;

(ii) Indicator X7 as defined above, multiplied by 3183.894;

(iii) Indicator X6 multiplied by X5 as defined above, multiplied by 86.5220;

(iv) Indicator X7 multiplied by X5, multiplied by 10.0549.

Elderly – factor for people in severe need (X8) is calculated as the sum in the area of the authority of the following:

(i) the number of persons aged 65 or over with mobility problems and living alone, as estimated by the Secretary of State on the basis of the National Dwelling and Housing Survey 1977-79, multiplied by 0.17235;

(ii) the number of persons aged 75 or over in households without exclusive use of a bath or inside WC, multiplied by 0.08472;

(iii) the number of persons aged 85 or over living alone, multiplied by 0.058739;

(iv) the number of persons aged 75 or over in privately rented or housing association accommodation, multiplied by 0.0293;

(v) Indicator A16 as defined above, multiplied by 0.0052147;

where the numbers in (ii) to (iv) are as estimated by the Secretary of State on the basis of the 1981 Census.

Elderly – factor for people in moderate need (X9) is calculated as the sum in the area of the authority of the following:

(i) the number of persons aged 65 or over with mobility problems and living alone, as estimated by the Secretary of State on the basis of the National Dwelling and Housing Survey 1977-79, multiplied by 0.46698;

(ii) the average number of persons of pensionable age in receipt of Supplementary Benefit as estimated by the Secretary of State on the basis of quarterly returns for February 1983 to December 1983, multiplied by 0.039617;

(iii) the number of persons aged 65-74 living alone, multiplied by 0.15539;

(iv) the number of persons aged 75-84 living alone, multiplied by 0.25294;

(v) the number of persons aged 85 or over living alone, multiplied by 0.29964;

(vi) Indicator A16 as defined above, multiplied by 0.020066;

where the numbers in (iii) to (v) are as estimated by the Secretary of State on the basis of the 1981 Census.

E14. Social services for elderly people. The sum of the following:

(i) Indicator A16 as defined above, multiplied by −9.09921;

(ii) Indicator X8 as defined above, multiplied by 3333.064;

(iii) Indicator X9 as defined above, multiplied by 524.999;

(iv) the sum of Indicators X8 and X9, multiplied by X8, divided by A16, multiplied by 18535.79.

E15. Adjustment for debt charges, revenue contributions to capital outlay and income on residential care for the elderly. The difference between (i) and (ii) below:

(i) 341.8238;

(ii) the income from elderly residential care services in the area of the authority, as estimated by the Secretary of State from revenue outturn forms submitted to him for 1981/82, divided by the average number of local authority supported residents aged 65 or over between 1 April 1981 and 31 March 1982 in the area of the authority as estimated by the Secretary of State on the basis of forms RA1 submitted to the Secretary of State for Health and Social Security;

multiplied by the sum of the following:

(iii) Indicator A16 as defined above, multiplied by −0.0019159;

(iv) Indicator X8 as defined above, multiplied by 0.53655;

(v) Indicator X9 as defined above, multiplied by 0.038411;

(vi) the sum of Indicators X8 and X9, multiplied by X8, divided by A16, multiplied by 3.421651.

E16. Income adjustment for home-help services for the elderly. The sum of the following:

(i) Indicator X8 as defined above, multiplied by −102.043;

(ii) Indicator X9 as defined above, multiplied by −58.2226;

(iii) the average number of persons of pensionable age in the area of the authority in receipt of Supplementary Benefit, as estimated by the Secretary of State on the basis of quarterly returns for February 1983 to December 1983, as a proportion of persons aged 65 or over (Indicator A16), multiplied by the sum of:

(a) Indicator X8, multiplied by 287.88;

(b) Indicator X9, multiplied by 164.257.

E17. Other social services. The sum of the following:

(i) Indicator A1 as defined above, multiplied by 10.897676;

(ii) Indicator C8 as defined above, multiplied by 0.150552.

E18. Leasing charges. An adjustment for the costs of leasing as estimated by the Secretary of State.

E19. An adjustment for interest receipts and contributions from the rate fund to special and capital funds, as estimated by the Secretary of State.

E20. Rounding adjustment. Such additional amount as is required to be added in order to make the grant-related expenditure of each authority a whole number of thousands of pounds.

NOTES:

In this Appendix, references to the 1981 Census (of population) relate to extracts from either the Small Area Statistics tabulations or from special tables requested by the Secretary of State for districts (or wards for density and sparsity).

References to data on elderly with mobility problems living alone from the National Dwelling and Housing Survey relate to special estimates for each local authority area, made for rate support grant purposes by the Secretary of State. These estimates made for 1978 are of estimated proportions of all persons within the category specified and were derived by pooling all information collected between 1977 and 1979 during the three phrases of the Survey.

Ratios of the data are then applied to population estimates to produce the above Indicators.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister for Health

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
H M Treasury
Parliament Street
London SW1P 3AG

13 November 1986

SPECIFIC GRANTS TO LOCAL AUTHORITIES

I have a number of comments on your letter of 11 September to Nicholas Ridley about the final report of the inter-departmental Working Group on Specific Grants.

The first point is that virtually none of the recommendations of the Group were unanimous: with the interested Departments invariably dissenting - as indeed we do on the conclusions about our proposed Social Services Training grant. Ministers must therefore reach their own conclusions on what should be done, based on the background provided by the official group.

Secondly, as required, the Group mainly addressed the use of Specific Grants within the reformed structure of local government finance. It did, however, identify some changes that could be implemented within the existing structure. As you have pointed out in the context of this year's Rate Support Grant Settlement the considerable acceleration in the increase in specific Grants is a cause of some concern. It is a concern that I certainly share. Almost half of the extra provision for 1987/88 will be taken up by the increase in Specific Grants - mainly as a result of growth in existing Specific Grants. I am sure that we should seek to address this problem in time for next year's Settlement and I endorse your suggestion that we should have a general discussion in E(LF). I hope I am reading your penultimate paragraph right in interpreting this as a discussion of existing grants in the terms you outline not just of the rules which should apply to any new grants which are introduced. I hope that we would look in particular at the following points:

- the scope for reduction in long-standing grants both in terms of the grant rate and quantum of provision. Year on year increases should not be regarded as inevitable - we must assess the relative priority of this in relation to other demands and for some grants - particularly those of very long-standing - a reduction should be possible;

- long-standing grants should not pre-empt the possibility of the introduction of new grants from time to time, to meet pressing new priorities. We must retain some flexibility to adapt to changing circumstances and needs;

E.R.

- in short, I would hope that we could incorporate reductions in the 1988/89 Settlement for some of these long-standing grants which would then ease the introductions of new grants such as those I have proposed without having to increase the overall total of Specific Grants.

More specifically on the points which you raise in your letter:

i. Cash Limiting: I agree that grants should be cash limited wherever appropriate; I would be content for my proposed grants to be cash limited.

ii. Grant Rates: I support the recommendations on grant rates and would wish them to be applied to existing grants in order both to stem the inexorable increase in existing grants and to make room for new ones.

iii. Magistrate Courts and Probation Service: It certainly seems right that we should give early consideration to the points you raise about the funding of Magistrates Courts and the Probation Service; the current arrangements seem unsuitable for both of these but for different reasons. There may be implications for Social Service Departments in any changes made to the Probation Service - either of funding or administration - and we would therefore wish to be kept closely in touch. I should point out that we see little justification in treating the Probation Service and Social Services differently for those parts of their work - such as court work - which is similar - or indeed interchangeable. Social Services receive only a (reducing) amount of block grant support for this while the Probation Service receives an 80 per cent specific Grant. We need to rationalise the position by treating the two services on a similar basis for similar responsibilities.

iv. Rate Rebates for the Disabled: Whilst we accept that the present grant for rate rebates for the disabled cannot continue if rates are abolished, we have indicated in the discussions at E(LF) that there will be considerable pressure on us to indicate that this assistance to disabled people will be replaced. This falls to be considered further in the discussions of how the community charge is to be applied. And in the light of wider decisions on provision for the disabled generally - such as the timing of the implementation of the Disabled Persons Act 1986.

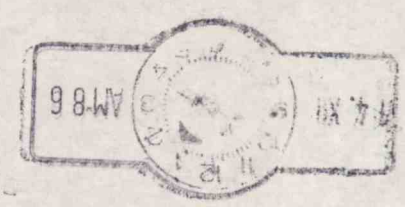
I am copying this letter to the recipients of yours.

Yours ever.
Tony

TONY NEWTON

YdS/D.4

LOCAL GOVT. Relations PT3



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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NSM

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

12 November 1986

Dear John

SPECIFIC GRANTS TO LOCAL AUTHORITIES

Thank you for your letter of 11 September inviting comments on the final report of the inter-departmental Working Group on Specific Grants to Local Authorities.

The Working Group report has taken us some way towards seeing how specific grants might fit with the Green paper proposals for a new system of local government finance; but as the Report recognises there is still much work to be done. The Group's report will nevertheless form a useful basis for discussion at E(LF). However I hope that our E(LF) discussion will not get bogged down in detailed rebuttals of allegations about the lack of objectives or justification for each grant. In our discussion in E(LF) we should also bear in mind that the local authority Associations and other interested parties are aware of the review and will have views.

Turning now to the particular points you raised in your letter, I have the following comments.

I support the Group's recommendation that specific grant should be cash limited wherever possible. As the report suggests control can be as effectively secured by a PES cash limit as by a Vote cash limit. There are a number of my specific grants controlled in this way, and this has proved an effective means of controlling expenditure.

On grant rates, I have some doubts about the practicality of setting out notionally desirable rates for categories of grants. After all the rationale for a specific grant is that it relates to special circumstances which cannot be handled by general grants. I suggest we wait for the further work proposed on individual grants.

I am of course very familiar with the operation of Transport Supplementary Grant from my days at the Department of Transport. I think that now we have restricted TSG to capital expenditure, the arrangements are much more satisfactory and the grant is an effective way of achieving the Government's objectives for the primary road network. Like John Moore and Nick Edwards therefore, I would view abolition of TSG as a retrograde step.

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On the grants for Magistrates' Courts and the Probation Service, I agree that there should be a clarification of responsibilities.

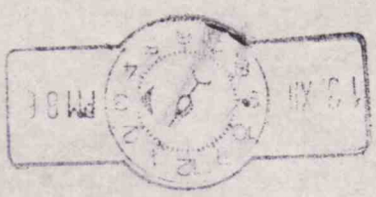
On the minor grants, I am content that most of these recommended to end have outlived their usefulness. However, our Departments need to consider further the position on Improvements for Sale Contributions and Clean Air grants since our officials could not reach agreement. I should add that my Department is already doing what it can to kill off moribund grants by agreement. We have already made significant progress in commuting planning redevelopment and town development grants and there is only one scheme left which is eligible for open space grant. I regret though that earlier this year we could not reach agreement on changing the basis of payments of Urban Programme grant. This would have improved departmental efficiency be avoiding annual payments of grant on loan charges which would continue over 20, 30 or even 40 years. Such a change would have been in keeping with the objective set out in paragraph 52 of the Report.

Finally I think your penultimate paragraph could be considered a bit sweeping. There is no necessary connection between the rate of grant and securing value for money; nor do I accept only a few existing grants have clear objectives and rationale. We have, of course, set out in the Green paper four criteria against which the need for grants should be tested, and the Working Group has applied that test. Most have passed it, and we are now proposing to examine the individual grant rates. For the major DOE grants a great deal of work has been done over the last few years to ensure they are carefully targeted and to establish FMI regimes. Urban Programme, Derelict Land Grant and Urban Development Grant are three you will know of where good control and monitoring systems are in place.

I am copying this letter to recipients of yours.

Yours ever
Nicholas

NICHOLAS RIDLEY



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cc BG

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

10 November 1986

Dear John,

SPECIFIC GRANTS TO LOCAL AUTHORITIES

I am sorry not to have commented before now on your letter of 11 September to Nicholas Ridley about the report of the Working Group on Specific Grants. You also wrote to me on 20 October about police specific grant, and I have of course noted what you say in your letter of 23 October about magistrates' courts.

You will understand that the Working Group, which covered a great deal of ground succinctly, has made a number of far-reaching proposals in several Home Office policy areas which we have had to consider carefully.

My aim has been to identify where, given the very tight constraints on our own resources, we should concentrate our attention so as to secure maximum benefit. I have no wish - as you will understand - to engage in expensive and time-consuming reviews without a realistic prospect of wishing, or being able, to act on the conclusions. I am afraid that, for the reasons which I give below, some of the Working Group's recommendations fall into that category, although there are others I am keen we should follow up.

First, I am glad that the Group has endorsed a continued need for the police and civil defence grants, and that the majority support the section 11 grants. I regard section 11 as an essential instrument for ensuring that concern about the problems of immigrant communities is backed up by local application of resources, in a targeted way; and I am quite clear that we must regard it as a continuing, rather than a pump-priming, grant, so I see no prospect of reducing the rate.

Second, I disagree with what is said about magistrates' courts and probation service grants. We cannot change the funding of these services without raising questions about their constitutional position and relationships. A further detailed review - whether through a scrutiny or some other means - of the structure of the magistrates' courts service, including the possibility of nationalisation, would be justified only if we were both sufficiently attracted in principle to the idea, and prepared to give high priority to the action that would flow from such a review, including consultation and - if we decided to go ahead - legislation. Otherwise it would be a wasteful use of resources. In any event it could effectively stall the efforts we are making to improve performance within the present local structure. My Department has recently reported to the Efficiency Unit on these, and a copy of that report is going

The Rt Hon John MacGregor, OBE., MP.

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/over....

to your officials and to Quintin's, I entirely share your own and colleagues' desire to improve courts' efficiency and effectiveness. I believe we have a long way to go yet. But it is a fallacy to suppose that this requires major structural reforms. A change of Ministerial responsibility without such reform would not seem to me to get to the root of the matter. I propose that we should continue our present efforts to secure better value for money within the existing structure. Any ideas you and colleagues have in that context will be most welcome. I feel we should avoid the kind of constitutional tinkering which arouses strong opposition without delivering any clear good.

The recommendation about the probation service is flawed because it takes no account of the crucial part played by the service in the criminal justice system. This is of considerably greater significance than the claimed similarities between the professional work of probation officers and social workers. Indeed there is a case for emphasising more than at present the difference between the two services. The probation service not only gives advice to the courts but provides a valuable range of disposals for offenders who would otherwise be liable to committal into custody - at much greater cost to the public purse as well as to the individuals concerned and their families. You will be well aware from our bilateral discussions of the demands on the prison service and of their substantial cost. In my view, high specific central government support is necessary to sustain the probation service and central influence and control over it, much of which would be lost if the service was handed over to local authorities. Here again, financial reform must not be considered in isolation. Major changes in constitutional position and relationships would also be entailed. Once again these would be highly disruptive and damaging.

Third, the Group suggested that the Metropolitan Police Imperial National Service and Commissioners' Grants might be replaced by arrangements which could leave the Metropolitan Police and the relevant local authorities in the same position as at present. Neither grant has much impact on ratepayers, but the INS has the important presentional value of recognising the additional functions which the police in the capital are called upon to perform; and, indeed, local authorities are pressing us to increase the grant. I rather doubt whether there is any advantage to be gained from abolition but I am happy for this to be further examined by officials, who did not, I think, tackle the case in detail.

Fourth, on the wider issues of grant rates, I accept that they should be set so as to secure the necessary influence on local authorities while, of course, ensuring that they get adequate recompense in areas where they do not themselves take decisions on expenditure - i.e. in the probation and magistrates' courts case, where most expenditure decisions are taken by magistrates, with some form of appeal for local authorities to the Home Secretary.

At present I see little room for changes in the rate of grant without giving the wrong signals to authorities and provoking undue concern in the services. I am sure there is a great deal more ground to be prepared before we contemplate changes for the sake of financial neatness. It may in fact be easier to have it in our minds to rationalise wherever we can at the same time as we implement the major structural changes in local government finance in 1990. In this context, I had hoped that one of the objectives of the new local authority financing arrangements would be to introduce a greater stability into planning; I was therefore disturbed by the suggestion that you would wish to subject every rate of grant to a three yearly review.

Fifth, I agree that we should consider the scope for cash limiting wherever that seems likely to be a useful discipline. But there are practical and political considerations in each case, and we have to "sell" any changes to the services and those who benefit from them as well as to the local authorities. My preference, therefore, is for officials to work bilaterally on the implications of cash limiting for each service. Any agreed proposals could be put out for public discussion. This is entirely without prejudice to the view that I may ultimately take in each case. As you know, I see no prospect at present of introducing a cash limit on police grant, which has already been the subject of such a study, although I am of course ready to discuss that matter, as proposed in your letter of 20 October. Our offices can be in touch to make arrangements.

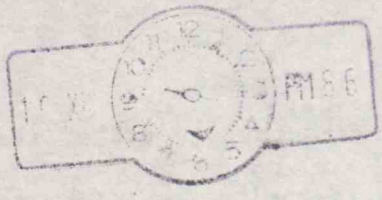
Finally, the recommendations about grants on capital spending may well prove difficult to administer in practice, but I am content that officials should examine them further.

I am copying this letter to the recipients of yours.

Yours ever,

Douglas

LOCAL GOVT Relations PT31



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NBPM

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/3187

6 November 1986

Dear Terry

Leak Investigation: Local Government Finance

Thank you for your letter of 28 October and for the copy of Bruce Scott's report on his investigation into the leaks of information on the 1987-88 Local Authority Rate Support Grant settlement and capital controls. We had a brief word about this some time ago.

Our not inconsiderable experience of leaks to financial journalists over recent years has shown just how difficult they are to pursue, not least because they are nearly always based on oral indiscretions.

Irrespective of what damage to the Government may result from such leaks, Scott's report demonstrates the effect that they can have on relationships within, and between, Departments. He records that Department of the Environment officials suspect the Treasury, that Treasury Ministers suspect Mr Ridley, and that all three Department of the Environment Ministers were convinced that leaks were coming from a Department of the Environment official, though they do not say whether they suspect anyone in particular. In order to clear at least part of the air, it might be helpful for you to put the question about their suspicions directly to the two Ministers concerned who are still at the Department of the Environment. If a particular senior official has lost the confidence of Ministers, you ought to be aware of it.

I hope that making known to senior colleagues your Secretary of State's view on the importance of confidentiality on both the official and political sides of the Department will go some way to dispelling any notions that there are any circumstances in which leaks such as this are justified.

/I am copying

T M Heiser Esq CB

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I am copying this letter to Peter Middleton, David Hancock, Brian Cubbon, Alan Bailey, Ken Stowe, Richard Lloyd Jones, William Fraser, Brian Hayes, Antony Duff and Nigel Wicks.

Yours ever

Robert Armstrong

Cllr. John MORGAN
20/11

EC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 November 1986

I attach a copy of a joint letter the Prime Minister has received from four local government Associations.

I should be grateful for your advice on this letter by Thursday 20 November, please.

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

EC

EC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 November 1986

I am writing on behalf of the Prime Minister to thank you and your co-signatories for your letter of 5 November.

This is receiving attention and a reply will be sent to you as soon as possible.

(David Norgrove)

Councillor John Morgan, O.B.E.

Association of County Councils
Association of District Councils
Association of Metropolitan Authorities
Convention of Scottish Local Authorities

5 November 1986

The Rt. Hon. Margaret Thatcher MP FRS
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister

PAYING FOR LOCAL GOVERNMENT

As the consultation period on the Green Paper (Cmnd. 9714) ends, it has become clear that there is widespread concern about the Government's proposals for financing local government in the future.

Apart from the opposition of individual local authorities themselves and all our Associations - irrespective of political control - there is widespread opposition to the proposed community charge and the uniform business rate from professional bodies, the city, the trade unions and other sectors of the Community.

As the next session of Parliament draws near, and with the likelihood of a Bill for Scotland being included in the Queen's Speech, we, the leaders of local government in Great Britain, earnestly ask you to meet us, with your Secretaries of State, to discuss ways of finding a system of local government finance that you and we can all live with.

We all agree that the present system needs improving but genuinely believe that the Green Paper does not provide the right answers. However, from the wide range of responses to the Green Paper, with all the political and professional expertise they represent, we believe a consensus can be found about the kind of change that are needed which will meet the Government's stated objectives of greater accountability and fairness.

Please give serious consideration to our approach for a meeting. We will happily forgo other commitments to be available to meet you.

Yours sincerely

John L Morgan John Allison John Layden Ken Fagan

Chairman ADC 9 Buckingham Gate London SW1	Chairman ACC Eaton House 66A Eaton Square London SW1	Chairman AMA 35 Great Smith Street London SW1	President COSLA Rosebery House 9 Haymarket Terrace Edinburgh

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

3 November 1986

Dear Nicholas

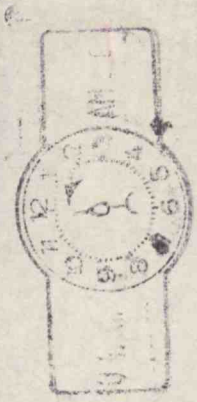
RATE SUPPORT GRANT AND RATE CAPPING: TOTAL EXPENDITURE

In your letter of 23 October you set out the serious problems raised by the present method of calculating "total expenditure" under Section 56(8) of the Local Government Planning and Land Act 1980. This letter is simply to confirm, for the information of copy recipients, that you have approval for the legislation you require to validate existing practice for both past and future years. The Bill should be introduced as soon as possible in the next Session and I and the other business managers will do our very best to secure its urgent enactment. We agreed when we discussed this last week that there should be no public reference to this problem, or its solution, before the Bill's introduction.

I am sending a copy of this letter to the Prime Minister, the Secretaries of State for the Home Department, Wales, Education and Science, and Transport, the Lord Privy Seal, the Chief Secretary, the Attorney General, the Chief Whip, First Parliamentary Counsel and Sir Robert Armstrong.

Yours

The Rt Hon Nicholas Ridley MP



LOCAL GOVT

RELATIONS

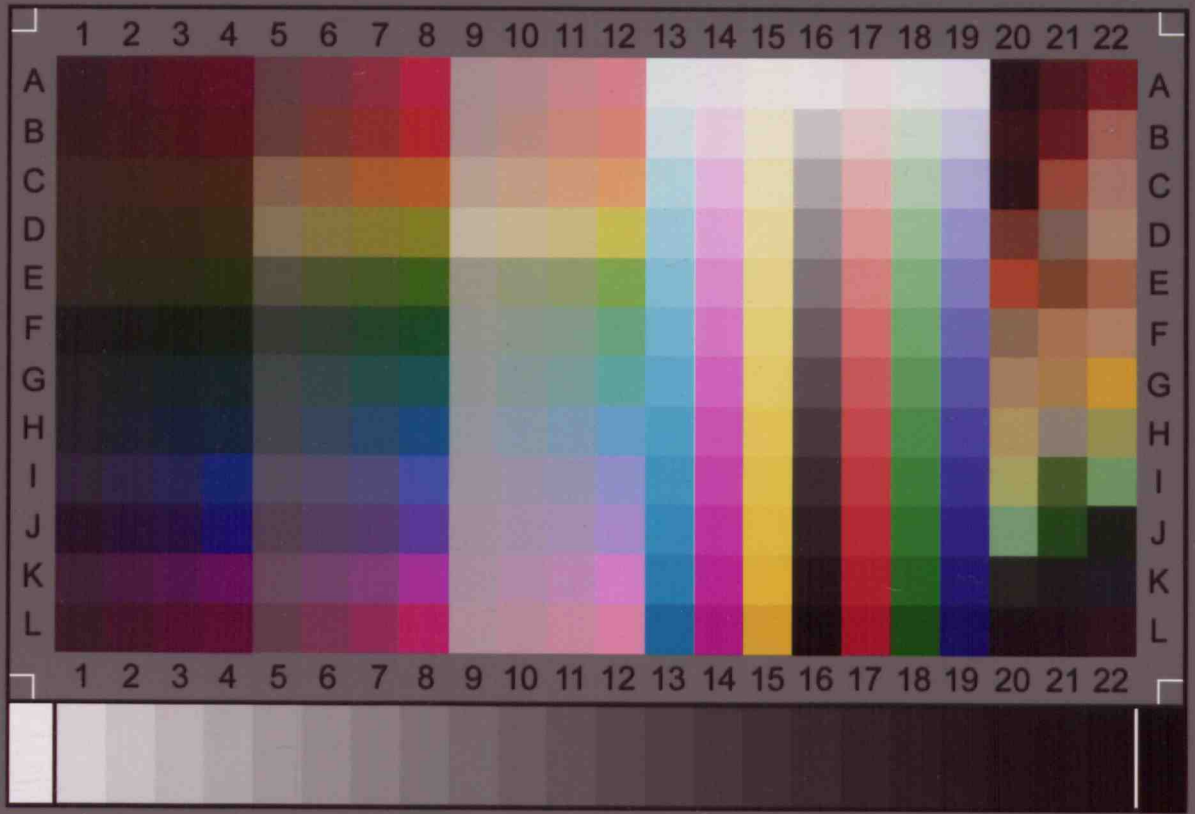
PT 30

PART 30 ends:-

SS/DTI to CST 31/10/86

PART 31 begins:-

UPC to SS/DOE 3/11/86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