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PT37: June 1989

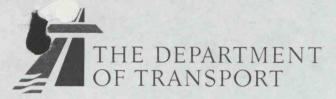
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FROM THE SECRETARY OF STATE

The Rt Hon Norman Lamont MP Chief Secretary to the Treasury HM Treasury Treasury Chambers Parliament Street LONDON SW1P 3AG NBRM SECRETARY OF STATE

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2 MARSHAM STREET LONDON SW1P 3EB TELEPHONE 01-276 3000

My Ref:

Your Ref:

26 FEB 1990

Hear hame,

LOCAL AUTHORITY CURRENT: 1990 SURVEY

ARRANGEMENTS FOR HANDLING THE

Thank you for sending me a copy of your letter of 14 February to Chris Patten.

The proposal to produce a better informed decision in July is welcome, and I can agree to a July announcement on that basis. My officials will wish to take part in preparing the exemplifications which go to E(LG) as a basis for the July decisions.

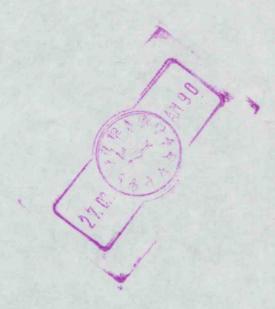
I remain concerned that the service breakdowns provided in July will only be illustrative, and that there is no safeguard against the smaller service blocks subsequently being "squeezed". I am content to see how the new arrangements which you have proposed work out this year, but if we again find, as we did last year, that lower provision is made for the smaller service blocks than the Government intended, this will be interpreted by local authorities as an indication of low priority, and we shall have to find ways another year to adjust the system accordingly.

I am sending copies of this letter to the Prime Minister, other members of E(LG) and to Sir Robin Butler.

John Beil

CECIL PARKINSON

LOCAC SON 19: Relations



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QUEEN ANNE'S GATE LONDON SWIH 9AT

23 February 1990

& Norman,

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LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

You copied to me your letter of 14 February to Chris Patten. It is important that we should determine Total Standard Spending on the best possible information. There is a particular consideration as regards the police since the amount of specific grant agreed in PES will need to be translated into spending and found from within TSS. While we are likely by July to have a good idea of the police pay increase, it seems most unlikely that by that date we will have reached agreement on any future programme of manpower increases.

The later we leave the announcement the more reliable the information on spending needs across all services. I therefore favour an autumn announcement but recognise the practical difficulties that this would present. John McGregor's suggestion that we reach preliminary decisions on the aggregates in July but delay the announcement until the autumn may offer a way forward. Such an arrangement would spread the task we face and enable us to review TSS in the light of more up-to-date information on the demands faced by local authority services and of the discussions on PES bids which officials will hold over the summer. It would be helpful if officials could examine whether a satisfactory timetable could be devised on that basis.

I am copying this letter to the recipients of yours.

The Rt Hon Norman Lamont, MP. Chief Secretary Treasury Chambers Parliament Street, S.W.1.

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NBPM Pack re/r The Rt Hon Chris Patten MP Secretary of State for the Environment 2 Marsham Street London SW1P 3EB 21 FEB 1990 De Clas 1991/92 LOCAL AUTHORITY GRANT SETTLEMENT flor Thank you for your letter of 12 February about the arrangements for discussing aspects of the 1991/92 grant settlement with the local authority associations. In general, I accept what you propose. I agree that officials should hold discussions with the local authority associations along the same lines as last year, not least because to abandon such discussion at this stage would create suspicion and it is always marginally useful to know the local authorities' own priorities. I also agree that it is important that officials are not in any way committed in advance to the associations' assessment of the appropriate level of spending. On the methodology of the Standard Spending Assessments, I agree that we should be prepared to consider any changes the local authority associations believe necessary in the light of new evidence, and that we should discuss with them areas needing longer term research. However, I believe it is essential that we reserve judgement on any such changes until we can consider collectively their detailed implications for individual standard spending assessments. On a more detailed level: Paragraph 1(2) of the draft remit to Working Groups refers to savings identified by the Audit Commission. While I would not want the reference removed, we should not pin too many hopes on it. The impression here is that, at least in their studies of education, the Commission is placing less emphasis on quantifying savings and more on ways of improving effectiveness. I gather that some words have fallen out of line 2 of paragraph 1(4): last year's remit referred to "...new

demands on local authorities, arising from new responsibilities, Government initiatives or from unavoidable pressures such as demographic change..." which still seems apt. The main pressures on education continue to be those flowing from the Education Reform Act, although there are also demographic pressures now that, after a long period of demographic decline, pupil numbers are once again increasing.

- We did not find it helpful last year that there was no reference in the remit to the 1989/90 GRE total, even though this was the basis for all our comparisons in the final presentation of the figures for 1990/91; indeed, the education Working Group argued that the remit showed that the Government should have taken 1989/90 outturn as its starting point. This point might be met by adding to the end of sub-paragraph 2 something like "...Audit Commission, and in the light of the assumptions underlying the 1990/91 local authority grant settlement;".

I am sending copies of this letter to the Prime Minister, other members of E(LG), and Sir Robin Butler.

Your en,

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SCOTTISH OFFICE WHITEHALL LONDON SWIA 2AU

CONFIDENTIAL

The Rt Hon Norman Lamont MP Chief Secretary to the Treasury HM Treasury Treasury Chambers Parliament Street LONDON SW1P 3AG Mer me:

20 February 1990

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LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

Thank you for copying to me your letter of 14 February.

For my part, I feel the timetable in 1989 worked reasonably well. While I can understand some of the concerns expressed both by DOE and other Departments about the information base on which July decisions are made and how this might be brought more up to date in respect of pay and inflation factors if we wait until the Autumn, I feel strongly that we should stay with decisions and announcement in July.

As you point out, local authorities' budgeting timetable is much tighter in Scotland and it is helpful for them to have an indication of the overall settlement as early as possible. Like you I believe it is important to give authorities a signal through early announcement of the settlement to influence their decisions on local authority pay, rather than putting us in the position of either responding to those decisions or being seen to ignore them by deferring our own decisions to the Autumn. Moreover, I would not favour an announcement of this important matter during the We must consult Scottish local authorities on the grant distribution proposals by the beginning of November. Ideally, it should be earlier, but in practical terms, it simply would not be feasible to achieve consultation on grant proposals by early November if we delayed our decisions on the settlement until September. Given the complications we had in Scotland this year over non-domestic rates and the effects of revaluation, I believe a measure of stability in the arrangements this year would be most helpful.

I therefore strongly support your conclusion that decisions and announcement on the local authority settlement should continue to take place in July.

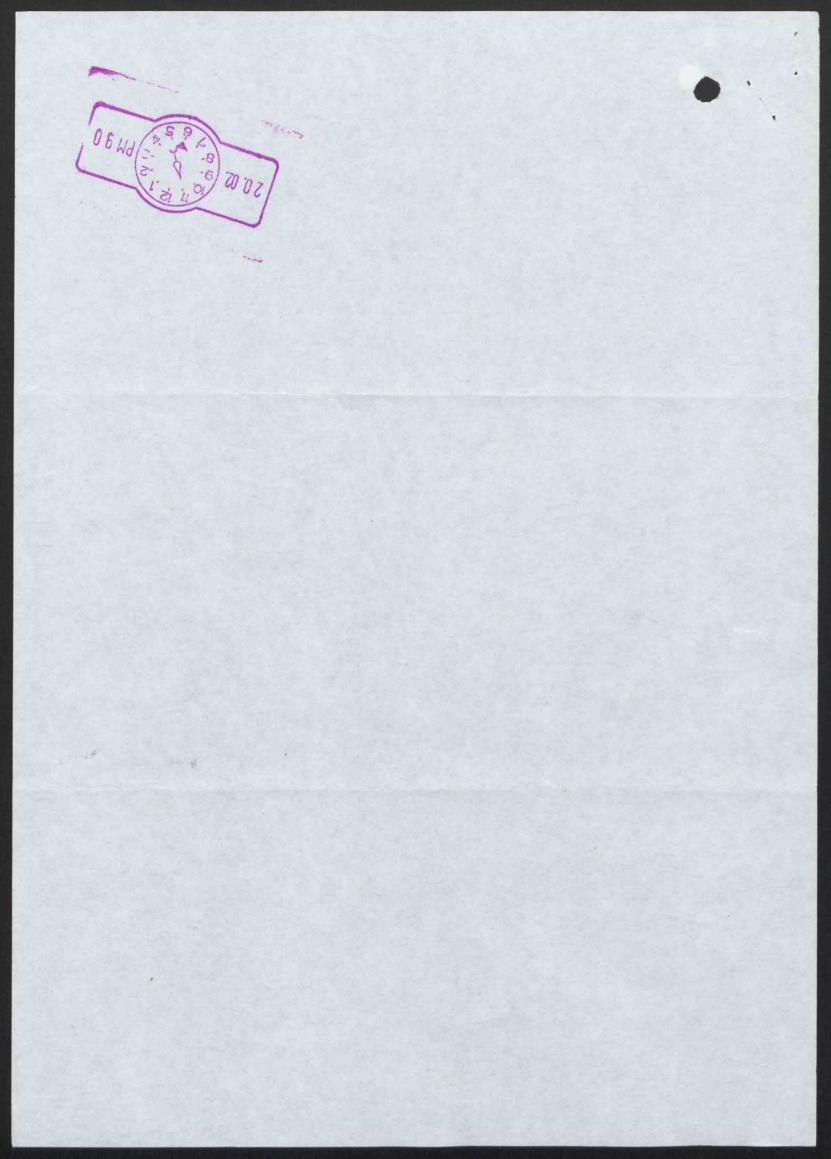
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I am copying this letter to the Prime Minister and the other members of E(LG), and to Sir Robin Butler.

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MALCOLM RIFKIND

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Major MP Chancellor of the Exchequer Treasury Chambers Parliament Street LONDON SW1P 3AG

20 February 1990

PWLB QUOTAS

Thank you for your letter of 14 February. I was grateful to hear that the Commissioners had decided to make reference to local authority timetables in their circular and I think that this decision and the sue of the term "financial investments" to describe "deposits", with the possibility of further clarification in the circular, remove the grounds for any unnecessary concern in Scotland about the new arrangements which you have announced.

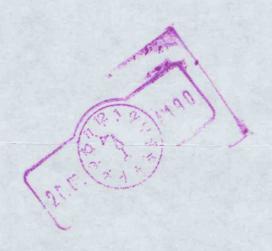
I am copying this letter to the Prime Minister, Peter Walker, Chris Patten and the Governor of the Bank of England.

MALCOLM RIFKIND

LOCAL AUTHORITY

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Pt 37



CONFIDENTIAL Men dhi stige. Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street London 19 February 1990 SW1P 3AG De Noma LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 Thank you for sending me a copy of your letter of 14 February to Chris Patten. Whenever we take these decisions we must do so on the basis of the best possible information about all the relevant circumstances including a realistic view of service requirements for the year ahead. We should also be aware of the likely implications for individual service standard spending totals of any level of total standard spending we agree upon. While we continue to place so much emphasis on the adequacy of total standard spending and therefore the accuracy of the community charge figure for standard spending, we must have service totals which we can defend in the light of new pressures on services as well as by reference to the scope for greater efficiency. I think these factors are more important than the exact timing of the decision making process, and I agree that leaving all decisions and announcements until the Autumn might well mean that decisions have to be rushed in the time available before the Party Conference. I am not, however, convinced that we are right to rule out the possibility of most of the work and provisional decisions being taken in July, with final confirmation and announcement of those decisions in late September. This would allow us to have a very careful airing of the issues in July, but to take a final look at the overall implications of those decisions, including their likely impact in terms of SSAs and community charges, in September before any announcements are made. We are still discussing what new machinery might apply for the determination of teachers' pay in 1991-92, but whatever arrangements are made there will need to be a figure for an increase in teachers' pay within education standard spending

which can be defended as fair and reasonable. It may well be that we should leave ourselves scope to take a final look at this figure in September rather than having to agree in July a total that will have to accommodate it.

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

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Chief Secretary

Parliament Street

HM Treasury

LONDON SW1P 3AG

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2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref

/9 February 1990

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Dear Chief Scretcy

The Rt Hon Norman Lamont MP

LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

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Thank you for your letter of 14 February about the handling of the 1991/92 Grant Settlement in this year's public expenditure survey.

Personally I think that I would have preferred to have a single announcement about local authority finance in the autumn rather than a preliminary announcement in July and final announcement in November. This is particularly so this year, since I think that by July the House will have had more than enough of local government finance and would have appreciated a short break before next year's round begins. As we know from this year, a July announcement prolongs the period during which our proposals are open to criticism. In addition, by the autumn we would have a better view of the pressures on local authority spending in 1991/92.

I see the practical difficulties which this alternative involves. If we do opt for an announcement in July, I agree it is important that we should bring together in a systematic way all the implications of our decisions against a realistic assessment of the spending pressures authorities will face, and I shall be making proposals as to how we might do this.

If other colleagues are inclined to agree with you, I am prepared to accept your proposal to continue to plan for a July announcement of the main aggregates of the settlement.

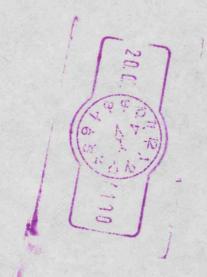
I am copying this to the Prime Minister, other members of E(LG) and Sir Robin Butler.

CHRIS PATTEN

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10 DOWNING STREET LONDON SWIA 2AA

From the Private Secretary

19 February 1990

Dea Ceni,

LOCAL AUTHORITY CURRENT EXPENDITURE: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

The Prime Minister has seen the Chief Secretary's letter of 14 February to the Secretary of State for the Environment. Her inclination is that it is right to stay with the present system and to continue to plan for a July announcement of the main aggregates; she feels that there have already been enough changes without trying to absorb any more.

I am copying this letter to the Private Secretaries to members of E(LG).

PAUL GRAY

Miss Carys Evans Chief Secretary's Office H.M. Treasury

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PRIME MINISTER

ARRANGEMENTS FOR HANDLING LOCAL AUTHORITY EXPENDITURE FOR 1991-92

While we are still heavily embroiled in issues affecting local authority spending in 1990-91 it seems strange to be thinking about the arrangements for 1991-92. But it is necessary to do this if the process is to be orderly. You may like to glance at the attached letter from the Chief Secretary setting out his proposals.

The essential issue is whether to continue with the traditional pattern of announcing the main aggregates in July with the further details following later; or to switch to a system in which there are no announcements in July and everything is handled over a relatively short period during the Autumn. The Chief Secretary concluded that we should stick with effectively the status quo. His reasoning seems persuasive to me. You may however prefer to await reactions from colleagues before giving your own views.

i) Content to await colleagues reactions? Or

ii) Do you want to give a firm view at this stage?

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PAUL GRAY

16 FEBRUARY 1990

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10 DOWNING STREET LONDON SWIA 2AA

From the Private Secretary

15 February 1990

PWLB AND MONEY MARKET MANAGEMENT

I have written separately to you, copying to other Departments and the Bank of England, about the Prime Minister's main reaction to the recent papers on PWLB quotas for 1990-91. The Prime Minister has also commented, however, that she wonders whether consideration should be given to whether it is necessary now to retain an organisation like the PWLB at all. She would welcome the Chancellor's views on this.

I am copying this letter to Paul Tucker (Bank of England).

PAUL GRAY

Duncan Sparkes Esq HM Treasury



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 February 1990

Dea Duce,

PWLB QUOTAS FOR 1990-91

The Prime Minister has seen the Chancellor's letter of 8 February to the Secretary of State for the Environment and the subsequent comments from the Secretaries of State for the Environment, Scotland and Wales and the Governor of the Bank of England. The Prime Minister is content for the Chancellor to proceed with the proposed changes.

I am copying this letter to Roger Bright (Department of the Environment), Jim Gallagher (Scottish Office), Stephen Williams (Welsh Office) and to Paul Tucker (Bank of England).

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PAUL GRAY

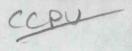
Duncan Sparkes Esq HM Treasury

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Treasury Chambers, Parliament Street, SWIP 3AG 01-270 3000 fer6

14 February 1990

Rt Hon Malcolm Rifkind QC MP Secretary of State for Scotland Scottish Office Dover House Whitehall LONDON SWIA 2AU

Dear Secretary of State,

PWLB QUOTAS

WITH Pa

Thank you for your letter of 13 February.

I am, of course, all too conscious of the presentational difficulties of the proposed changes, and they are not undertaken lightly. But as I explained in my letter I think we must act.

I note your point about the low level of deposits held by Scottish local authorities. That will, of course, be reflected in quotas, on the definition proposed.

I also note your comments on timing and the special problems in Scotland. Legally the PWLB Commissioners have complete discretion on the way they handle individual cases and I cannot direct them on what factors they should consider in taking their decisions. But they consider each case on merits and listen to any arguments an authority wishes to put forward to them. Treasury Solicitor's advice is that it is unwise for the Commissioners to try to spell out too far in their circular the particular factors which they may consider, since that might constrain their discretion unnecessarily and limit their freedom to take account of all relevant factors. Nevertheless the Commissioners have agreed to include the following sentence in the circular:

"In exercising this discretion, the Commissioners will, if necessary, take into account any differences in the capital



expenditure control arrangements and timetable of Scottish authorities and those in England and Wales."

If a Scottish authority considers it faces particular problems because of the different system or timetable in Scotland, that is certainly an argument they are free to put to the Commissioners. The Commissioners will judge whether it causes unreasonable difficulty in the particular circumstances of the authority and act accordingly.

My officials have been in touch with yours about the term "deposits". The circular now refers to "financial investments", which I hope will be clearer. If not, the point can be further clarified in the full circular which the PWLB will issue at the end of March.

Although the timing is tight, I am satisfied that the proposed changes are necessary and can be justified. But we should not delay any further. The Commissioners met this afternoon and approved the changes, which they will notify to authorities tomorrow afternoon as planned. I attach the final version of their circular. I will announce the changes to the House with the attached written answer.

I am copying this to the Prime Minister, Peter Walker, Chris Patten and the Governor.

Yours sincerely. Duncan Sparkes

P.P. JOHN MAJOR

[Approved by the Chancellor and signed on his behalf]



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

14 February 1990

Rt Hon Peter Walker MP Secretary of State Welsh Office Gwydyr House Whitehall LONDON SWIA 2ER

Dear Secretary of State.

PWLB QUOTAS

Thank you for your letter of 13 February.

On your first point, the changes need not increase authorities' costs to any significant extent. The cost of the bulk of authorities' borrowing will be unaffected. When interest rates fall, authorities will not save as much as they would otherwise, but that is not quite the same as saying that their costs have increased. Nevertheless, to the extent that higher costs may arise in 1991-92, that will be a relevant factor in the negotiations in the local authority settlement for that year.

On your second point, the PWLB Commissioners legally have complete discretion on how they handle individual cases and I cannot direct them on which particular factors they should consider. But they consider each case on its merits and will listen to any arguments an authority puts to them.

I note your points on timing, but I am satisfied that the proposed changes are necessary and can be justified. We must not, however, delay any longer. The Commissioners met this afternoon and agreed the changes, which they will notify to authorities tomorrow afternoon as planned. I attach the final version of the circular. I will inform the House with the attached written answer.



I am copying this to the Prime Minister, Chris Patten, Malcolm Rifkind and the Governor.

Yours sincerely. Ourcan Sparkes

[Approved by the Chancellor and signed on his behalf]



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

14 February 1990

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

Dear Secretary of State.

PWLB QUOTAS

Thank you for your letter of 13 February.

I am, of course, only too conscious of the presentational difficulties of the changes outlined in my letter of 8 February, but am pleased that you agree to the general principles of them.

On your specific points, the effect in 1990-91 should, as I said in my letter, be minimal, and I am pleased to have your confirmation of that. I have some difficulty with the argument that there will be a cost when interest rates fall. Authorities will save less than they might otherwise have done, but we will not have added to their costs. And PWLB rates will still be below market rates.

Nevertheless, to the extent that higher costs may arise in 1991-92, this will be a relevant factor in our negotiations on the local authority settlement for that year. But I think we should stick to the principle that Government imposed additions to local authorities' costs should be reflected in Total Standard Spending numbers; how far these costs should be met by the taxpayer through Aggregate External Finance or by the charge payer should be determined when the decisions on the settlement are taken. We should say no more publicly, at this stage, than that "any higher costs will be relevant to the local authority settlement", but only if asked, and I would prefer not to include it in my written answer.



I have not invited the PWLB Commissioners to include the reference to abnormal amounts of debt maturing in their circular. As your officials are aware, Treasury Solicitor's firm legal advice is that it is unwise for the Commissioners to try to spell out in their circular the particular factors they may take into consideration in dealing with special cases, since that might actually limit their freedom to deal with all the circumstances of a particular case and deal with it on merits. I am, however, able to make the point in the written answer which I will give to the House and will do so, although the wording has to be very carefully chosen.

Our officials have already discussed the possibility of defining the quota in terms of an authority's credit ceiling. I can see some force in the point, but there is no direct equivalent in Scotland. If the English authorities themselves raise this point, however, and if some alternative formula can be devised that the Scottish authorities accept as equivalent and fair, then I will consider inviting the Commissioners to adopt that alternative at an appropriate time. In the meantime, however, I think it is sensible to stick to the tighter, consistent formula.

The Commissioners considered and agreed the proposed changes at their meeting this afternoon and they will notify the authorities tomorrow afternoon as planned. I attach the final version of their circular and a copy of my proposed written answer, which your officials have already seen in draft.

I am copying this to the Prime Minister, Peter Walker, Malcolm Rifkind and the Governor.

Yours sincerely.

Ounce sparkes
p. John Major

[Approved by the Chancellor and signed on his behalf]

DRAFT PQ

To ask Mr Chancellor of the Exchequer what will be the arrangements for lending to local authorities by the Public Works Loan Board in the forthcoming financial year.

DRAFT REPLY

Every year the PWLB Commissioners, after consultation with the Treasury, determine loan quotas for each authority. Borrowing within these quotas is at very fine rates set by the Treasury. Additional loans may be made in specific circumstances at higher ("non quota A" and "non quota B") rates.

In recent years the Commissioners have, however, as a matter of course, made advances additional to the normal quotas available at quota rates. This was done with the agreement of the Treasury in order to assist in the management of the money markets. At present, however, local authorities are, in total, investing very substantial sums of money with the banking sector, whilst at the same time borrowing large sums from the PWLB. The combined effect of this is to cause difficulties in the management of the money markets. The Government therefore believes it is now desirable to curtail the availability of funds from the PWLB at quota rates.

The PWLB Commissioners have reviewed the quota arrangements for the financial year 1990-91 and have today issued a circular (number 89) indicating that the quota entitlement for each authority will be: noble/12.2/dr.pq

75 per cent of its net reckonable capital payments made during 1990-91; plus

4 per cent of its net reckonable debt incurred for capital purposes, being the total amount outstanding less the total sums held in financial investments on 31 March 1990.

There will be no minimum quota entitlement. The normal arrangements by which loans may be made under the non quota A and non quota B facilities will, however, continue to operate. Local authorities' ability to borrow in the market will not be affected.

With effect from today the Commissioners will no longer be prepared, as a matter of course, to make loans available in addition to the quota and at quota rates.

In order to limit the level of borrowing in the remainder of this financial year, the Commissioners have also decided to restrict advances within quota from the date of the circular to 31 March 1990, to not more than one tenth of each authority's quota for the current financial year.

The Commissioners will be prepared to consider requests from local authorities for advances additional to normal quotas at quota rates where the changes listed above will cause an authority exceptional difficulties, for example where it faces unusually high levels of maturing debt. The decision will be for

the Commissioners, but I understand that, in deciding whether to make an advance, they will take into consideration, along with other factors, the level of the authority's investments and that the Commissioners are unlikely to be prepared to agree to an advance if, and to the extent that, it appears to them that these investments could be used instead.

An authority wishing to borrow from the Board in addition to quota may also apply for non quota B loans. The Commissioners will continue to be prepared to consider applications for such advances where it can be demonstrated that additional capital finance is needed in the relatively near future. The rate of interest on non quota B loans is currently 1 per cent above non quota A loans. From 1 April 1990 I have decided that the rate of interest on non quota B loans will be 2 per cent above the rate of interest on quota loans.

At present the interest rate on quota loans is set at the lowest possible level consistent with the constraints of the 1968 National Loans Act. I have decided that for the future this fine rate will no longer be appropriate. Quota rates will therefore be gradually increased so that they are closer to, but still below, market rates. This will be done by maintaining PWLB rates when general interest rates fall.



PUBLIC WORKS LOAN BOARD

National Investment and Loans Office
Royex House Aldermanbury Square London EC2V 7LR

Telephone 01-606 732

CIRCULAR NO. 89

To the Chief Financial Officer of local authorities in England, Wales and Scotland

15 February 1990

QUOTA ARRANGEMENTS FOR 1990-91

- 1. As foreshadowed in their Circular No. 86 issued on 8 February 1939, the Public Works Loan Commissioners have reviewed the quota arrangements for the financial year 1990-91 and have decided that the following changes will be made
- 2. The quota entitlement for each authority will be:

75 per cent of its net reckonable capital payments made during 1990-91; plus

4 per cent of its net reckonable debt incurred for capital purposes, being the total amount outstanding less the total sum held in financial investments on 31 March 1990.

There will be no minimum quota entitlement. The normal arrangements by which loans may be made under the non-quota A and non-quota B facilities will continue to operate.

- 3. With effect from the date of this circular, the Commissioners will no longer be prepared, as a matter of course, to make loans available in addition to the quota and as quota rates.
- 4. In order to limit the level of borrowing in the remainder of this financial year, the Commissioners have also decided to restrict advances within quota, from the date of this circular to 31 March 1990, to not more than one-tenth of each authority's quota for the year.
- 5. The limits on carry-over of 1989-90 quotas into 1990-91 will remain as stated in section 3 of the Board's Circular No. 87, issued on 28 March 1989. The Commissioners intend to set a lower limit for carry-over from 1990-91 into 1991-92.
- 6. The Commissioners will be prepared to consider particular instances of exceptional difficulty or hardship arising from the foregoing changes and to make special provision if they deem it appropriate. In exercising this discretion the Commissioners will, it necessary, take into account any differences in the capital expenditure control arrangements and budgetary timetable of Scottish authorities and those in England and Wales.
- 7. The new arrangements will be kept under review during the year.

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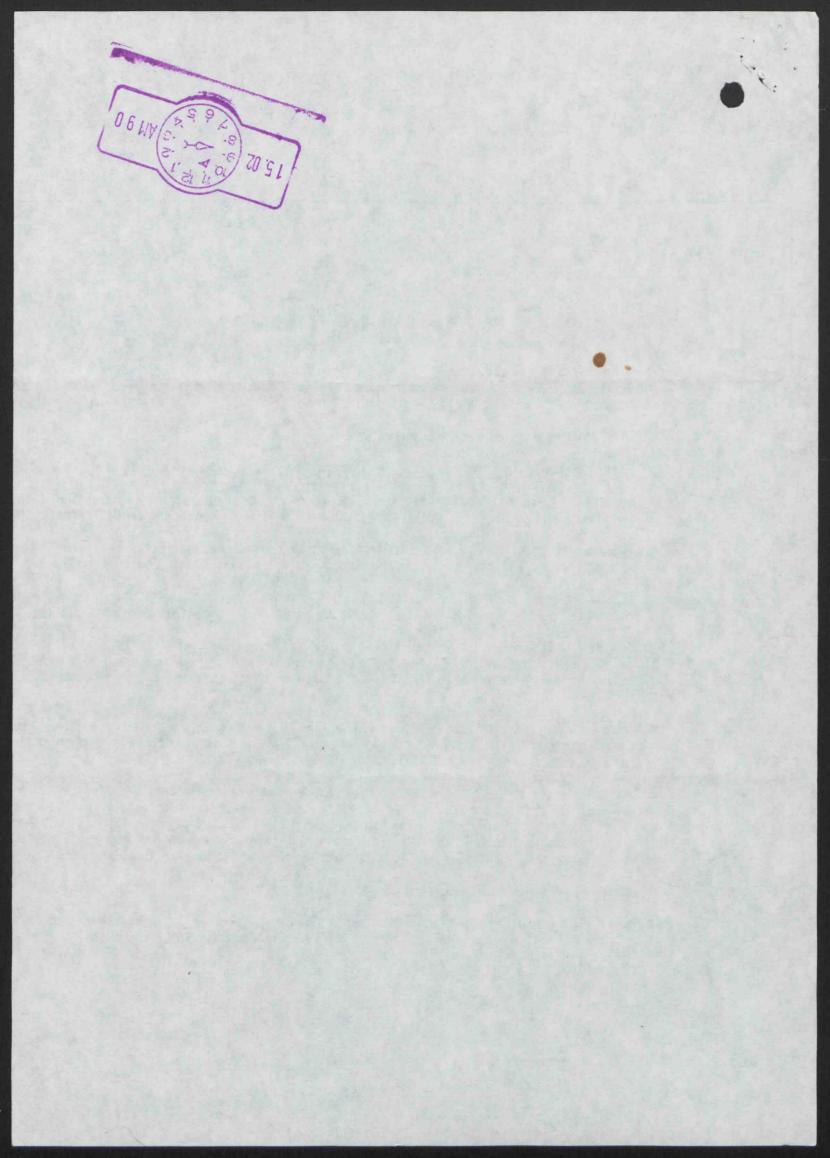
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8. A circular giving full details of the arrangements for lending to local authorities from April 1990 will be issued in March. Enquiries relating to this circular may be made to 01-606 7321, extensions 23, 41 or 31.

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I H Peattie Secretary







Treasury Chambers, Parliament Street, SW1P 3AG

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

4 February 1990

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LOCAL AUTHORITY CURRENT: ARRANGEMENTS FOR HANDLING THE 1990 SURVEY

When John Major and Nicholas Ridley decided on the handling of local authority current issues in last year's public expenditure Survey, they agreed to review the arrangements, in the light of experience, before the 1990 Survey. In particular, they agreed to review whether to continue with decisions and an announcement in July of the main elements of the settlement for local authority current expenditure: figures for Aggregate Exchequer Finance (AEF), Total Standard Spending (TSS) and the Community Charge for Standard Spending (CCSS). Officials have now discussed the various issues, and I am writing to set out, in the light of their discussion, how I think it will be best to carry out this aspect of the 1990 Survey.

2. All of us involved in decisions on local authority expenditure and finance will, I think, agree that the issues raised are both technically complex and politically sensitive. We need to ensure that the arrangements for the Survey enable those decisions to be taken on as sound a basis as possible.

Main Decisions in July

3. It is useful to consider our experience of last year's timetable. It was, and will be, no easy matter to take decisions on these matters in July. But at least we know that last year's timetable works from the practical point of view. It means that consultation on the settlement can start as soon as possible after we have final figures for distributable amount of National Non Domestic Rates. And the service breakdown of TSS and any changes to the Standard Spending Assessments, can be finalised within a firm figure for the total.

- 4. Your officials, and those from other departments, have wondered whether an announcement in July might make it impossible for us to take full account of information relevant to the settlement, which emerges slightly later in the year. Clearly, we need to take our decisions in the light of the best possible information about all the relevant circumstances including the prospects for the economy and public expenditure generally, as well as local authorities' costs. I have therefore carefully reconsidered the extent to which it is possible to ensure that decisions taken in July are taken on the basis of sound information.
- 5. As a starting point, I that think it would be possible and helpful for officials to work out a more systematic way of bringing together the implications of the numbers under discussion, well before discussions begin. This may be an area where you would like your officials to take the lead, but mine will be happy to give whatever help they can. Departments have for example suggested that more attention should be paid to the likely service breakdown of TSS at an earlier stage; perhaps officials could again consider how exemplifications of this could be incorporated into the material provided for E(LG).
- I know that colleagues are particularly concerned that, 6. decisions are taken in July, proper account should be taken of the outlook for pay settlements which affect local authority groups. The increase in police pay is linked to the underlying increase in average earnings over the year to May, which is published in mid-July, and can be predicted fairly accurately at an earlier stage. The other element of local authorities' costs for which central government has some responsibility is teachers' pay, on which we shall need to look to John MacGregor for guidance (though I understand that it is unlikely that negotiations will have been concluded by October 1990). There is of course a good chance that decisions about expenditure in July will precede the outcome of local authorities' own pay negotiations. But in that case, I can only say that I think it is important for our announcement to seek to influence those decisions, rather than for us to come under pressure to validate what may be excessive increases later in the year.

All Decisions in the Autumn

7. So much for the disadvantages which officials have suggested may accompany a July decision. I should like now to consider a little more closely what would be involved in practice in postponing all decisions to the Autumn. I understand that, to meet the timetable for finalising the local authority settlement, you need to begin consultation no later than this year's date of 6 November, and that an earlier start would be helpful. I understand also that your officials need two weeks or so after final decisions have been taken, to check the numbers and prepare the exemplifications. The timetable will be even tighter for Malcolm Rifkind, since budgets in Scotland have to be set by the end of January.

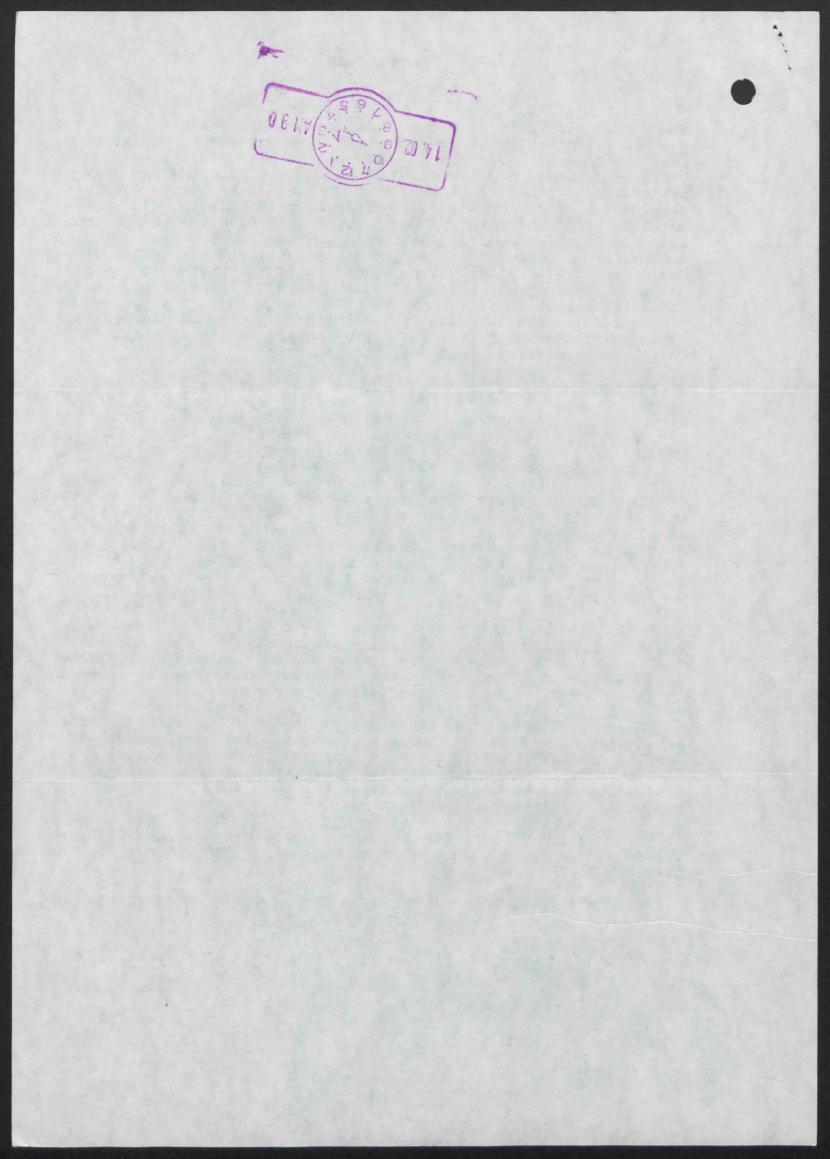
8. This is a tall order. To meet your timetable, we should have to fit in at least two, and possibly three, meetings of E(LG) between the end of the holiday season and, realistically, the Party Conference. And we should either have to decide the service breakdown at the same time, which would make for an even more complex set of decisions, or finalise it very quickly afterwards. In addition the timing of the announcement of decisions on local authority current would be difficult. The announcement of the outcome should come in the Autumn Statement - the Chancellor and I would see grave difficulties, not least in terms of market management, if you and colleagues were to announce programmes totalling almost one-sixth of the Planning Total shortly before the Autumn Statement. We certainly could not guarantee that the Autumn Statement would be before your deadline of 6 November - that was not possible last year, for example.

Assessment

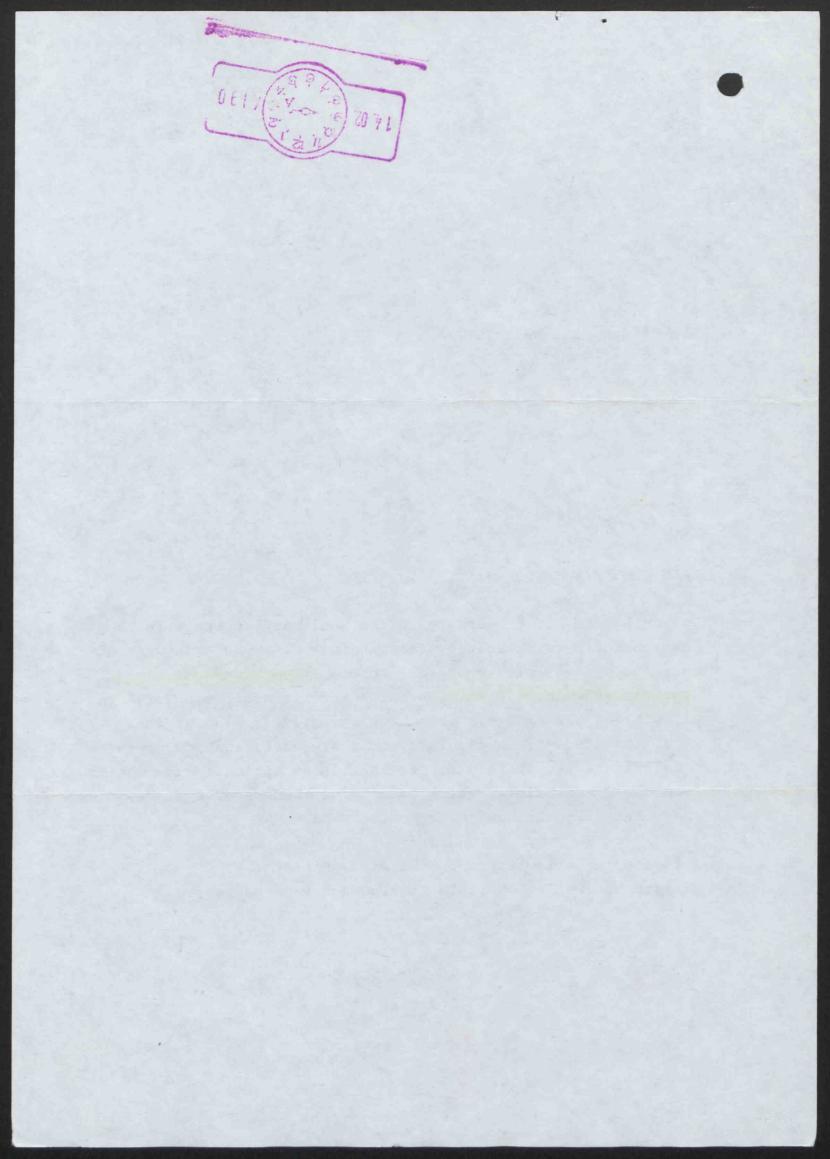
- 9. All this suggests to me that there is a strong case for retaining a July announcement. I understand that officials considered another possibility, of doing most of the work in July, with a final decision delayed until September. But I do not find this half-way house attractive or indeed practical. It has the disadvantage of requiring an announcement in the middle of the Survey. The announcement would also fall during the recess-though it is obviously for you to judge whether this would be acceptable to colleagues in the House. Moreover, I suspect it would prove unrealistic to expect to reach useful decisions in July, given the other pressures at that time, if we knew that they could be looked at again in September.
- 10. I come back to the starting point of this letter. Decisions about support for local authorities are inevitably complicated and difficult. With the best will in the world, I doubt that, against the background of all the other decisions which have to be taken in the Survey, we can realistically hope to determine the settlement, from start to finish, in the few weeks between the end of the summer holiday and the start of November. Given the other advantages of announcing the main aggregates in July, and provided that we can take the steps I have proposed to ensure that we have the best available information at that stage, I hope that you and colleagues will be content for us to continue to plan for a July announcement of the main aggregates.
- 11. I should be grateful for an early response, if possible, so that we can incorporate our decisions in the wider Survey guidelines.
- 12. I am copying this to the Prime Minister and other members of E(LG).

NORMAN LAMONT

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Copy to The Rt Hon Margaret Thatcher MP Prime Minister Bank of England
London EC2R 8AH The Governor 14 February 1990 The Rt Hon John Major MP Chancellor of the Exchequer HM Treasury Parliament Street London SWIG 3AG Dear John, PWLB QUOTAS FOR 1990-91 WITHIG In your letter of 8 February to the Secretary of State for the Environment, you asked copy recipients to let you know whether they are content with what you propose. The Bank entirely supports your initiative. We think that it will be helpful in alleviating the problems that have recently arisen for money market management, particularly if above-quota lending, even at penal rates, is withheld (other than in exceptional circumstances) from local authorities which have large amounts of both deposits and outstanding borrowings from the PWLB. I am copying this letter to the Prime Minister, Christopher Patten, Malcolm Rifkind and Peter Walker.



PRIME MINISTER

MONEY MARKET MANAGEMENT: PWLB QUOTAS AND RATES

You will wish to be aware of some Treasury proposals for amending the terms of PWLB lending to local authorities. arises because local authorities have been causing great difficulties for money market management by borrowing long term from the PWLB at the very fine rates available and then building up short-term deposits.

The Treasury letter setting out their proposals at Flag A is very difficult to follow, and you may prefer just to rely on the attached one page summary describing both the problem and the proposals.

of caveats have been raised by Chris Patten (Flag C), Malcolm Rifkind (Flag D) and Peter Well The package is supported by the Governor (Flag B), but a number Rifkind (Flag D) and Peter Walker (Flag E). Chris Patten's letter at Flag C is the most significant, drawing attention to the presentational problems in appearing to put an extra burden on local authorities - by effectively raising their borrowing costs - just when community charge levels are being set. But I gather that the Treasury consider that they can satisfactorily meet Chris Patten's points in the drafting of the proposed statement. If they can't borrow so easily - they won't spend so early,

> Content to note the Chancellor's proposals and agree to him proceeding subject to sorting out with colleagues the detailed points they have raised?

PAUL GRAY

14 February 1990

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why we have a BULB at all

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when we are comfartly aying that 2-the which relie don't work

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MONEY MARKET MANAGEMENT: PWLB QUOTAS AND RATES

The Problem

The Bank controls interest rates by keeping the money market short of funds. It is becoming increasingly difficult to maintain shortages because local authorities are borrowing long from the PWLB at very fine rates and building up substantial short-term deposits at much higher interest rates, a profitable but risky exercise.

The Proposal

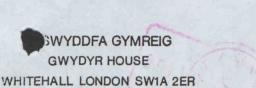
The right solution would be to require local authorities to use deposits to repay their debt. But the Treasury was unable to get the necessary clauses into the Local Government and Housing Bill last summer.

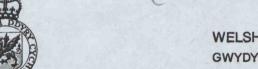
Instead, the Treasury is now proposing:

- tightening up PWLB "quotas" (the limits that apply to each local authorities' access to PWLB funds at fine rates) and ensuring quotas take into account the level of a local authority's deposits;
- bringing PWLB lending rates for quota borrowing closer to (but still below) market rates when circumstances permit;
- asking the PWLB to stop lending above quotas except at penal rates or where a local authority might experience difficulty.

The Effect

These measures will not halt local authority financial intermediation. But they should cut the level of local authority borrowing from central Government and thus significantly ease the money market situation.





Ceft

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01-270 0538

From The Secretary of State for Wales

Oddi wrth Ysgrifennydd Gwladol Cymru

01-270 0538 (Llinell Union)

Tel. 01-270 3000 (Switsfwrdd)

The Rt Hon Peter Walker MBE MP

13 February 1990

thea?

Dear Chancellor,

PWLB QUOTAS FOR 1990/91

You copied to me your letter of 8 February to Chris Patten.

Clearly there will be a cost to local government. I note your view that it will be minimal for the coming year, but I would like to leave open the possibility of examining it in future LA revenue settlements if it becomes significant. So far as the effect on individual authorities goes, it is likely that your proposals would leave all Welsh counties bar one with a quota below their credit approvals for 1990/91. I would therefore hope that a comparison between quota and credit approval could be one of the criteria for determining eligibility for the special treatment you promise in cases of hardship.

Finally, I note your legal advice that any change will have to be made by the end of the financial year. Of course authorities set their budgets rather sooner than that - 1 March is the first statutory deadline but some will already have reached their decisions. I assume your legal advice has assured you that it is not already too late to make changes.

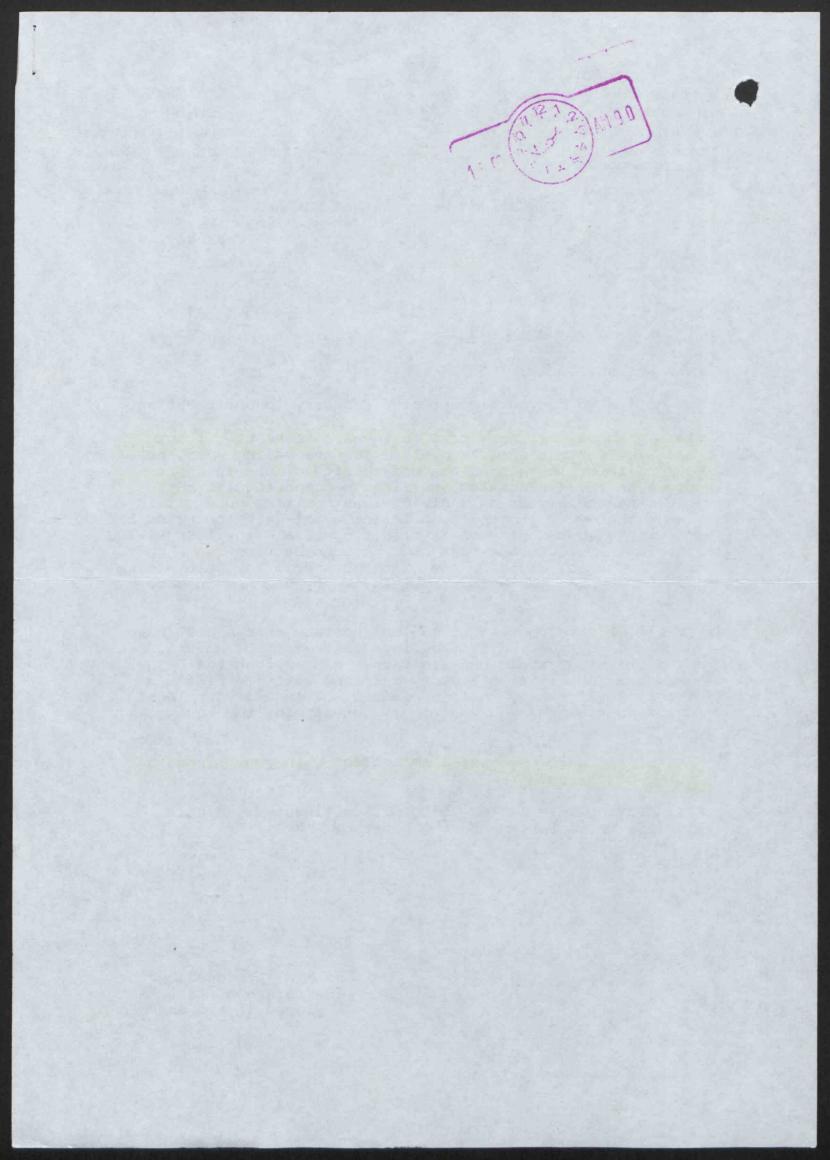
Subject to these caveats, I am content with your proposed course of action.

/ I am copying this letter to the Prime Minister, Malcolm Rifkind, Chris Patten and the Governor.

Approved by the Secretary of State and signed in his absence

Jours suicerely, Anna Clema

The Rt Hon John Major MP Chancellor of the Exchequer Treasury Chambers Parliament Street LONDON SW1P 3AG







SCOTTISH OFFICE
WHITEHALL LONDON SWIA 2AU

Rt Hon John Major MP Chancellor of the Exchequer Treasury Chambers Parliament Street LONDON SW1P 3EB

13 February 1990

PWLB QUOTAS FOR 1990-91

WITH Pa!

Thank you for the copy of your letter of 8 February to Chris Patten about the circular you intend writing to PWLB Commissioners to issue on Thursday (15 February).

While I have no reason to question the aims which the revised quota arrangements are intended to meet, the timing of their announcement does concern me. Scottish local authorities had to determine their community charges by 29 January and have therefore already taken their key budgetary decisions for the coming financial year. There is a risk, therefore, that either or both of the decisions to restrict access to quotas over the balance of this year and to reduce quotas for the coming year may affect particular authorities adversely and in ways in which they had not planned for. I can put it no more strongly than this since we have not been able in the limited time available to explore these questions and I doubt, even if we had been given more time, whether we could have reached a firmer view without consulting local authorities themselves which clearly would not be possible in the circumstances.

Added to this concern there is I believe a presentational point I have to bear in mind and this is that, notwithstanding the case for bringing PWLB quota interest rates closer to market rates over time, the need for precipitate action arises from the accumulation by certain English local authorities of large deposits from unused capital receipts. In Scotland our rules, which prohibit local authorities from carrying out more than 10 per cent of the value of capital receipts generated in a particular year, have prevented deposits which might be held into the medium to longer term building up from receipts.

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The difference in the budgetary cycle in Scotland may therefore cause particular transitional difficulties here and in a situation in which the need for urgent action was not attributable to financial management by Scottish local authorities. Clearly the risk of the Government being held to have acted unreasonably in this regard would be reduced if the Commissioners were able to take account of the Scottish budgetary cycle in using their discretion in relation to the restriction on the use of quotas this year as well as the effect of the reduced quotas next year. I do not know what guidance is given to the Commissioners on the use of discretion but I do not think that in practice its use in circumstances of "exceptional difficulty or hardship" would be sufficient to meet my This is simply that particular Scottish local authorities may be concern. drawn into deficit next year because they were unable to allow for the effects of the new arrangements on their budgets when setting community charges for the coming financial year. The description of the use of discretion given in paragraph 6 of the draft circular appears to me to be too restrictive to cover circumstances in which authorities have already taken decisions for the coming financial. I should therefore like you to consider adding at the end of paragraph 6 of the proposed circular the following: -

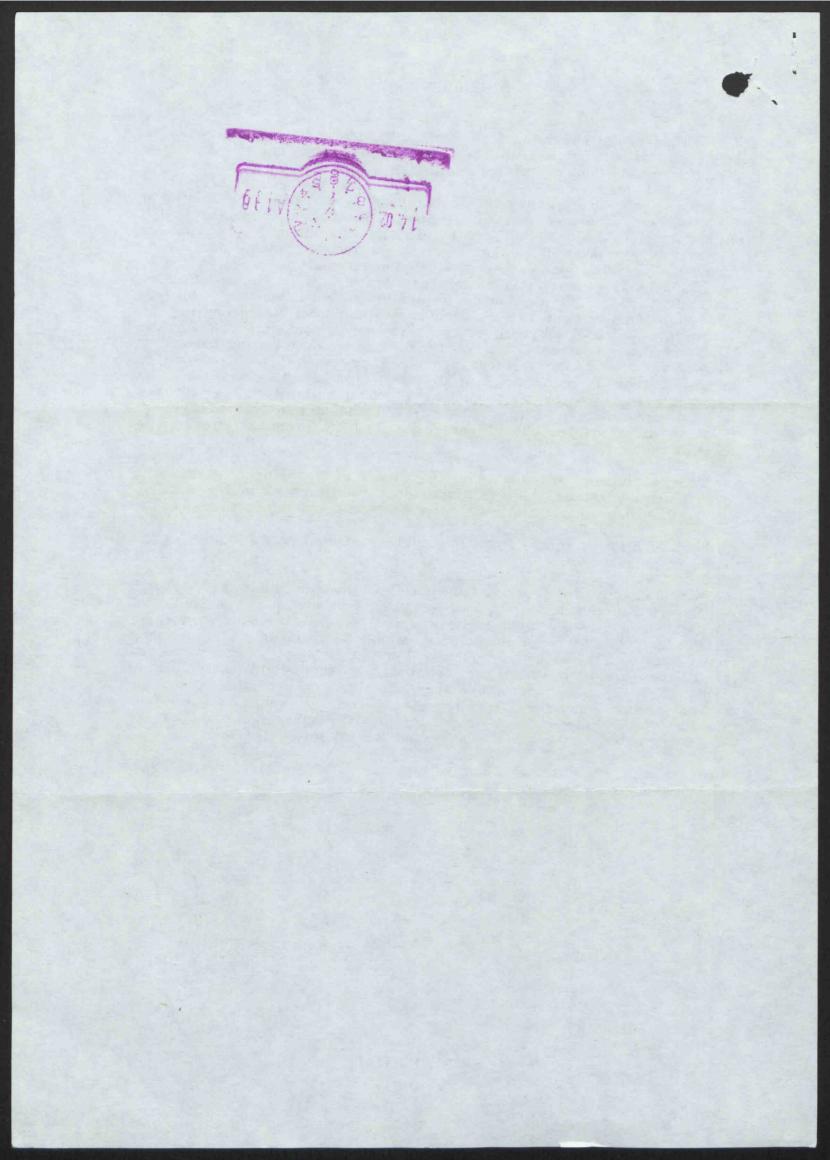
"In exercising this discretion in respect of Scottish authorities the Commissioners will take into account the differences in the Scottish capital expenditure control arrangements and budgetary timetable."

Without such an addition I think we could face enormous difficulties in the event of judicial review.

On a minor point of definition, it is not clear what definition of "deposits" will be used in calculating the new quotas. If there was a possibility of distinguishing between deposits which were essentially held as working capital for the short term and deposits which consisted of medium to long term investment when setting quotas, I would be slightly less concerned about the extent to which the arrangements might bite next year in Scotland. However I recognise the difficulties of providing a suitable definition and therefore possibly the need to rely also on the Commissioners' judgement in deciding whether deposits, or a part of them, might be used to reduce borrowing for capital purposes.

I am copying this letter to Chris Patten, the Prime Minister, Peter Walker and to the Governor of the Bank of England.

MALCOLM RIFKIND





The Rt Hon John Major MP Chancellor of the Exchequer HM Treasury Parliament Street LONDON SW1P 3AG 2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref

Your ref

/3 February 1990

Dear Charallor

Thank you for your letter of 8 February about Public Works Loans Board Quotas for 1990-91.

I can understand your general approach. I agree that we should address this problem at source rather than seek to prescribe how local authorities should use their deposits. But I have three concerns.

First, there are serious presentational problems. Your proposals represent unavoidable additional burdens on local government just at the season when community charges are being set and when our opponents are seeking excuses to put the blame for the level of charges on our shoulders. As deposits are run down, local authorities will lose the benefit of the "turn" between the interest receivable on their deposits and the interest payable on PWLB loans. And when PWLB quota rates are adjusted more into line with market rates, authorities will have to pay the higher rates on new loans. Whilst you are right to say that local authorities have no expectation of any particular level of interest rates, they have had the expectation that PWLB rates would be somewhat finer than market rates, whatever these turned out to be.

The effects of your proposals would be small in 1990-91. For 1991-92 and later years they would be noticeable. I seek your confirmation that costs will be fully allowed for when we set Total Standard Spending (TSS) and Aggregate External Finance for 1991-92 and we should state this explicitly when the changes are announced.

Secondly, the proposals could have serious consequences for individual authorities with an abnormal amount of debt maturing in 1990-91. I understand that it is your intention that the Commissioners would be able to use their discretion to lend at quota rates in excess of quotas to assist such authorities. I believe that it would be right to make this explicit. I suggest adding



"They will, however, consider applications from local authorities with an abnormally high level of debt due to mature in the financial year."

after the first sentence of paragraph 3 of the draft circular. The word "also" should then be added after "The Commissioners will" in paragraph 6.

Thirdly, your proposals would work harshly in the case of authorities which, for whatever reason, have an abnormally high level of revenue balances or usable capital receipts at the beginning of 1990-91. These will in general be the authorities who have resisted the temptation to spend as much as possible of their receipts this year. This disadvantage of your proposals could readily be removed by redefining for local authorities in England and Wales the second element of the quota entitlement as:-

"4 percent of its credit ceiling on 1 April 1990"

In the new capital finance system, the credit ceiling is the measure of an authority's credit liabilities which have not been provided for and is independent of revenue balances and usable receipts (though it incorporates the receipts set aside for debt redemption at the start of the new system).

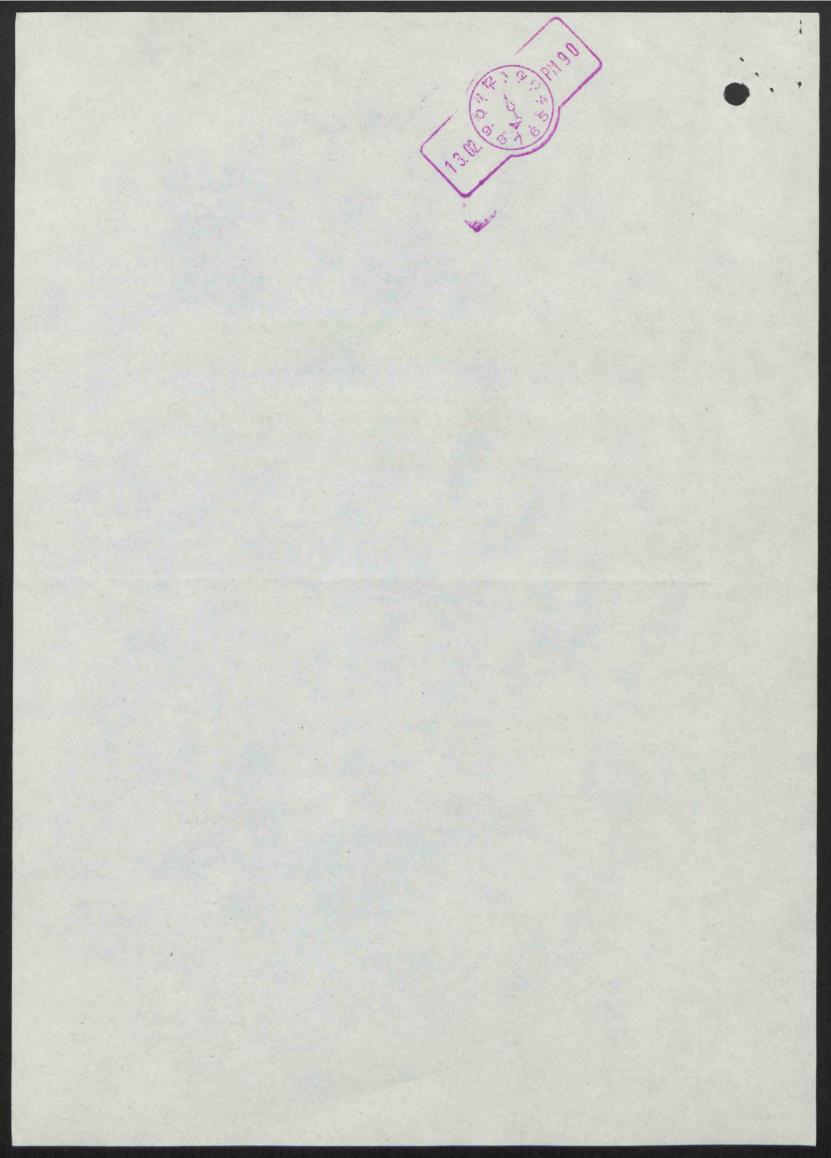
I am sending copies of this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, and the Governor of the Bank of England.

CHRIS PATTEN

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(approved by the Fretay o) State and signed in his absence).





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MR MILLS

PWLB QUOTAS FOR 1990/91

Thank you for your note of today's date. I must say I have serious doubts about putting your ideas to the Prime Minister. At this morning's meeting, having flirted with the idea of limits on local authorities' expenditure, the Prime Minister was coming back to the view that Community Charge capping was the right approach. To suggest that capping should now be linked to the RPI is surely far too draconian to be contemplated. It cannot be justified by analogy with the NNDR; the two cases are quite different given the <u>uniform</u> nature of the new business rating system. Your idea would drive a coach and horses through the concept of accountability.

Equally, I do not see how Ministers could contemplate saying that the Community Charge could only be used for revenue purposes. We have only just put in place a whole new capital régime for local authorities, and this too would be effectively torn up.

So, unless you have any evidence that DoE Ministers themselves are contemplating ideas of this sort, I really do not think it is right to be floating your radical suggestions at this stage.

As to the handling of the PWLB quotas correspondence, I have been waiting to see a response from the DoE before alerting the Prime Minister. But I am told that should be available tomorrow.

freb.

PAUL GRAY

13 February 1990

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PAUL GRAY

13 February 1990

PWLB QUOTAS FOR 1990/91

The Chancellor's letter of 8 February to Chris Patten.

The essence of the problem which the Chancellor wishes to tackle is that local authorities are financing capital expenditure through cheap borrowing from the PWLB, rather than from their substantial holdings of receipts which they are lending on the money markets for better returns, or from the money markets themselves. The size of the flows is such that it is impacting upon the Bank's control of short-term interest rates.

The Treasury's aim is to reduce money market distortions, not to cut local authority borrowing. But a secondary, important objective, is to wean authorities away from borrowing at preferential interest rates. PWLB rates are typically 1/4% below market rates. Thus total borrowing may be reduced.

Using the PWLB had its value when authorities had few capital receipts of their own. It was a way of passing on to them the benefits of the Government's being able to borrow relatively cheaply. But now that authorities generally have high capital receipts of their own, PWLB loans are little more than a disguised subsidy from the taxpayer. Authorities in fact now have some £11 billion on deposit, four times the 1985 figure.

The Impact of the Change on Local Authorities

This will be marginal in 1990/91. But in 1991/2, as a result of tighter PWLB quotas in 90/91, a broad estimate is that £2-3 billion of local authority borrowing will be switched from the PWLB to the markets. This will carry a relatively higher

interest burden. In addition, reducing the differential between PWLB and market interest rates will lead to a relative increase in the costs of PWLB borrowing.

There is thus likely to be some impact upon 1991/2 Community Charge levels. DOE have tentatively estimated that 1991/2 average charges could be some £14-16 higher than otherwise.

Policy Implications

The possible impact on 1991 average community charge needs to be taken very seriously. It is not, in my view, an argument for not supporting the Chancellor. But, especially in the light of the Prime Minister's meeting today, it does beg the question whether action needs to be taken to control local authorities' financing of capital from revenue.

The new arrangements for local authority finance do not tackle this directly, but rely on the inherent discipline of the Community Charge. The evidence from Hampshire, for example, described today by Chris Patten, is not however very encouraging that this will work. It would be particularly unfortunate if, next year, a number of authorities continued to seek to raise capital through the Community Charge and were able to claim justification, in whole or part, by reference to the policy changes now proposed by the Chancellor.

Even apart from the current proposal, the situation described this morning was serious enough to warrant consideration being given now to possible ways of ensuring that community charge can only be used for revenue purposes except (perhaps) where a specific local electoral mandate to the contrary had been obtained. It may even be that such controls would need to go hand in hand with more direct restrictions on maximum charge levels, for example by limiting future increases to the rate of inflation, as with NNDR, though one recognises that this could create difficult problems of accountability.

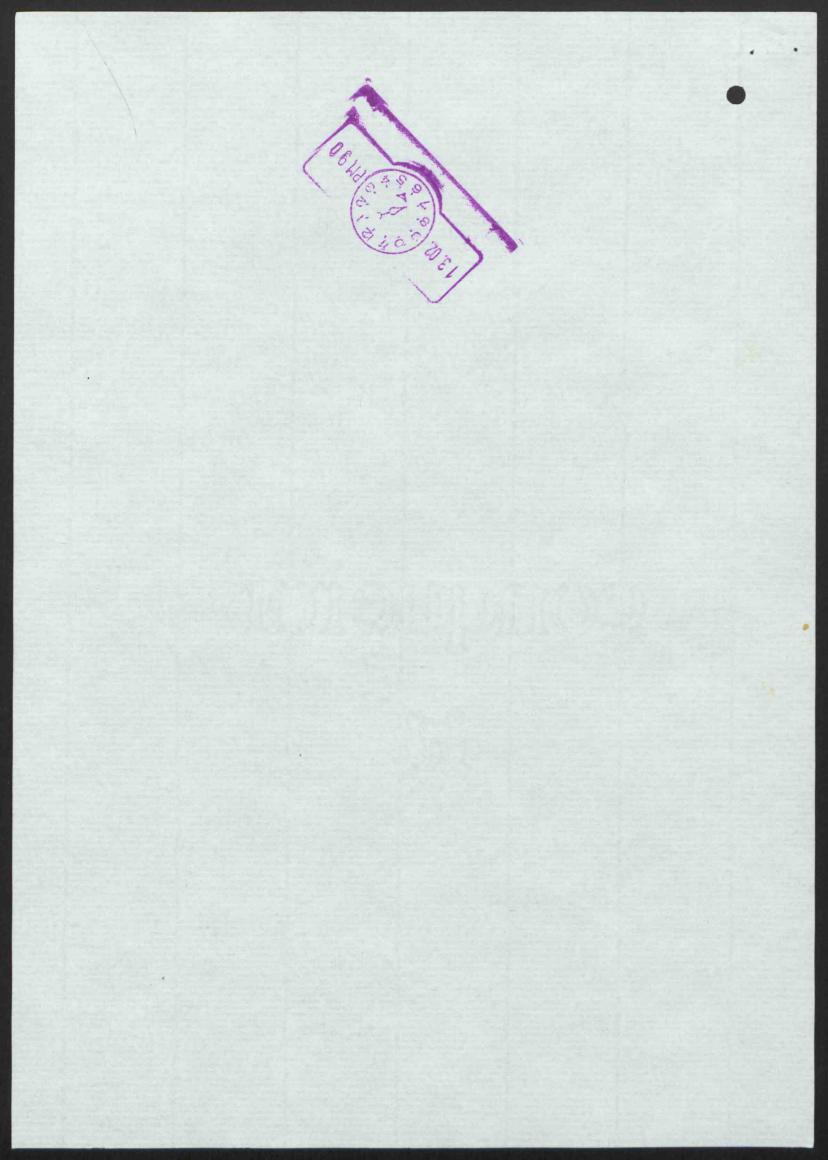
CONCLUSION AND RECOMMENDATIONS

I understand that other colleagues are likely to support the Chancellor's proposal: it has been extensively discussed at official level. It is clearly a necessary step in terms of economic management. But it does run the risk of fuelling the tendency which has already emerged from local authorities to seek to use the community charge for capital as well as revenue purposes. This carries considerable dangers for charge levels in 1991 and beyond.

I therefore recommend that in endorsing the Chancellor's proposal, the Prime Minister asks for work to be put in hand on the possibility of averting this, for example through new rules which would limit the use of community charge moneys for revenue purposes. This work might also include the feasibility of limiting future increases in Community Charge to the rate of inflation, as with NNDR.

John Mus

JOHN MILLS



SECRETARY OF STATE

Rie Marik 2

2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

The Rt Hon John MacGregor OBE MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

/2 February 1990

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1991/92 LOCAL AUTHORITY GRANT SETTLEMENT

My officials will shortly be opening discussions with the local authority associations on two aspects of the 1991/92 Grant Settlement. These concern work to identify factors affecting expenditure next year, and on the methodology for Standard Spending Assessments. Norman Lamont will be making proposals about handling the local government settlement in the Survey, but we can deal with these issues separately.

Last year we adopted a new remit for the discussions on expenditure. This provided an opportunity for local authority associations to put forward their views on the pressures for new spending and on the scope for savings, but did not commit officials to seek agreement with the associations. I understand that this approach proved largely successful, in that although the associations naturally produced figures which were higher than we were prepared to contemplate, we were not generally faced with the accusations which had been made in previous years that departmental officials were party to these estimates.

I therefore propose that we should adopt the same form of remit for this year's discussions. An updated version is attached. I think it would be helpful if officials could again probe and test any assertions put forward by the local authority side, and could make sure that the scope for savings is properly examined. They should also make sure that where the Government has a firm view as to the



amount a new policy should cost that this is made clear. But beyond that officials should I think avoid committing the Government to accepting any particular figures for next year's expenditure as being reasonable or necessary, as this could make it much more difficult for us to present the settlement.

Secondly, we shall shortly begin discussions of any changes which may be necessary to the methodology for Standard Spending Assessments. It was our hope that having achieved a new distribution methodology we could avoid unnecessary changes from year to year. I did, however, promise in the House when the settlement was debated that we would be prepared to look at any new evidence with a view to incorporating changes in 1991/92 or later years. We had also previously agreed to discuss with the associations the need to commission any longer term research or data collection which might be desirable to improve SSAs in future. My officials have invited the associations to put forward any new evidence which may point to the need to re-examine particular areas.

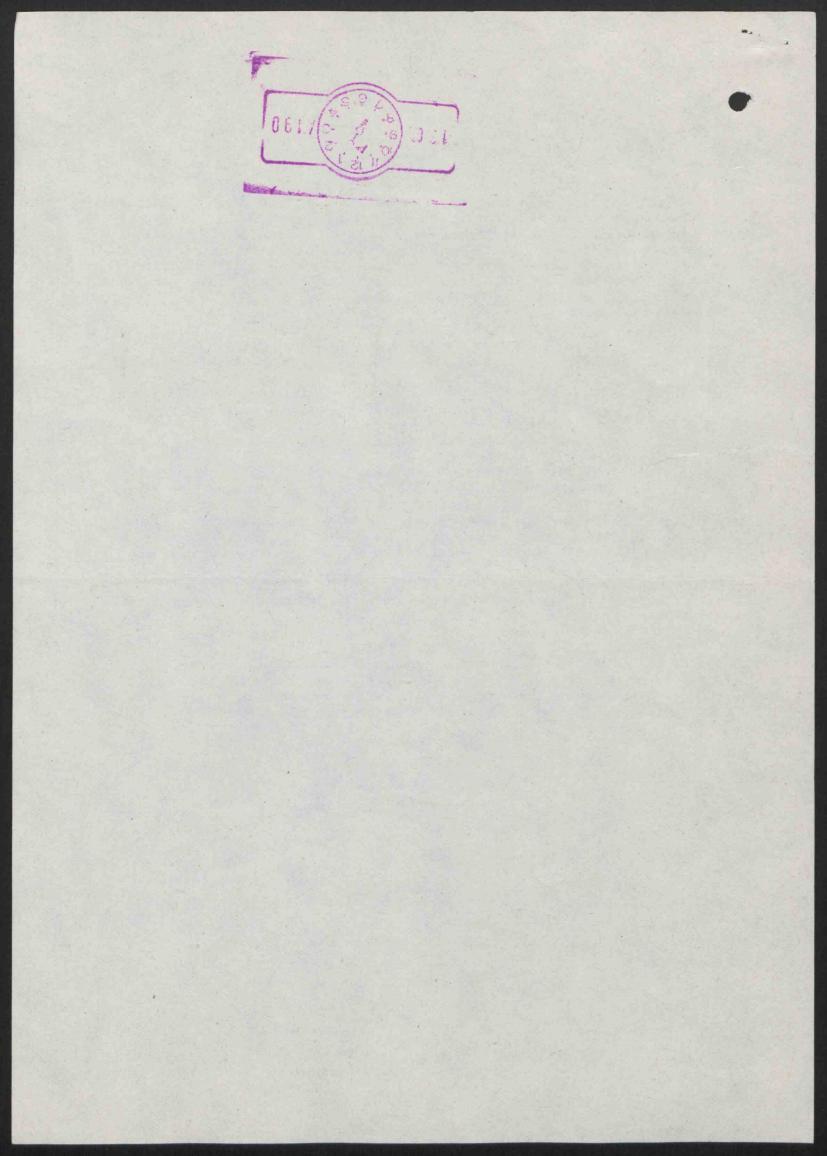
I am sending copies of this letter to the Prime Minister, other members of E(LG), and Sir Robin Butler.

Jung ism.

CHRIS PATTEN



REMIT FOR DISCUSSIONS ON LOCAL AUTHORITIES' EXPENDITURE 1. As part of the Revenue Support Grant Settlement, the Government will need to decide on a figure representing what it would be appropriate for authorities to spend in order to provide a standard level of service, both at the aggregate level and for each of the main services covered by a separate component of the Standing Spending Assessments. In order to inform this decision, the Government invites the local authority associations to exchange information and provide views on the following issues: (1)latest estimates of likely service expenditure outturn in the period before the first Survey year, 1988-9, 1989-90 and 1990/91; (2) for 1991-92 the scope for increased efficiency in existing services, particularly through the extension of best practice and in other areas where scope for improvement has been identified by the Audit Commission; (3) for 1991-92 the scope for other savings, including re-ordering of priorities and increasing revenue income; and (4) for 1991-92 the identification of new demands on local authorities, arising from new responsibilities, as demographic change, and assessment of the costs of meeting such demands with maximum efficiency. The discussions should assume where necessary the Government's projection of inflation. 2. The discussions should take place in specialist groups covering Education, Personal Social Services, Transport, Home Office Services and Other Services. The views expressed in these specialist or sub groups will be presented to the Settlement Working Group which will in turn present them in a report to CCLGF. FLG/DOE Febuary 1990 doc978JA





A GSPU

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

8 February 1990

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

Dear Secretary of State, PWLB QUOTAS FOR 1990-91

As you may be aware, I have become increasingly concerned about the level of local authority investments. These, coupled with high levels of borrowing from the PWLB, are now causing unacceptable difficulty for our management of the money market. This poses a threat to the Bank of England's control of short term interest rates - which we simply could not allow to happen. It is clear that, if present trends continue, we are going to have to start adopting increasingly difficult and expensive measures to offset the effect of local authorities' position in the market. I have, therefore, come to the conclusion that we must take more direct and immediate action.

I am aware that there are arguments that the problem will resolve itself if we wait long enough, that the level of deposits will fall as the new capital finance constraints start to bite and the level of capital receipts starts to dry up. But we cannot be certain that that will happen or how long it will take, and I am afraid I am simply not prepared to take the risk. My legal advice is that if we are to act, we should do so before the start of the coming financial year, and that if we do not, a decision to act during the course of the year may be difficult to defend if it were to be challenged in judicial review proceedings.

The most obvious solution would be to require local authorities to use their deposits to repay debt. Nigel Lawson and I considered



that with your predecessor in the Summer and were eventually persuaded (very reluctantly) not to press it. We do not, therefore, have the necessary powers to tackle the problem in the most direct way. We may need to return to that route at some stage, but in the meantime our officials have been considering a range of alternative solutions. The most straightforward one appears to be to use the PWLB quota system to cut the level of borrowing from the public sector. PWLB money cannot be borrowed to invest, and there is no suggestion that that is what authorities in general are doing. But it is the combined effects of the high level of deposits and the level of PWLB borrowing which is causing the problem, and if we cannot tackle the former we must address the latter.

At present, the PWLB quota system, though still in place, does not bite. Quotas are set each year at the higher of £10 million or 75 per cent of net reckonable capital expenditure plus 10 per cent of capital debt outstanding at the start of the financial year. But for a number of years, we have encouraged the PWLB to make additional loans readily available and kept the rates at extremely competitive levels, because conditions were such that it helped our management of the markets to have local authorities' borrowing effectively channelled through the central Government accounts. That is no longer the position. Indeed the reverse is now true, and it is not sensible to compound our problems by allowing the PWLB to lend without limit, or to keep undercutting the market by such a wide margin.

Subject to any comments you have, therefore, I propose to invite the PWLB Commissioners to set the quotas for 1990-91 at 75 per cent of net reckonable expenditure plus 4 per cent of capital debt less deposits at the start of the financial year, to abolish the £10 million quota; and not to lend above quota except at penal rates or where it would otherwise cause authorities unreasonable difficulty, for example, where the authority has an exceptional pattern of debt redemption and where an authority does not have deposits which it could use instead.

Our officials have looked at the possible effect on individual authorities, so far as that can be judged with the information available. The impact will inevitably be fairly arbitrary; it will hit some authorities harder than others. But the authorities affected will be able to get the balance of their requirements on the market, albeit at a slightly higher cost. The extra cost will be unwelcome, but will only relate to the balance of their requirements, and I see no alternative. The PWLB Commissioners will be able to use their discretion to ease any particular difficulties. They will also continue to act as lender of last resort, and so no authority will be unable to raise the money it needs, one way or another.

The full impact of the proposals is difficult to assess accurately. If we had applied them in 1989-90, they would have



reduced maximum entitlement by a nominal £7.6 billion. But there is so much slack in the system at present, that actual borrowing would have been cut by far less, perhaps £2 to 3 billion. That has to be looked at against the fact that authorities currently hold investments of about £10.9 billion, about four times the level in 1985.

I attach a draft of the proposed PWLB circular telling local authorities of the change. As you will see, it includes measures to contain the level of borrowing in the last few weeks of the year to prevent forestalling. This is perhaps the most difficult part of the package but I see no alternative, and I would be content for the Commissioners to use their discretion fairly generously on this point to avoid undue problems.

We will keep the impact of these proposals under review throughout the year, and we can ease them off very readily at any stage if circumstances permit. On the other hand, I think we must warn the authorities that if the problems persist or get worse, we may have to take further action during the course of the year.

Finally, I also propose to bring the PWLB rates up closer to, but still below, market rates when circumstances permit. The rates are currently set at the absolute minimum possible consistent with the constraints of the 1968 National Loans Act to attract as much of local authorities' borrowing as possible to the PWLB. That is no longer desirable, and I therefore propose to bring the rates closer to market levels, by holding them steady when interest rates generally start to fall. Authorities can have no legitimate expectation that interest rates will fall at any particular time in the year; if we warn them in advance, they can have no legitimate basis for complaining if the PWLB rates take longer than others to fall, and no basis for arguing that we have imposed an unexpected cost.

Authorities are already aware that we are concerned about the level of their deposits and have a good idea that we are considering taking action of some sort. But we need to tell them quickly what we propose. The PWLB usually give authorities an indication of the quotas for the year ahead in February, followed by a further detailed circular at the end of March. Unless you have any over-riding objections, therefore I will invite the PWLB Commissioners to issue a circular on the lines of the attached next Thursday afternoon (the 15th).

The Commissioners have their next meeting on Wednesday and I understand there is a meeting of the Capital Programme Working Party with the local authorities on Thursday. Given the nature of the changes, I think it would also be appropriate to announce them to the House, by way of a written PQ, for answer after Prime Minister's questions on Thursday. That written Answer would also include the interest rate change outlined above. (The interest



rates are set by the Treasury not the PWLB Commissioners). My officials would clear the text with yours.

Could you and copy recipients please let me know that you are content by next Thursday morning at the latest. I would be happy to discuss, if you wish. I am copying this letter to the Prime Minister, Malcolm Rifkind, Peter Walker, and the Governor.

Jours sincerely. Ornean Sparkers

[Approved by the Chancellor and signed on his behalf]

DRAFT PWLB CIRCULAR TO LOCAL AUTHORITIES

QUOTA ARRANGEMENTS FOR 1990-91

- 1. As foreshadowed in the Board's Circular No. 86 issued on 8 February 1989, the Commissioners have reviewed the quota arrangements for the financial year 1990-91 and have decided that the following changes will be made.
- 2. The quota entitlement for each authority will be:

75 per cent of its net reckonable capital payments made during 1990-91; plus

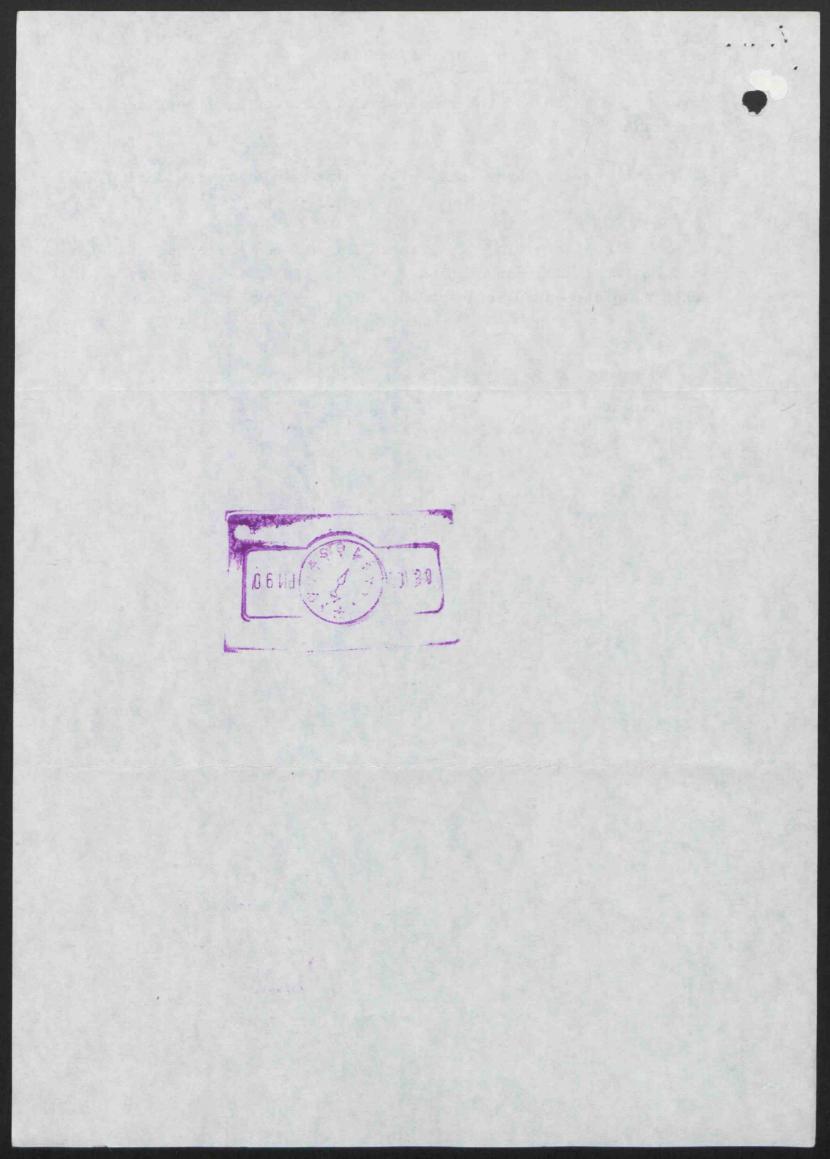
4 per cent of its net reckonable debt incurred for capital purposes, being the total amount outstanding less the total of sums held on deposit on 31 March 1990.

There will be no minimum quota entitlement.

- 3. The Commissioners will no longer be prepared, as a matter of course, to make loans available in addition to the quota and at quota rates. The normal arrangements by which loans may be made under the non-quota A and non-quota B facilities will continue to operate.
- 4. In order to limit the level of borrowing in the remainder of this financial year, the Commissioners have decided to restrict advances from the date of this circular to 31 March 1990, to not more than one-tenth of each authority's quota for the year.
- 5. The limits on carry-over of 1989-90 quotas into 1990-91 will remain as stated in section 5 of the Board's Circular No. 87, issued on 28 March 1989. The Commissioners intent to set a lower limit for carry-over from 1990-91 into 1991-92.
- 6. The Commissioners will be prepared to consider particular instances of exceptional difficulty or hardship arising from the

foregoing changes and to make special provision if they deem it appropriate.

- 7. The new arrangements will be kept under review during the year.
- 8. A circular giving full details of the arrangements for lending to local authorities from 1 April 1990 will be issued in March. Enquiries relating to this circular may be made to





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

21 December 1989

The Rt Hon Robin Leigh-Pemberton Governor The Bank of England Threadneedle Street LONDON EC2R 8AH

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When we met on the 7 December we talked briefly about your letter of 28 November about local authority swaps. You will since have seen Paul Gray's letter recording the Prime Minister's views with which I wholly agree.

I cannot see that it would be sensible for the Bank to get involved in administering the outstanding contracts, far less contributing towards the costs. This is not a mess of the Government's making, far less the Bank of England's, and the losses, though highly unwelcome to the individual banks, cannot possibly be said to represent a systemic risk to the banking system. We have worked hard to get the banking system to understand that they cannot, and must not rely on the Bank of England to bail them out if they get into difficulties; and we have also tried to get the markets to understand that we do not stand behind the local authorities. I cannot see how we could reconcile either of those with your stepping in now.

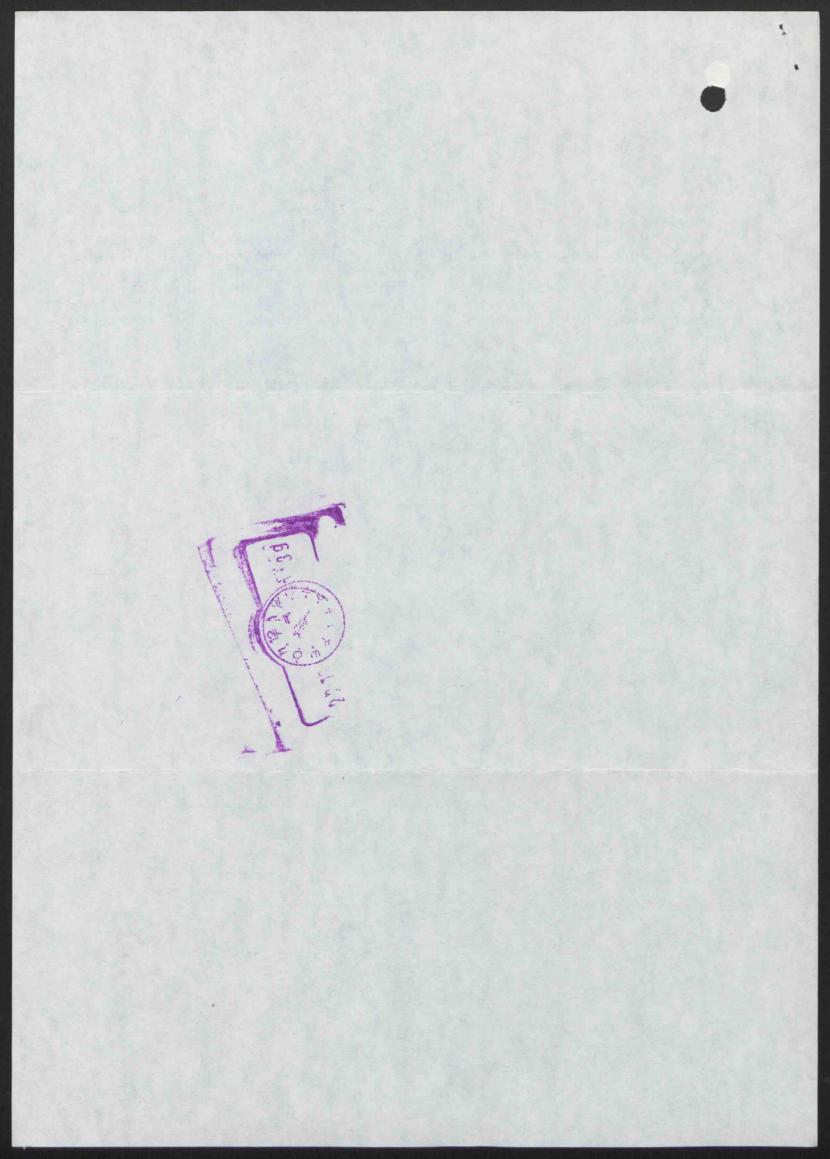
As I indicated to you, I have less difficulty with your suggestion of a review of existing legislation to see whether anything needs to be done to achieve greater certainty in future for banks dealing with counterparties not covered by Section 35 of the Companies Act or by the Local Government Act, where clarification is now being provided by the courts. As I told you, I doubt if there is major problem - or indeed, any at all of



substance - beyond the local authorities. And I am not yet convinced that the solution is necessarily a comprehensive "safe harbour" provision. In some cases it may be better simply to confirm that the body has no need to, and cannot enter into swaps. But I am content for my officials to go through this with yours. My officials will be in touch with yours to discuss, but strictly on a basis of "no commitment". I would not wish these discussions to be made public at this stage, since it may only stimulate wholly unjustified expectations.

Copies of this letter go to the Prime Minister and Chris Patten.

JOHN MAJOR





Treasury Chambers, Parliament Street, SW1P 3AG

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

SW1P 3EB un Chus

20 December 1989

LOCAL GOVERNMENT FINANCE

Thank you for copying to me your minute of 18 December to the Prime Minister. It is encouraging to have confirmation that local authorities are making good progress in their preparations for the introduction of the community charge. I am sure the decision to front load grant payments next year will help to ease any cash flow problems for them, if there are still residual difficulties in sending out community charge demand notices.

- I have read the report of the consultation procedures on the grant settlement for England next year. I appreciate that it is difficult to gauge the overall response. I thought it might be helpful therefore to let you have my own views.
- We need of course to bear in mind that there is always quite strong disquiet about the RSG settlement at this time of year. It is customary for local councils' first draft budgets (or bid figures) to involve substantial increases in proposed expenditure. Councils then draw the 'horrendous" community charge/rating implications of such budgets to the attention of their local MP and encourage him to lobby for improved treatment. Inevitably there is bound to be more activity this year when the system is changing. It is only when those representations are rejected that local councils reconsider whether the budget might be cut back and the revised plans financed in a different way - for example by more use of revenue balances. As you have said, we need to reinforce and encourage that process this year.
- The high CC figures of £340-£350 which you mention need to be seen in this light. They are of course well above the published £278 for the CCSS - but that was, in turn, well below our central view of likely actual CCs. It is of course that realistic estimate of CCs which has already been taken into account in the RPI forecast in the Autumn Statement. Most of the increase would have occurred anyway, even without the CC, as a result of

increases in rates. So there is no question of the very high figures quoted in your minute adding a further 1 per cent to the RPI forecast we have already published.

- Secondly in 1990-91 there is a massive number of complex interacting changes to local authority current finance being introduced. It would be quite extraordinary if a relatively large number of local authorities did not lose from the redistribution of grant resources (which inevitably results from the decisions to make changes in the assessment of relative needs underlying the Standard Spending Assessments) and if these losers were not vociferous in their concern. Indeed it is the shift in the pattern of grant between authorities as a result of the new SSAs rather than the introduction of the community charge per se, which has generated much of the concern. The vast bulk of local councils will have hoped to see some long-held grievance or other about their needs assessment redressed in the new SSA and a grant distribution more to their liking introduced. Within this zero sum game, inevitably there has to be disappointment as well as satisfaction.
- 6. In the light of this, there is bound to be a considerable degree of disquiet this year just as we saw at the last major change in the local government finance in 1986-87. (I think there were at least a dozen or so backbenchers who failed to support the RSG settlement then.) So we must be prepared for a similar degree of dissension with this settlement; and I very much welcome and support the efforts you and David Hunt are making to keep that number as low as possible.
- 7. Finally, you are right to emphasise that the causes of concern about the grant settlement are very diverse. They are by no means capable of resolution by belated tinkering with our existing grant proposals even if, within the tight RSG timetable, there were time for substantive changes to our plans. Any attempt to tinker further with the settlement at this stage would in my view be counter-productive, since it would very seriously damage the credibility of the whole community charge policy. We recognised this danger in October, when we decided to introduce transitional relief and to fund the safety net from April 1991. As you will recall, that is why we agreed then that package must be the final one, as you have emphasised. We should therefore respond to the threats of spending increases of the order of 10%-20% quoted in your minute by applying the full rigour of the new policy including our policy on community charge capping.
- 8. I therefore strongly support your view that the task must be to stand our ground and rally the waverers.
- 9. I am copying this letter to the Prime Minister, Geoffrey Howe, Ken Baker, John Major and Tim Renton.

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CF pe. Re6 WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)

FROM THE PRIVATE SECRETARY TO THE SECRETARY OF STATE FOR WALES

01-270 0549 (Direct Line)

December 1989

CONFIDENTIAL

Destin,

STATEMENT ON LOCAL GOVERNMENT FINANCE IN WALES

Further to my letter earlier today, I now attach a final text of my Secretary of State's statement. This contains 2 minor amendments to the earlier version, in paras 7 and 10.

/ Copies go to Paul Gray at No 10 and to the Private Secretaries to the Secretaries of State for Scotland and for the Environment, to the Chief Secretary and to the Chief Whip.

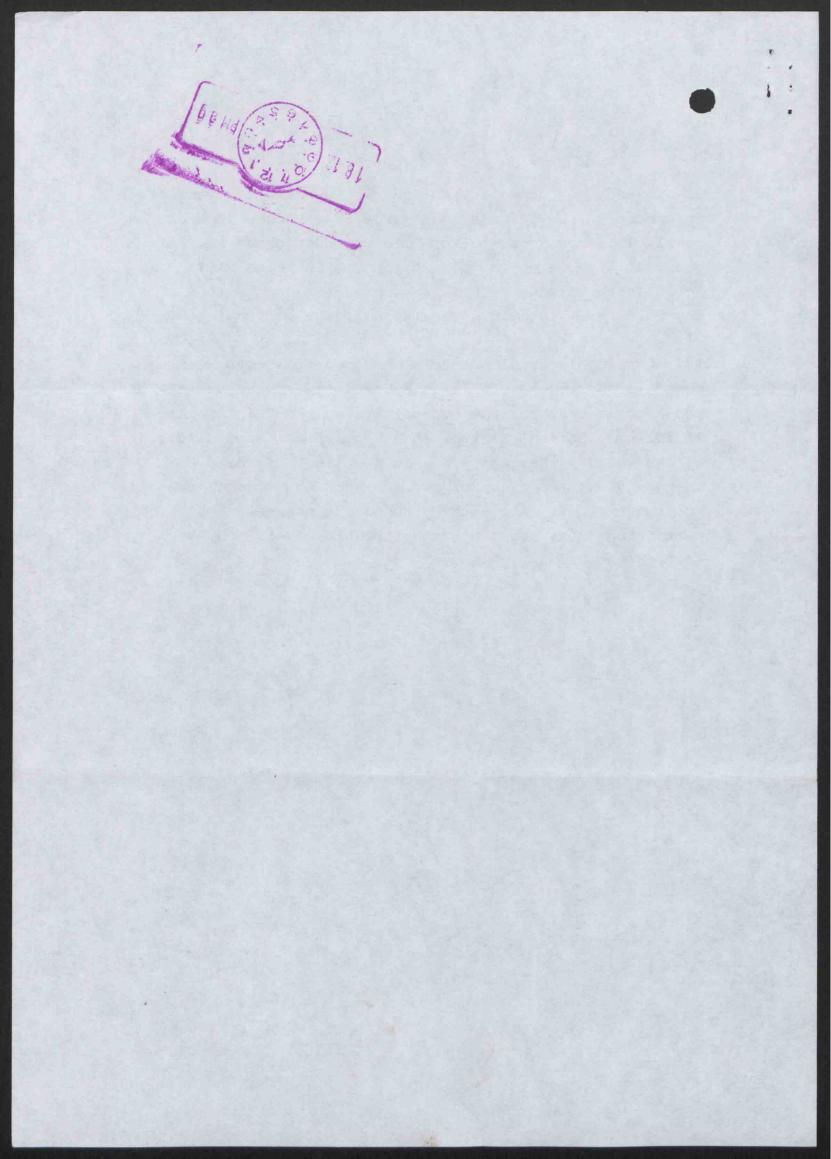
R WILLIAMS

Tim Sutton Esq Private Secretary to the Lord President of the Council Privy Council Office Whitehall London

LOCAL GOVERNMENT FINANCE IN WALES: PARLIAMENTARY STATEMENT BY SECRETARY OF STATE FOR WALES, 18 DECEMBER 1989 1. With permission, Mr Speaker, I would like to make a statement about local government finance in Wales. I have already made it clear that in order to assist local authorities in Wales I would announce the 1990/91 grant Settlement before Christmas. I propose to lay the Reports for 1990/91 on Wednesday; but I am today placing in the library a paper detailing my Settlement decisions. be sending copies of the Reports and of further technical data to all Welsh local authorities on Wednesday. In summary, the Settlement provides for a realistic level of Total Standard Spending of £2,114.5m, well up on the equivalent figure for 1989/90. Aggregate External Finance at £1,738.5m is increased by no less than 8.6%. Within this, and as compared with my provisional estimates in November, Revenue Support Grant has been increased by a further £10.4m to £1141.3m, and the distributable amount from the non-domestic rating account has been reduced by the same amount to £443m. 3. This is an excellent Settlement. It is good for non-domestic ratepayers because a uniform poundage of 36.8p across Wales will provide the certainty and stability they have been seeking and because their contribution of £443m, which is only 20% of local government spending, is over £10m lower than I predicted in November. 4. It is good for community chargepayers because it presents local authorities with an outstanding opportunity to keep community charges down. They know, and their electorate will know, that the burden of overspending is borne entirely by chargepayers. This will bring realism to the local authority budgeting process.

The increase in Total Standard Spending should allow authorities to maintain and, where appropriate, to develop services - particularly if councils achieve the efficiency savings which the Audit Commission has identified and which, commendably, they have been seeking. There is no reason for local authorities to budget to exceed Total Standard Spending and no reason for the average community charge in Wales to be more than £173. This is the true measure of the excellence of this Settlement for the Principality. 7. Chargepayers will expect their councils to set their community charges in line with this Settlement. They will very quickly appreciate that expenditure increases which exceed this will result in higher charges and will wish to satisfy themselves that they are not being asked to pay the price of overspending and inefficiency. It will be for councils, and particularly those whose spending exceeds their standard spending assessment and who set higher charges, to justify their decisions to their electorate. Similarly chargepayers will not expect those councils whose spending falls below their standard spending assessment to increase their spending by more than I have allowed for if they are already efficiently providing an appropriate level of service. I intend to introduce a scheme of community charge transitional relief, carefully tailored to reflect Welsh circumstances. For 1990/91 I am providing £20m in grant to fund this scheme; resources will also be made available for the following two years. This scheme replaces and improves upon the safety-net I proposed in July: it is carefully targeted and cost-effective. I have placed in the Library provisional details of the communities which may receive additional grant. The scheme is fully funded by the Government and an area safety net will not be required. This additional grant will reduce the average community charge which should be payable in Wales to about £165.

9. In addition community charge rebates will be available for those on low incomes and I urge all chargepayers who may be eligible for a rebate to apply for one to their local councils. Those on the lowest incomes in Wales will actually be better off with the community charge than if they had received a 100% rebate under the old rating system. Under this excellent Settlement central government and non domestic ratepayers will together finance around 85% of local government revenue expenditure in the Principality. It follows that only 15% of local government expenditure will be met by chargepayers. In the light of this chargepayers have every right to expect their local councils to protect their interests by budgeting sensibly, by containing their spending to affordable levels and by keeping the community charge low.

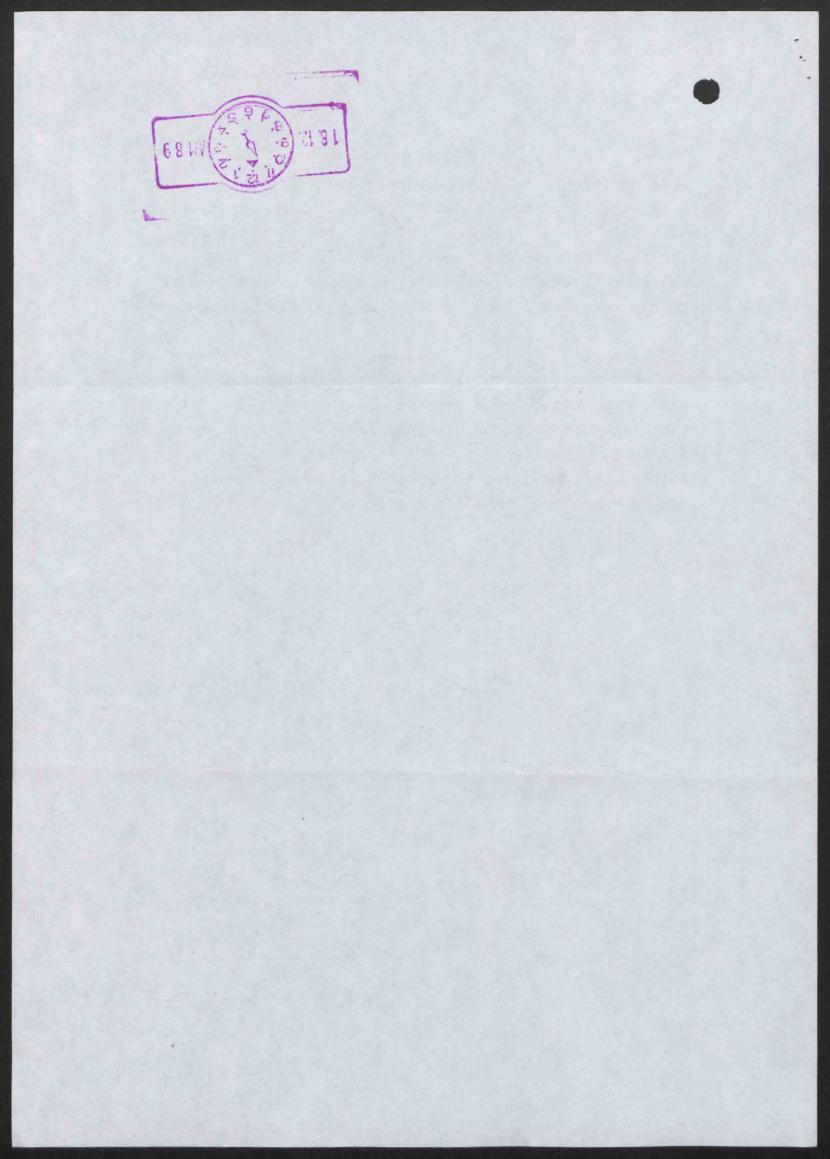


ce Dur, Py Pd. Alice, Q Y SWYDDFA GYMREIG WELSH OFFICE **GWYDYR HOUSE** GWYDYR HOUSE WHITEHALL LONDON SW1A 2ER WHITEHALL LONDON SW1A 2ER Tel. 01-270 3000 (Switsfwrdd) Tel. 01-270 3000 (Switchboard) 01-270 0549 (Llinell Union) 01-270 0549 (Direct Line) ODDI WRTH YSGRIFENNYDD FROM THE PRIVATE SECRETARY PREIFAT YSGRIFENNYDD TO THE SECRETARY OF STATE GWLADOL CYMRU FOR WALES CONFIDENTIAL December 1989 STATEMENT ON LOCAL GOVERNMENT FINANCE IN WALES We spoke on Friday afternoon about the Lord President's request that my Secretary of State should bring forward his statement from Wednesday to this afternoon. My Secretary of State reluctantly agreed and I now attach the text of our statement. / Copies go to Paul Gray at No 10 and to the Private Secretaries to the Secretaries of State for Scotland and for the Environment, to the Chief Secretary and to the Chief Whip. S R WILLIAMS Tim Sutton Esq Private Secretary to the Lord President of the Council Privy Council Office Whitehall London

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CONFIDENTIAL



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10 DOWNING STREET LONDON SWIA 2AA

From the Private Secretary

6 December 1989

LOCAL AUTHORITY SWAPS

The Prime Minister has now had the opportunity to consider the points raised in the Governor's letter of 28 November to the Chancellor. She considers that this is a matter to be settled by the courts. If the present court judgement is upheld on appeal, she does not consider it would be appropriate to try to arrange a financial solution along the lines set out in the Governor's letter or for the Government to take the measures set out on page 3 of his letter.

I am sending copies of this letter to John Gieve (HM Treasury) and Roger Bright (Department of the Environment).

PAUL GRAY

Paul Tucker, Esq., Bank of England.

CONFIDENTIAL

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BILATERAL WITH THE CHANCELLOR: 6 DECEMBER

I have agreed with the Chancellor's office three main items for tomorrow's agenda:

- i) Local Authority SWAPS You did not have a chance over the weekend to see the papers at Flag A. I assume you will want to support the Chancellor in his continuing resistance to the Governor's proposal that the authorities should play a role in bringing about a financial settlement of the Hammersmith and Fulham and related cases.
- ii) Bank of England appointments You saw the latest note from the Chancellor about the proposed appointment of Mr. Coleby in last night's box.

(James 1.16)

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- iii) Markets You will want to have the usual round-up discussion with the Chancellor. Next week we move into the busy period of the month for new economic figures with for example:
 - retail sales and producer prices, both for November, on Monday;
 - unemployment/earnings and the quarterly balance of payments figures on Thursday;
 - the RPI on Friday.

(PAUL GRAY)

5 December 1989

PRIME MINISTER

LOCAL AUTHORITY SWAPS: HAMMERSMITH AND FULHAM

The Bank of England has been consistently pressing for the Government to take some action to ease the position of the banks who stand to lose as a result of the Court ruling on the Hammersmith and Fulham and other similar cases.

Both Nigel Lawson and the present Chancellor have been unsympathetic to this pressure. They have taken the view, which I think you share, that this is an issue for the courts to resolve; and if, as a result, the banks lose out because they were unwise enough to have entered into transactions now judged to have been illegal then so be it.

The Governor has, however, now sent the Chancellor the further attached letter and, for the first time, copied it to you. You will see he is proposing that the Bank should act as mediator to bring about a financial solution whereby:

- the local authorities should make some ex gratia payment to the banks. What he means, though he does not say it, is that this part of the bill should fall on Community Charge payers;

- the banks should also make a contribution;

if need be the Bank of England itself would also chip in;

The Governor sees some sort of package of that sort as necessary to uphold the good name of the City.

My impression is that the Chancellor continues to be unimpressed by these arguments, as I assume are you. But the Chancellor will I think want to mention this to you briefly at your bilateral next week.

PAUL GRAY

1 December 1989

c:\wpdocs\economic\swaps

CCBUP. · Copies to The Prime Minister The Secretary of State for the Environment Bank of England The Governor 28 November 1989 The Rt Hon John Major MP Chancellor of the Exchequer HM Treasury Parliament Street London SWIP 3AG Dear John, I regret having to come back to you on the matter of local authority swaps, but I feel I must because the implications of the judgment in the Hammersmith and Fulham case for the City and for the financial system are so serious. Since we spoke I have received the strongest representations from my central bank colleagues at our last meeting in Basle. More generally, the Bank is coming under increasing pressure to make its views known; and, more immediately, I have received the enclosed letter from Sir Jeremy Morse as President of the British Bankers Association to which I have had to reply by making it clear that I am continuing to urge the Government to review urgently the question of "safe harbour" protection for counterparties in relation to entities not covered by the Companies Act, and by advising that, until this question has been resolved, banks would be unwise to enter into contracts unless they can be sure that those contracts are legally valid and enforceable.

2 The problem is not simply that the Hammersmith judgment is seen as unjust in that it rewards the authority which has been found to have acted outside the law. The more fundamental problem, as I explained in my letter of 28 June to your predecessor, is the doubt raised about how far a contract entered into in good faith in London can now be relied upon. It is in this sense that the integrity of the City is seen to be impugned even though none of the City institutions involved have been shown to have conducted themselves irresponsibly; indeed they appear to have done all that they could to establish the validity of the contracts by making proper enquiries and relying on legal advice, including the Henderson opinion obtained and circulated by the Audit Commission. Against that background it is the Government's unwillingness to help resolve the situation in the light of this fundamental concern that so astonishes overseas banks and their authorities. We are already aware that some foreign banks operating here have received instruction from their head offices not to engage in any transactions with local authorities or other unincorporated bodies where doubt arises as to their ability to fulfil contractual obligations; and one French bank has approached us for a loan facility to help it to hedge its uncertain exposure to local authorities. I can understand that it is difficult for the Government to legislate now to legitimise retrospectively the transactions which the Courts have just declared illegal. We have therefore been considering whether there is another possible approach. One possible alternative, if the judgment is upheld on appeal, would be to try to arrange a financial solution. This might involve the following -(i) persuading the local authorities involved that, to protect their name, they should agree to pay on an ex-gratia basis Sa proportion of the cost involved in servicing the outstanding contracts to maturity; persuading the bank counterparties to contribute to a (ii) solution by accepting reduced servicing on the outstanding contracts.

3 A shared contribution of this kind by the contracting parties would be seen as a gesture towards upholding the principle of the enforceability of contracts in London. In addition, the Bank could make its own contribution by taking over if necessary the administration of the (a) outstanding contracts; and if necessary, in the last resort if the local authorities (b) and bank counterparties could not come to an agreement which covered the full amounts outstanding, by ourselves contributing something to the settlement. It is likely in any event to be quite impracticable to reverse all the matured contracts and service payments already made under existing contracts up to the point at which servicing was interrupted, not least because some of the counterparties may no longer exist. These payments would therefore have to be let lie. If the Courts were to insist that they had to be unwound it would presumably be necessary to legislate to clear up the mess. Any such initiative would have to be blessed by the Government. It would still need to agree -(1) to sanction by the Secretary of State under Section 19(1) of the Local Government Finance Act 1982, with the effect that neither the Government itself nor the District Auditor would pursue the local authorities or their officers for making or receiving payments under the arrangements; (2) to undertake to introduce if necessary legislation legitimising the ex-gratia payments (which may be easier than the swap transactions themselves) if those payments were to be challenged in the Courts (for example by chargepayers); and, crucially, (3) to undertake to review existing legislation (across the board, covering all unincorporated entities such as building societies, friendly societies, mutuals and pension funds as well as local authorities and other public sector bodies) with

the aim of ensuring that any contract entered into in good faith, and covered by a warranty as to its legality, would be enforceable even if it subsequently transpired that the contract was ultra vires.

The Government might present these undertakings as a reflection of its concern that the principle of the sanctity of contracts should be reinforced and that unincorporated bodies, like companies, should be answerable for their actions.

Because of the importance I attach to these issues, I am copying this letter to the Prime Minister and to Chris Patten.

Sours over, Robin

Bank of England London 862R 8402 The Fovernor 21 November 1989 Sir Jeremy Morse President British Bankers' Association 10 Lombard Street London EC3V 9EL Dear Jeremy, Thank you for your letter of 16 November about the implications of the judgment in the case against Hammersmith and Fulham-I am indeed aware of the concerns which you describe, and I am continuing to press upon the Government the extreme importance of finding a resolution of both the problems the judgment causes in the case of swap transactions with local authorities and of the wider problem of "safe, harbour" protection for counterparties in relation to entities not covered by the Companies Act. In the meantime it cannot be for me to interpret the law, but recent events emphasise that it must be unwise for a bank to ente: into a contract where it cannot be sure that that contract is legally valid and consequently enforceable.



BRITISH BANKERS' ASSOCIATION TO LOMBARD STREET LONDON ECSV SEL TELEPHONE: 01-823 4001 PRESIDENT TELEX: 888364 The Rt. Hon. Robin Leigh-Pemberton, Governor, Bank of England, Threadneedle Street, London, 16 November 1989 EC2R 8AH Den Robin I sent to you, on 3 November, copies of my letters to the Chancellor of the Exchequer and the Secretary of State for the Environment drawing attention to the deep unhappiness and concern felt by members of the British Bankers' Association as a result of the Judgment in the Hammersmith and Fulham case. You are, I know, aware that these concerns extend well beyond local authorities and swaps, because the Judgment has far reaching implications for transactions of a non-lending nature with all unincorporated bodies not covered by the Companies Act. It is perhaps indicative of the severe jolt to confidence suffered in the London markets that many banks have been considering urgently the status of non-lending contracts entered into with building societies, mutual societies, friendly societies, pension funds and the like. The absence of a "safe-harbour" protection for counterparties - such as is provided for companies under Section 35 of the 1985 Act - is causing banks to question whether it is wise for them to continue to deal with such bodies while there remains a legal risk, however remote, that contracts freely entered into in good faith by both sides might be declared at some future time to be ultra vires. I have been asked to seek the Bank's guidance as to whether these fears may be misplaced and, if not, whether prudence should dictate that banks would be unwise to continue to transact non-lending business with unincorporated bodies. Any comfort you might be able to give to our members would be greatly appreciated.

COM 2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000 My ref: Your ref: An Norman at Market 1989

Ou for your letter ved cash in order 1989 The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street LONDON SW1P 3AG Thank you for your letter of 31 October agreeing to my proposals for an improved cash incentives scheme. I agree, of course, that the scheme should be limited to areas where there are special problems. My officials are in touch with yours about how this can best be achieved. Copies of this letter go to E(LG) members and to Sir Robin Butler. CHRIS PATTEN

LOCAL Sovie: Relations

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DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01 - 210 3000

From the Secretary of State for Social Security

The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street ARCG 7(11

November 1989

I Mornan,

LONDON SWIP 3AG

LOCAL AUTHORITY CASH INCENTIVE SCHEMES

I have seen Chris Patten's letter of 17 October, and am content with his proposal that an improved scheme should be announced as part of his Statement on homelessness.

Copies to go to members of E(LG) and to Sir Robin Butler.

TONY NEWTON

Local Soum: Rels



10 DOWNING STREET LONDON SWIA 2AA

From the Private Secretary

6 November 1989

Dea Roje

LOCAL GOVERNMENT FINANCE

Thank you for your letter of 3 November enclosing the exemplifications which will be issued with your Secretary of State's statement today. The Prime Minister has seen this material which she has noted without comment.

I am copying this letter to the Private Secretaries of members of E(LG), the Chief Whip and to Trevor Woolley (Cabinet Office).

Pel

PAUL GRAY

Roger Bright Esq., Department of the Environment



10 DOWNING STREET LONDON SWIA 2AA

From the Private Secretary

6 November 1989

Dear Reple,

LOCAL GOVERNMENT FINANCE

Thank you for your letter of 3 November enclosing the announcements which your Secretary of State proposes to make today. The Prime Minister has seen this material which she has noted without comment.

I am sending copies of this letter to Steven Catling (Lord President's Office), Jim Gallagher (Scottish Office), Roger Bright (Department of the Environment), Peter Wanless (Chief Secretary's Office) Miss Gillian Kirton (Lord Privy Seal's Office) and to Trevor Woolley (Cabinet Office).

PAUL GRAY

Stephen Williams, Esq., Welsh Office

Local Government Finance

3.55 pm

The Secretary of State for the Environment (Mr. Chris Patten): With permission, Mr. Speaker, I should like to make a statement about the local authority grant settlement for England for 1990-91.

I am today sending a consultation paper to the local authority associations setting out my proposals. Copies are being sent to each local authority, and are available in the Vote Office. The consultation paper summarises the various reports which will be made later this year. Drafts of two of the reports, dealing with the distribution of grant and the calculation of relevant population, have also been circulated. There are also exemplifications showing the amount of grant and the community charges which, on certain spending assumptions, would result for each area. In this first year of the new system a number of basic definitions and principles have to be set out, and that accounts for the large amount of material. It may help the House if I outline the main features of the proposals.

My right hon. Friend the Member for Cirencester and Tewkesbury (Mr. Ridley) proposed in July that the total of external support, known as aggregate external finance, for local government services next year, should be £23-1 billion, an increase of 8.5 per cent. over the figure for this year on a comparable basis. That support comprises three elements: the yield from business rates, specific grants, and

revenue support grant.

To calculate the yield from non-domestic rates, I have now made a firmer estimate of the national non-domestic rate multiplier for 1990-91. On the basis of the most up-to-date information available about the effects of the 1990 rating revaluation, I estimate that the multiplier for 1990-91 will be 36p for England. That figure will be provisional until I have final information about the effects of the revaluation, which will be available before the revenue support grant report is laid before the House; but I would expect it to vary only very slightly, if at all. It also includes a small allowance for reductions in rateable values in cases where the initial valuations turn out to be

Using that multiplier, I estimate the yield from non-domestic rates in 1990-91, and hence the amount to be distributed to local authorities, will be £10,428,500. That estimate represents the total amount which I expect charging authorities to receive in respect of rates paid by private businesses, by the nationalised industries, and by local authorities themselves, together with a contribution in aid in respect of Crown property. I have made allowance for a number of factors, such as rate income forgone as a result of empty properties and of charitable or discretionary relief, and for losses in and costs of collection. The amount estimated to be collected from private businesses and the nationalised industries is in line with the Government's commitment that the yield from these sectors will be broadly the same in real terms as in the current year, 1989-90.

I anticipate that specific grants and transitional grants will amount to £3,182 million. Further details will be available at the time of the Autumn Statement.

I am proposing that revenue support grant should be £9,490 million. Our principal objective in distributing grant is to ensure that, in general, if each authority spends so as to provide a common standard of service, the community charge could then be set at the same level in every area before allowing for the transition arrangements. My right hon. Friend announced in July that the Government consider that it would be appropriate for local authorities to spend £32.8 billion in total in providing services, an increase of 11 per cent. over the amount which, on a comparable basis, we thought it appropriate to spend this year. In order to distribute grant, we shall need to calculate an assessment for each authority of what it would cost to provide services locally to a common standard, consistent with that total.

The proposed method for making these assessments, known as the standard spending assessments or SSAs, is set out in the documents published today. SSAs replace grant-related expenditure assessments in the present system. In summary, the SSA for each authority will be based on an assessment for each of the main services for which it is responsible. It will be calculated using information for each authority about factors which lead to differences in the costs of providing services to a common standard. In this way, we can take account of variations between authorities in the costs they face. These proposals take account of recent research, extensive discussions between officials over the last year, and of the views of the local authority associations.

SSAs are central to the new grant system. Apart from the transitional arrangements, the relationship between an authority's budget and its SSA determines the community charge for that area. If spending is higher than the SSA, the community charge will be higher than the national community charge for standard spending, and vice versa. It is therefore important that the methods used to calculate

these assessments should be fair and right.

If authorities were each to spend at the level of their SSA, the community charge in each area would be about £278. The final figure will not be known until we know the number of people on community charge registers. This figure, the community charge for standard spending, will be the benchmark for accountability. It will appear on the bill which each chargepayer will receive and will help chargpayers to assess the policies and performances of their authorities. In this way, councils will be made accountable to those who must pay for their activities.

The existing system of grant-related expenditure assessments had become over-complex and difficult to explain. We have therefore introduced a simpler, more understandable method. [Interruption.] I appreciate the fact that all these things are relative. As now, the method is applied to each authority, using objective measures of the cost of providing services such as the number of pupils to be educated and the number of miles of road to be maintained. There has been discussion about the factors to be taken into account and the weight to be attached to each, and the associations have put forward a range of alternative suggestions. In my view, the proposals which I have made represent the fairest judgement between the various viewpoints. I believe that they provide the best basis that can be devised for distributing grant.

In place of the 63 separate assessments in the present GRE system there will be 13 components: 11 covering the five major services-education, social services, fire and civil defence, police and highway maintenance—another covering all other services and one reflecting the financial costs of capital expenditure. In general, the method proposed involves fixing a unit cost of providing each service and multiplying this by the number of clients for

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that service Our original proposals were placed in the Library lass December. For some services we have amended these proposals after discussion. In particular, in response to representations we are proposing to include an allowance for overnight visitors-to reflect the demands that tourists make on local services-and to recognise separately the costs of flood defence and coast protection work. I know that these matters are of particular concern to hon. Members from the areas affected.

Local Government Finance

The consultation paper also describes the transitional arrangements. As my noble Friend Lord Hesketh announced on 11 October, it is intended that the area safety net will be for one year only. For the following three years the Exchequer will pay for protection for those areas which lose as a result of introducing the community charge and related changes. In 1990-91 chargepayers in these areas will be expected to find the first £25 of any loss to their area, but above that there is full protection. Gaining areas will receive about half their gains in the first year, and the full gain in the second year. It is right that the new system should be phased in, but gainers will still see substantial gain from the start.

My right hon. Friend proposed in July two transitional grants to provide extra help for chargepayers for inner London boroughs, and in areas with very low domestic rateable values. These grants will significantly reduce community charges in some areas.

I have included with the consultation paper exemplifications showing the amounts which each area would receive under these proposals. I stress, however, that figures for authorities are provisional at this stage, and will change, though in most cases only marginally, when local authorities notify me in December of the number of adults that they have included in their community charge registers.

The exemplifications also show what the community charge would be in each area if local authorities spend at the same level as their income from rates and grant in 1989-90, adjusted for changes in function, and increased to be consistent with spending of £32.8 billion in total. It is these charge levels which it is intended should form the basis of the transitional relief scheme announced last month to help principally those former ratepayers, pensioners and the disabled who would otherwise face increases of more than £3 a week. This relief scheme will cost about £300 million in 1990-91. In addition 9.5 million people will receive help through community charge benefits. Many individuals will, therefore, see their bills substantially reduced.

I have asked the local authority associations to respond to these proposals by 4 December. I hope to lay the formal documents before the House in early January for debate later that month. The proposals amount to a substantial package of support for local authorities. The amount of external support has increased by 8.5 per cent. If authorities budget sensibly and spend in line with the Government's assumptions, the average community charge next year should be about £278. If they can do better, charges will be lower. But if their spending increases faster, charges will be higher. Local authorities are now answerable to their chargepayers for their decisions.

Mr. Brian Gould (Dagenham): The Secretary of State knows that we and many others have long attacked the poll tax proposals as being inherently complicated and unworkable, and fundamentally unfair. He and his

predecessors have tried to deflect that attack by taking refuge in misleading generalisations, and false and unrealistic assumptions. I am sorry to say that we have heard no improvement today. The mixture is much as before and the more additions that the right hon. Gentleman makes to the whole ramshackle structure, the more unconvincing and unstable it becomes.

At the heart of the illusions that the Government have sought to create is the fairy tale that the poll tax average is or could be £278. That figure is a hopeless mirage. It has increased with remarkable rapidity. The Government's estimate in 1986-87 began at £170. By 19 July it had risen to £275. Will the right hon. Gentleman confirm that, even in the interim, it has risen by a further £9 from £269—the true figure on 19 July because of the £200 million transitional specific grant-to £278? Does he agree that there is plenty of room yet for growth? Will he confirm that even if the figure were halfway accurate, local authorities could not be expected—indeed, he does not expect this of them-to meet that figure immediately or even in the foreseeable future? If that were the case, scores of Tory authorities would be pilloried by him as overspenders.

Will the Secretary of State confirm—and this is the most fundamental point—that the figure is an invention because it is based on an invention? He estimates a level of local government spending of £32.8 billion, but that figure is based on an assumed level of spending this year rather than the actual level of spending. Does he acknowledge that all the local authority associations, irrespective of political control or allegiance, agree that that basic error leaves local authorities £1.6 billion adrift?

Will the right hon. Gentleman accept that the basic error is compounded by a further error on inflation? One assumes that the inflation rate has been calculated at the forecast of the Chancellor of the Exchequer of 4.5 per cent., rather than the actual retail price index figure. When that is taken into account as well, it leaves a shortfall of £2.5 billion. Will the Secretary of State further agree that every last penny of that shortfall will have to be financed out of poll tax, as it is not covered by grant or aggregate external financing, and that means that the figure of £278 is hopelessly out of touch with the reality, which is far in excess of that figure?

Does the Secretary of State also recognise that his basic errors on the side of optimism are added to by the view that he and his officials have taken in making their calculations? They believed that they could safely assume 100 per cent. registration and collection. Will he confirm that everybody who has studied the issue knows and understands that that is hopelessly optimistic? Those errors invalidate the figure of £278 which the Secretary of State described as the "benchmark for accountability".

The consequences of those errors are serious. Does the Secretary of State acknowledge that for local authorities, with their obligation to deliver services, the errors mean that they are faced with Government sanctioned pay increases to teachers, firemen and policemen far in excess of the actual inflation figure, let alone the Chancellor's fairy tale, and that they will have no option, therefore, but to cut services further? In view of that shortfall, will he tell local authorities this afternoon where he expects those cuts to be made? Should local authorities employ fewer teachers, social workers or home helps? Will he concede that, if his benchmark is so hopelessly wrong, so too are all the other calculations that flow from it?

[Mr. Brian Gould]

It can already be seen that the transitional relief scheme, for example, will fail to help most single people, those who will be liable to pay for the first time or those who do not own or rent their homes and who will most need help. However, it will miss its target by an even wider margin because it proceeds on the basis of a ludicrously low notional poll tax figure. Many who believe that they qualify for transitional relief will find that they are paying far more than an additional £3 a week and many of those who will pay more than £3 a week will not qualify for transitional relief.

Is the statement not typically uninformative about the needs formula used, and is not the formula itself, is so far as we know what it is, open to detailed objections? Why, for example, are overseas visitors excluded from the overnight visit figure that is included in the formula? Does not the statement keep up the long and unfortunate tradition of telling us nothing we need to know about the business rate? Is not the 36p figure useless and wholly uninformative for individual business men until they know the effects of revaluation? Is it not equally clear that the Confederation of British Industry has been rebuffed in its request for a £2 billion reduction in total business rate? Will the Secretary of State confirm that in saying that the business rate will be kept at the same level in real terms he is using a figure for the RPI different from that used to calculate local government spending? Is it not an astonishing inconsistency to use two different inflation rates in the same statement?

Is it not sad to see the Secretary of State so bogged down in a morass not of his creation and from which he cannot extricate himself, but is it not even sadder to contemplate the future of local government and the services for which it is responsible and the future of those millions who depend upon and pay for those services when they, too, become the victims of this Government's obsession?

Mr. Patten: First, I welcome the hon. Member for Dagenham (Mr. Gould) to his new responsibilities. I can say without qualification that I hope that he enjoys his new job for as long as the hon. Member for Copeland (Dr. Cunningham) who we hope has enjoyed doing it for the past six years.

The hon. Gentleman seemed to base his questions on the principle that, whatever the level of local authority overspending this year, we should validate it. That is not remotely the Government's position, and nor, I imagine, would it be the position adopted in the new-look Monklands, East financial policy that the Opposition are pursuing. We are allowing for an increase of 11 per cent. in spending by local authorities next year—over what we believe they should have spent this year. The Audit Commission has suggested savings of £900 million that local authorities could make. The authorities have made about £350 million of those savings, so they still have some way to go.

Our central support for local authorities will increase next year by 8½ per cent., and I think that that is a fair settlement. It is a challenging settlement. If all Government Departments received equivalent settlements, I think that they would be quite pleased.

The hon. Member for Dagenham referred to the standard community charge figure. That figure represents

what local authorities would have to charge if they were spending at a reasonable level. The figure has increased from £275 to £278 since July because of the increase in the number of exemptions. The hon. Gentleman is netting off the grant for the Inner London education authority and for low rateable value areas and so is not comparing like with like. I repeat that the community charge of £278 represents the figure that local authorities should have to charge to provide a reasonable service.

The hon. Gentleman referred to registration. So far registrations are going very well. I cannot guarantee that they will go quite as well as in one local authority area in Scotland where the registration figure was 106 per cent., although we can aim for that and we hope that registrations will be as successful as they have been in Scotland.

The hon. Member for Dagenham referred to the needs formula. As he knows, we have set out in considerable detail in the distribution report the basis on which the new needs formula is based. It is a simpler and better formula than the last one, taking into account, as it does, the cost of providing a service to the client and the number of clients. It is based on substantial research and lengthy discussions with local authorities, but perhaps in the next few weeks the hon. Gentleman will have suggestions to make about how we could modify it. He may, for example, think that we have been wrong to provide so well for the education needs of young children in Birmingham, Liverpool, Manchester and inner London, although I rather doubt it. If the hon. Gentleman has any suggestions about how we can improve the needs formula, we shall look forward to hearing from him in due course.

The hon. Gentleman's main argument was that we were wrong to replace domestic rates, or, to put it more correctly, wrong to introduce the community charge. There is at least one thing on which hon. Members on both sides of the House agree: the domestic rating system is inequitable and it should go. The difference between us is that the Government have advanced proposals for replacing the domestic rating system, whereas the Labour party, I am afraid, has not. The Opposition periodically make a proposal and then take it away again. I am sure that the hon. Gentleman will have read the motion tabled by the Dagenham constituency Labour party at the Labour party conference, which called the party's proposals "unacceptable electorally and administratively". I assume that those proposals have now been dumped. However, we look forward to a time when the Opposition will be prepared to make the change from domestic rates and also meet the challenge of suggesting an alternative.

Several Hon. Members rose

Mr. Speaker: Order. I know that this is a very complicated statement, but we have a busy day before us. The Front-Bench spokesmen have taken about 30 minutes, I will give a comparable time to Back Benchers. May we have brief questions please?

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Sir Hugh Rossi (Hornsey and Wood Green): Is my right hon. Friend aware that the London borough of Haringey is still at the top of the league, with a community charge of £554? In the poorer areas of my constituency where rateable values are low, the £3 threshold will be insignificant for my constituents. It is absurd that



LOCAL GOVERNMENT FINANCE

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- 2. I am today sending a consultation paper to the local authority associations setting out my proposals. Copies are being sent to each local authority, and are available in the Vote Office. The consultation paper summarises the various reports which will be made later this year. Drafts of two of the reports, dealing with the distribution of grant and the calculation of relevant population, have also been circulated. There are also exemplifications showing the amount of grant and the community charges which on certain spending assumptions would result for each area. In this first year of the new system a number of basic definitions and principles have to be set out, and that accounts for the large amount of material. It may help the House if I outline the main features of the proposals.
- 3. My RHF the Member for Cirencester and Tewkesbury proposed in July that the total of external support, known as Aggregate External Finance, for local government services next year should be £23.1 billion, an increase of 8½% over the figure for this year on a comparable basis. This support comprises three elements: the yield from business rates, specific grants, and Revenue Support Grant.
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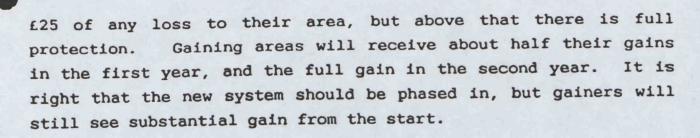
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- 5. Using this multiplier, I estimate the yield from non-domestic rates in 1990/91, and hence the amount to be distributed to local authorities, will be £10,428½ million. This estimate represents the total amount which I expect charging authorities to receive in respect of rates paid by private businesses, by the nationalised industries, and by local authorities themselves, together with a contribution in aid in respect of Crown property. I have made allowance for a number of factors, such as rate income foregone as a result of empty properties and of charitable or discretionary relief, and for losses in and costs of collection. The amount estimated to be collected from private businesses and the nationalised industries is in line with the Government's commitment that the yield from these sectors will be broadly the same in real terms as in the current year, 1989-90.
- 6. I anticipate that specific grants and transitional grants will amount to £3,182 million. Further details will be available at the time of the Autumn Statement.
- 7. I am proposing that Revenue Support Grant should be £9,490 million. Our principal objective in distributing grant is to ensure that, in general, if each authority spends so as to provide a common standard of service, the community charge could then be set at the same level in every area before allowing for the transition arrangements. My RHF announced in July that the Government consider that it would be appropriate for local authorities to spend £32.8 billion in total in providing services, an increase of 11% over the amount which, on a comparable basis, we thought it appropriate to spend this year. In order to distribute grant, we shall need to calculate an

assessment for each authority of what it would cost to provide services locally to a common standard, consistent with that total.

- 8. The proposed method for making these assessments, known as the Standard Spending Assessments (or SSAs), is set out in the documents published today. SSAs replace Grant Related Expenditure Assessments in the present system. In summary, the SSA for each authority will be based on an assessment for each of the main services for which it is responsible. It will be calculated using information for each authority about factors which lead to differences in the costs of providing services to a common standard. In this way we can take account of variations between authorities in the costs they face. These proposals take account of recent research, extensive discussions between officials over the last year, and of the views of the local authority associations.
- 9. Mr Speaker, SSAs are central to the new grant system. Apart from the transitional arrangements, the relationship between an authority's budget and its SSA determines the community charge for that area. If spending is higher than the SSA, the community charge will be higher than the national Community Charge for Standard Spending, and vice versa. It is therefore important that the methods used to calculate these assessments should be fair and right.
- 10. If authorities were each to spend at the level of their SSA, the community charge in each area would be about £278. The final figure will not be known until we know the number of people on Community Charge Registers. This figure, the Community Charge for Standard Spending, will be the benchmark for accountability. It will appear on the Bill which each chargepayer will receive and will help chargepayers to assess the policies and performance of their authorities. In this way councils will be made accountable to those who must pay for their activities.

- 11. The existing system of Grant Related Expenditure Assessments had become over-complex and difficult to explain. We have therefore introduced a simpler, more understandable method. As now, the method is applied to each authority, using objective measures of the cost of providing services such as the number of pupils to be educated and the number of miles of road to be maintained. There has been discussion about the factors to be taken into account and the weight to be attached to each, and the Associations have put forward a range of alternative suggestions. In my view the proposals I have made represent the fairest judgment between the various view points. I believe they provide the best basis that can be devised for distributing grant.
- 12. In place of the 63 separate assessments in the present GRE system there will be 13 components: 11 covering the five major services (education, social services, fire and civil defence, police, and highway maintenance), another covering all other services, and one reflecting the financing costs of capital expenditure. In general, the method proposed involves fixing a unit cost of providing each service and multiplying this by the number of clients for that service. Our original proposals were placed in the Library last December. For some services we have amended these proposals after discussion. In particular, in response to representations we are proposing to include an allowance for overnight visitors (in order to reflect the demands tourists make on local services), and to recognise separately the costs of flood defence and coast protection work. I know that these matters are of particular concern to Hon Members from the areas affected.
- 13. The consultation paper also describes the transitional arrangements. As my Noble Friend Lord Hesketh announced on 11 October, it is intended that the area safety net will be for one year only. For the following three years the Exchequer will pay for protection for those areas which lose as a result of introducing the community charge and related changes. In 1990/91 chargepayers in these areas will be expected to find the first



- 14. My RHF proposed in July two transitional grants to provide extra help for charge payers for inner London boroughs, and in areas with very low domestic rateable values. These grants will significantly reduce community charges in some areas.
- 15. I have included with the consultation paper exemplifications showing the amounts which each area would receive under these proposals. I should stress, however, that figures for authorities are provisional at this stage, and will change (though in most cases only marginally) when local authorities notify me in December of the number of adults they have included in their community charge registers.
- The exemplifications also show what the community charge 16. would be in each area if local authorities spend at the same level as their income from rates and grant in 1989/90, adjusted for changes in function, and increased to be consistent with spending of £32.8 billion in total. It is these charge levels which it is intended should form the basis of the transitional relief scheme announced last month to help principally those former ratepayers, pensioners and the disabled who would otherwise face increases of more than £3 a week. This relief scheme will cost about £300 million in 1990/91. In addition, 92 million people will receive help through community charge Many individuals will therefore see their bills benefits. substantially reduced.
- 17. Mr Speaker, I have asked the local authority associations to respond to these proposals by 4 December. I hope to lay the formal documents before the House in early January for debate later that month. The proposals amount to a substantial package of support for local authorities. The amount of external support has increased by 8½%. If authorities budget sensibly and spend

in line with the Government's assumptions the average community charge next year should be about £278. If they can do better, charges will be lower. But if their spending increases faster charges will be higher. Local authorities are now answerable to their chargepayers for their decisions.

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The first list contains details of 34 proposals which are likely to result in increased demands on local authorities. This compares with the 17 items identified in the spring trawl. Although at least 12 of the items are unlikely to have more than a minimal impact, 7 may have a potentially major impact on local government.

Many of the initiatives still remain unquantified. I recognise that it is not always possible to produce meaningful estimates at an early stage: nevertheless I should be grateful if, wherever possible, my officials are at least given an order of magnitude.

I recognise that various issues have emerged recently but I am nonetheless disappointed with the high number of new burdens. Local authorities often complain about the cumulative impact of burdens placed on them and, with the community charge coming into operation in England and Wales next April, we ought to be particularly careful about placing extra demands on them that lead to higher charges.

The new burdens procedure is also concerned with proposals likely to lead to overall savings. In the latest period we were notified of 3 such cases (compared with 4 last time). None of the savings appear to be significant This compares poorly with 34 additional burdens and it is all the more important that colleagues look very closely at the scope for reducing the demands on local government, especially when they are already proposing additional burdens elsewhere.



A new system for selective monitoring of major burdens placed on local government was introduced this year and led to the first trawl of relevant sponsors in July. This will become a regular feature of the burdens drill. My officials are as always very grateful for sponsors' help in taking these initiatives through and more generally for helping administer the whole burdens procedure.

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

P CHRIS PATTEN

(Approved by the Secretary of State and Signed in his Absence)



INITIATIVES AFFECTING LOCAL GOVERNMENT - 13 MARCH-12 SEPTEMBER 1989 - POSSIBLE EXPENDITURE AND MANPOWER IMPLICATIONS

A POTENTIAL INCREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
1. Proposed EEC Regulation for the production and marketing of fresh meat.	MAFF	Any increased costs to local government should be recovered from industry.	Currently under discussion in Brussels at Commission Working Group level.
2. Sheep Scab- Proposed Statutory controls.	MAFF	Increased costs of licensing system will be offset by savings resulting from one national compulsory dipping period.	New controls to be intro- duced in the autumn.
3. Bovine Spongiform Encephalopathy (BSE). Use of certain offal in meat products.	MAFF	Extension to local authorities' existing procedures unlikely to result in significant extra costs.	Consultation letter issued on 26 July.
4. Charging for Residue Testing.	MAFF	Not yet quantified	Local authority Associations consulted on 4 August.
5. Guidance to LAs on improvements in hygiene standards during poultry processing.	MAFF	Any increased costs should be minimal.	Draft guidance being sent to LAAs for their assessment of implica- tions.
6. Notification and verification procedures for newly-marketed foods for particular nutritional uses which are not the subject of	MAFF	Not yet quantified but unlikely to result in significant costs.	Proposals to implement EC Directive at an initial stage.



specific EC Directives.

PROPOSIT			
PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
7. Draft Regulations on Bottled Water and water used in Food Production (Quality Standards).	MAFF/DOE	Not yet quantified.	Proposal at an initial stage.
8. Introducing higher standards for home produced and imported egg products.	MAFF/DOH	Not yet quantified.	Consultation paper in pre- paration to be released later this year - implementation next year.
9. Straw and stubble burning.	MAFF	Many months before possible effects on LAs workload could be quantified, but likely to be small.	Minister to write to Secretary of State DOE in general terms during the next two weeks.
10. Proposals following the Elton enquiry into discipline in schools.	DES	Financial consequences in 1990/91 being met through Education Support Grants (£5m) and LEA Training Grants Scheme (£1.7m).	Government response to Elton Report announced on 13 March.
11. Regulations on school records.	DES	Not expected to be significant; schools will have power to charge for the supply of copies of records.	Circular issued on 27 July.
12. Batho Report on tree preservation.	DOE DRA	New powers and provisions should be offset by proposed simplification of procedures.	Consultation Paper to issue shortly.
13. Licensing of sale of unauthorised fuel in smoke control areas.	DOE AQ1	Proposed scheme could have significant resource implications.	Local authority Associations to be consulted.



ORIGINATING	FINANCIAL AND	
DEPARTMENT	MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
DOE LEQ	Resulting in some additional costs for disposal authorities which should be offset by savings resulting from increased cost effectiveness of enforcement action.	Consultation paper to be issued shortly
DOE LEQ	The proposal to employ dog wardens in England will cost local authorities around £15.3m.	Consultation paper has been issued. It is intended to include the measures in the Environ- mental Protection Bill.
DOE LEQ	Limited increased costs expected.	Consultation paper issued in June. LAA's comments on resources awaited.
DOE SARD	Some of the report's recommendations could result in extra costs for local authorities	Report to be published in November. Unclear how far the recommendations will be implemented.
DOE SARD	Some increase in costs likely	Report published 7/8/89
DOE SARD	The recommendation to appoint sports development officers could result in increased costs of £½m. This will be offset by increased revenues from sports facilities.	DOE to issue Government's response to the Report in October.
	DOE LEQ DOE LEQ DOE SARD DOE SARD	DEPARTMENT MANPOWER IMPLICATIONS DOE LEQ Resulting in some additional costs for disposal authorities which should be offset by savings resulting from increased cost effectiveness of enforcement action. DOE The proposal to employ dog wardens in England will cost local authorities around £15.3m. DOE LEQ Limited increased LEQ costs expected. DOE SARD Costs expected. DOE SARD DOE SOME of the report's recommendations could result in extra costs for local authorities DOE SOME increase in costs likely DOE SARD The recommendation to appoint sports development officers could result in increased costs of £½m. This will be offset by increased revenues from



PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
20. Guidance booklet on the introduction of community use into school sports facilities (dual use).	DES DOE SARD	To the extent that schools and education authorities introduce new dual use schemes, some additional costs could be involved. These will be partially offset by increased revenues.	Guidance to be published in November.
21. Planning Policy Guidance on Sport and Recreation.	DOE .	Unquantified	First draft being pre-pared.
22. Revision of the compulsory Purchase by Public Authorities (Inquiries Procedure) Rules 1976	DOE PDC	De minimis. Local authorities will be required to undertake additional preinquiry work, offset by more efficient arrangements overall	Consultations complete, LAAs agree with resource assessment. Rules to be issued shortly
23. Planning Policy Guidance: Development on Unstable Land	DOE DPS	Unquantified	The Department has promised to keep any resource implications under review with the LAAs
24. Report on Co-ordinating Services for the Visually Handicapped	DOH	Proposals leading to additional staff would cost an extra £1m-£2m.	Local authority Associations will be consulted about resource implications later this year.



PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
25. Community Care	DOH	Proposals estimated to cost local authorities an additional £225m.	Resource implications to be discussed with LAAs shortly
26. Local Government Act 1966, Section II: more effective targetting	НО	Some recommendations would result in short term increases in costs	Still under consideration. An announcement is planned for later in the autumn.
27. Proposals for a Fire Service Civil Defence training package	НО	Unquantified	
28. Housing Benefit Scheme: Changes in the rules	DSS	Significant burden on local authorities probably some £14m pa increase in costs	Local authority Associations have now been consulted
29. Bus Fuel Duty Rebate: Proposals to end the subsidy	DTp	Removal of the subsidy could cost local authorities up to £50m pa.	DTp/Treasury firming up their views in readiness for a PAC Report on the subject.
30. Display of of information at Offstreet Parking places - includes availability of allocated spaces for disabled people.	DTp	About £547,500 per annum.	Bill completed final stages 7 July 1989.
31. Departmental Advice Notes on Traffic Signals - equipment to measure loop operating frequency.	DTp	About £86,700 per annum.	Draft Departmental Standard issued August 1989.



PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
32. 1991 London Area Transport Survey.	DTp	London Boroughs share 1/3 of survey costs - About £1.6m-£1.9m.	Proposal to be discussed with London Boroughs. Meeting imminent.
33. Computerised Street Works Register.	DTp	Initial setting up and supervisory costs offset by eventual savings.	Awaiting results of liaison between local authorities and utilities.
34. Public Utilities Street Works Act - charging of utilities for use of road space.	DTp	Unquantifiable at present - certain amount of revenue but collection costs	Proposal for legislation.



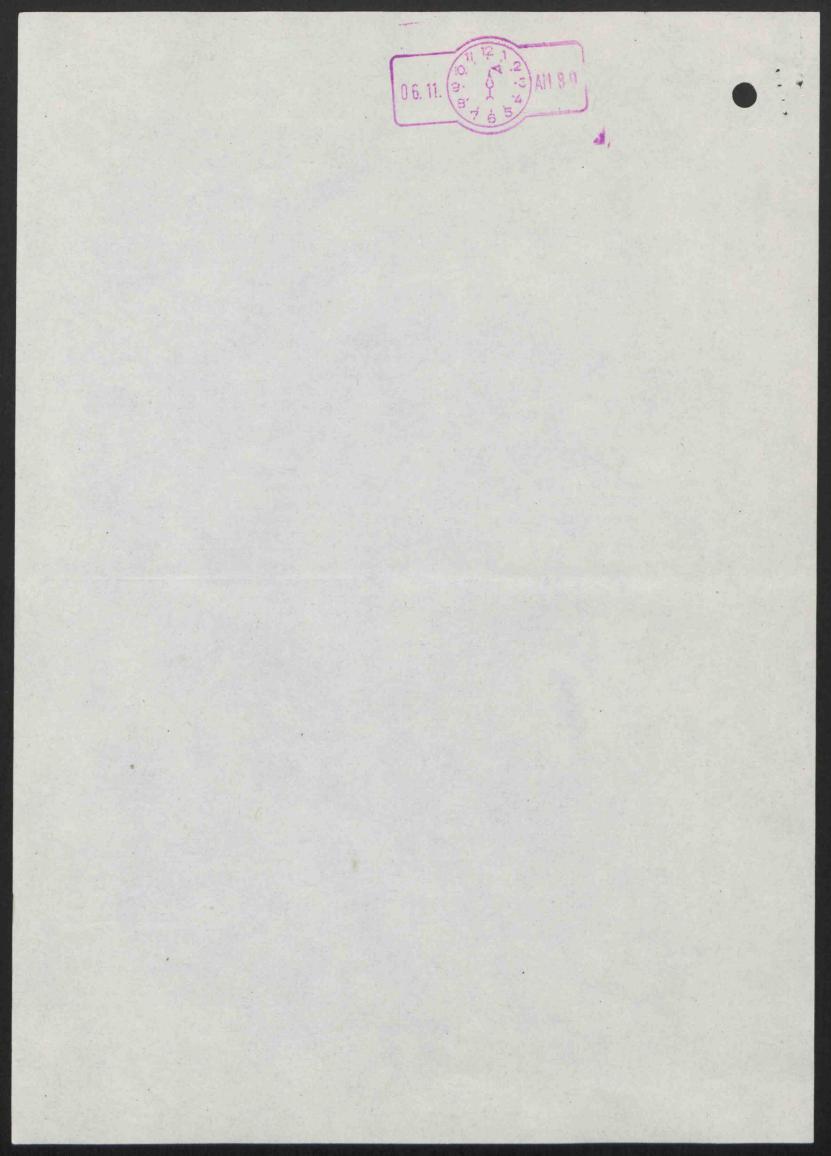
INITIATIVES AFFECTING LOCAL GOVERNMENT - 13 MARCH-12 SEPTEMBER 1989 - POSSIBLE EXPENDITURE AND MANPOWER IMPLICATIONS

B. POTENTIAL DECREASES

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PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL AND MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
1. New CPO Regulations: Draft Circular.	DOE PDC	Marginal savings resulting from removal of requirement to hold local inquiries in certain cases.	Circular to be issued before Christmas. Regulations to come into force in January.
2. Application of the compulsory competitive tendering provisions of the Local Government Act 1988 to the management of local authority sport and leisure facilities.	DOE SARD	Any increased costs in preparing specifications and contract supervision should be more than offset by savings which result from either tighter in-house management or contracting out.	Draft order to be laid before Parliament Oct/Nov 1989.
3. Design of Highway Structures in Areas of Mining Subsidence - Use encouraged of reinforced earth structures as abutments and retain- ing walls instead of	DTp	Small cost saving - unquantifiable, but in order of 30-40% of current costs.	Amendment issued.







PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SWIA 2AT

3 November 1989

Dear Roger,

LOCAL GOVERNMENT FINANCE

The Lord President has seen your letter of 31 October to Paul Gray and Carys Evans' letter of 2 November commenting on the draft statement.

The Lord President agrees with the Chief Secretary about the importance of making clear that the Government is prepared to use its charge capping powers, if necessary. He feels that it is right that there should be some mention of this, if not in the statement, then in a supplementary question and answer.

I am copying this letter to the Private Secretaries of the members of E(LG) and to Trevor Woolley (Cabinet Office).

Yors succeely, Ollis Barondo

GILLIAN BAXENDINE Private Secretary

Roger Bright Esq
PS/Secretary of State for the Environment

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Y SWYDDFA GYMREIG WELSH OFFICE **GWYDYR HOUSE GWYDYR HOUSE** WHITEHALL LONDON SW1A 2ER WHITEHALL LONDON SWIA 2ER Tel. 01-270 3000 (Switsfwrdd) Tel. 01-270 3000 (Switchboard) 01-270 0549 (Llinell Union) 01-270 0549 (Direct Line) ODDI WRTH YSGRIFENNYDD FROM THE PRIVATE SECRETARY PREIFAT YSGRIFENNYDD TO THE SECRETARY OF STATE GWLADOL CYMRU FOR WALES Pring Migle 2 ALCG 3 November 1989 LOCAL GOVERNMENT FINANCE: WALES I can now confirm that my Secretary of State proposes to make announcements on Monday, by way of two Written Answers, on the scheme of community charge transitional relief to be introduced in Wales, and on revenue support grant matters. The answers will be released immediately following Mr Patten's statement on the English local authority grant settlement. The Answer on the transitional relief scheme will be released simultaneously in the Lords to meet a commitment given by Lord Hesketh during the Lords consideration of the Local Government and Housing Bill. I attach a draft of the answers, which have already been agreed by officials in the Treasury and the Department of the Environment, and which my Secretary of State will be considering over the weekend. I am sending copies of this to the Private Secretaries to the Lord President, the Secretary of State for Scotland, the Secretary of State for the Environment, the Chief Secretary and the Lord Privy Seal, and to Trevor Woolley (Cabinet Office). STEPHEN WILLIAMS Paul Gray Private Secretary to the Prime Minister 10 Downing Street LONDON SW1A 2AA

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TRANSITIONAL RELIEF: DRAFT PARLIAMENTARY QUESTION AND ANSWER

TO ASK THE SECRETARY OF STATE FOR WALES WHAT ARE HIS PLANS FOR A SCHEME OF TRANSITIONAL RELIEF TO HELP COMMUNITY CHARGEPAYERS IN WALES; AND IF HE WILL MAKE A STATEMENT

Answer:

In July I announced that the average community charge in Wales for 1990/91 would be £175, provided that Welsh local authorities budgeted in line with my plans. This will benefit all Welsh community chargepayers. In addition to this a three-year scheme of community charge transitional relief is to be introduced which will provide further assistance to personal chargepayers in Wales. The cost of the scheme will be £17.5m in 1990/91.

I am placing in the Library copies of a paper setting out my proposals, which have been the subject of consultation with the Welsh local authority associations. The scheme gives protection to those facing significant increases over their 1989/90 domestic rates bills, while ensuring that no significant additional administrative burdens are imposed upon district councils. It will provide broadly the same protection as that provided by a district safety net but without the need for contributions from chargepayers.

The scheme I am announcing today will mean that in 1990/91 personal chargepayers in communities where domestic rateable values are low will face an increase of no more than £25 per year - less than 50p a week - over the average 1989/90 domestic rates bill for each adult in their community area, provided that local authorities spend in line with my plans. Residents of many communities, including most communities in the Valleys, many rural communities and some inner city communities will be protected from large increases as we introduce the new system.

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In bringing forward these proposals, I must emphasise the important responsibility which now falls upon Welsh local authorities in their budget-making for 1990/91. The announcement I have made must not be taken by authorities as a signal to increase spending; rather, I look to Welsh local authorities to ensure, in setting their budgets for 1990/91, that the full benefits of these new arrangements flow through to chargepayers.

REVENUE SUPPORT GRANT Q: To ask the Secretary of State for Wales at what level he proposes to set the total of revenue support grant, the NNDR multiplier, and the distributable amount of NNDR for Wales and if he will make a statement. A: I announced on 20 July that I proposed to set the total of Aggregate External Finance (the level of central government support for local authority revenue spending) at £1,733 million, an increase of 8.6 per cent over the comparable level for 1989/90. This support comprises three component elements: revenue support grant, the NNDR distributable amount and relevant specific grants. I now estimate that the amount of business rates to be distributed in 1990/91 (the distributable amount) will be £454 million. This is the amount (adjusted to allow for certain technical factors) which I expect charging authorities to receive in respect of rates paid by private businesses, nationalised industries, and local authorities themselves, together with a contribution in respect of Crown property. This amount includes an element from the business sector which is broadly the same in real terms as the equivalent amount for 1989/90. In arriving at the distributable amount I have estimated that the national non-domestic rate multiplier for 1990/91 will be 38 pence; but this figure will be provisional until I have final information about the effects of the revaluation and other relevant factors. I estimate that relevant specific grants towards local authority revenue expenditure will total £154.2 million. Further details will be available at the time of the Autumn Statement. I propose that the total of revenue support grant should be £1124.8 million. I am today consulting Welsh local authorities and their associations on this amount.

I will also shortly be notifying the associations of my proposals for the Distribution and Population Reports, together with exemplifications of the likely effect of my proposals on individual authorities. These will be based on provisional population figures from community charge registers. The Welsh local authority associations share the view that it would not be helpful to publish exemplifications at this stage.

THE COMMUNITY CHARGE PROPOSALS FOR TRANSITIONAL ARRANGEMENTS FOR WALES This paper sets out proposals for a targeted scheme of transitional relief to operate on introduction of the community charge in Wales. The relief would take the form of a reduction in the community charge liability of personal chargepayers in communities with low average domestic rateable values. The scheme would thus help those communities which could otherwise face the highest increases as the new system takes effect. 2. The transitional relief would be phased out over three years 1990/91, 1991/92 and 1992/93 and would be funded by specific grant. The proposed scheme would be provided for by an enabling power in the Local Government and Housing Bill, followed by regulations, and by Directions under the Local Government Finance Act 1988. How the scheme would work 4. An average domestic rate bill per adult would be calculated by the Secretary of State for each community area in each Welsh district using information supplied to him by the district councils. He would then compare the average domestic rate bill per adult for each community to the community charge for the appropriate district, assuming spending increases in line with his plans for 1990/91. Each personal community chargepayer in communities where the assumed community charge was calculated to exceed average domestic rate bills per adult by more than a specified threshold amount would receive relief equal to the excess. The threshold amount would be set in regulations and would depend upon data which local authorities would be asked to provide on average domestic rateable values and relevant population. Secretary of State would also specify in the regulations the deductions to be made from community charges for each of the communities eligible for relief for each of the years in which the scheme would apply.

- 6. Funding for the community level transitional relief scheme would be met by Government specific grant. The sums available for this purpose will be £17.5m in 1990/91, to include reasonable administration costs.
- 7. An example of how the transitional relief scheme would benefit chargepayers in Community A, which is located within District X, is set out below. For the purposes of this illustration the threshold figure is set at £25.

	£
Average domestic rate bills per adult in Community A in 1989/90	120
Assumed community charge in District X	175
in 1990/91 (assuming spending in line with	
the Secretary of State's assumptions)	
Increase compared to average rates per adult	55
in Community A 1989/90: 1990/91	
Less Community transitional relief for excess	30
over £25	
1990/91 community charge in Community A if	145
relevant authorities spend in line with the	
Secretary of State's assumptions.	

Administration of the Scheme at Community Level

8. To administer the scheme at community level, each district would need to be able to identify the community in which each personal community chargepayer lives (whether or not there is a community council for that area). Every district council would provide the Secretary of State with an average domestic rateable value and the registered population (from its community charge register) for each of its constituent communities. Preliminary soundings indicate that this information is readily available and can be extracted from existing data bases with minimal effort.

- 9. Where possible, community charge bills would be calculated net of any relief due under the transitional relief arrangements. This would mean that chargepayers would receive relief from the start of the year, and no retrospective amendment to bills should be necessary. Chargepayers may also be entitled to community charge benefit, which would be calculated on the amount of their liability net of any transitional relief and would serve to reduce further the amount they must pay. Bills would be issued net of community charge benefit wherever possible.

 10. In the communities which qualify for transitional relief, the relief arrangements would apply to all chargepayers who are liable
- 10. In the communities which qualify for transitional relief, the relief arrangements would apply to all chargepayers who are liable to the personal charge. Students, who will only be liable to 20% of the personal charge, would receive 20% of any community transitional relief.
- 11. In formulating the transitional relief proposals, an important consideration has been to keep the administrative costs associated with their implementation to a minimum. Reasonable administration costs incurred by the district councils in running this scheme would be met in full.

2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000 Prie Minter My ref: Your ref: Toble 2 gives he inplied committy charges to Paul Gray tadal spedy (£316 & Barel, Private Secretary to The Prime Minister 10 Downing Street LONDON SWIA 2AA S November 1989

LOCAL GOVERNMENT FINANCE

In my letter of 31 October, I promised to circulate the exemplifications which will be issued to MPs and to local authorities with my Secretary of State's statement on Monday.

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I attach two tables. These show for the first time the Standard Spending Assessment for each authority, calculated in accordance with the methodology that has been agreed. There is also shown the community charge which would result in each area if authorities budget at the same level as 1989/90 but up-rated so that expenditure in total equals £32.8 billion. These figures are provisional, and will change slightly when the settlement is made in late December or early January. The main reason for this change is that we shall be using population figures derived from community charge registers, and these will not be available until early December.

I am sending copies of this to the Private Secretaries of Members E(LG), the Chief Whip and to Trevor Woolley (Cabinet Office).

R BRIGHT

Private Secretary

Table 1: Provisional 1990/91 Standard Spending Assessments (SSAs), Business Rates and Revenue Support Grant Entitlement

Column 1: shows the OPCS based adult population for each notifiable authority. For charging authorities this is the calculation described in paragraph 4 of the draft Population Report. For other notifiable authorities it is the sum of the adult populations of charging authorities in their area*.

Column 2: shows the provisional standard spending assessment (SSA) for 1990/91 for each notifiable authority in £ million, calculated as described in Section 3 of the draft Distribution Report. Notifiable authorities are: County Councils; District Councils; London Borough Councils; the City of London; Metropolitan County Police Authorities; Metropolitan County and London Fire and Civil Defence Authorities; and the Isles of Scilly.

Column 3: shows the estimated SSA for 1990/91 for each receiving authority area. It is calculating by summing the SSAs per adult of the receiving authority and of all notifiable authorities precepting on the receiving authority*. It is the result of the calculation described in paragraph 2.3 of the draft Distribution Report.

^{*} See also Annex E of the draft Distribution Report

Column 4: shows the estimated share of the business rates (the Distributable Amount) for each receiving authority as described in paragraph 2.5 of the draft Distribution Report. It is the same amount per adult in every receiving authority (about £292).

Column 5:

shows the yield which would result from the number of adults shown in column 1 paying a common community charge - the Community Charge for Standard Spending. In these exemplifications this charge is about £278, a figure based on the adult population for England shown in column 1.

Column 6:

shows the estimated Revenue Support Grant entitlement for each receiving authority in 1990/91 in £ million. Revenue Support Grant is sufficient to meet the difference between: the SSA for the receiving authority; and the sum of income from business rates and the Community Charge for Standard Spending. The sum of columns 4, 5 and 6 is equal to the SSA for the receiving authority. As a consequence, before transitional adjustments, the common standard of service represented by SSAs can be provided in each area for the Community Charge for Standard Spending (see Section 2 of the draft Distribution Report).

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAS), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
	1	(£m)	(£m)	(£m)	(£m)	(£m)
GREATER LONDON						
City of London	2,592.2	42.051	42.149	0.758	0.720	40.671
Camden	131,658.6	151.357	171.691	38.491	36.575	96.625
Greenwich	157,838.0	153.962	178.339	46.145	43.847	88.347
Hackney	137,485.0	206.209	227.443	40.195	38.193	149.055
Hammersmith and Fulham	115,525.8	132.805	150.648	33.775	32.093	84.780
Islington	125,578.4	159.900	179.295	36.714	34.886	107.695
Kensington and Chelsea	86,511.4	96.905	110.267	25.292	24.033	60.941
Lambeth	176,461.8	241.984	269.237	51.590	49.021	168.626
Lewisham	168,478.0	178.328	204.348	49.256	46.803	108.289
Southwark	160,092.8	194.453	219.178	46.804	44.474	127.900
Tower Hamlets	122,491.2	173.789	192.707	35.811	34.028	122.868
Wandsworth	193,993.6	202.093	232.054	56.716	53.891	121.447
Westminster	119,192.4	170.643	189.052	34.847	33.112	121.093
Barking and Dagenham	110,984.4	90.654	106.930	32.447	30.831	43.651
Barnet	224,052.0	159.734	192.592	65.503	62.242	64.847
BexLey	169,720.2	114.754	139.644	49.619	47.148	42.876
Brent	194,432.2	214.987	243.500	56.844	54.013	132.643
Bromley	230,503.6	142.323	176.126	67.390	64.034	44.703
Croydon	237,148.0	189.453	224.230	69.332	65.880	89.019
Ealing	223,976.0	204.169	237.015	65.481	62.220	109.314
Enfield	196,053.4	165.967	194.718	57.318	54.464	82.937
Haringey	141,103.6	171.245	191.938	41.253	39.199	111.486
Harrow	147,378.6	117.641	139.254	43.087	40.942	55.225
Havering	180,516.2	116.501	142.974	52.775	50.147	40.051
Hillingdon	172,387.2	128.095	153.375	50.399	47.889	55.087
Hounstow	139,321.2	125.628	146.059	40.732	38.703	66.624
Kingston-upon-Thames	103,977.6	73.631	88.880	30.399	28.885	29.596
Merton	125,009.6	99.785	118.118	36.548	34.728	46.842
Newham	149,006.0	196.307	218.159	43.563	41.394	133.202
Redbridge	175,518.2	129.502	155.242	51.314	48.759	55.169
Richmond-upon-Thames	125,013.8	75.081	93.414	36.549	34.729	22.137
Sutton	128,048.6	88.091	106.870	37.436	35.572	33.862
Waltham Forest	159,410.4	161.920	185.298	46.605	44.284	94.409
London Fire & CD Authority	5,031,460.0	190.514				
Metropolitan Police	5,377,968.0	598.258				

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	4					
The state of the s	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
COPATED MANGUESTED	1		3	4		6
GREATER MANCHESTER	4 007 07/ 0	447 707				
Greater Manchester Police Authority	1,903,974.0	114.703				
Greater Manchester Fire & CD Authority	1,903,974.0	53.929	475 //5			47.010
Bolton	196,779.6	158.016	175.445	57.530	54.665	63.249
Bury	131,391.8	92.335	103.972	38.413	36.501	29.058
Manchester	307,126.4	339.985	367.186	89.791	85.320	192.076
Oldham	162,872.8	138.617	153.042	47.617	45.246	60.179
Rochdale	151,302.0	127.064	140.465	44.234	42.032	54.199
Salford	171,460.6	148.047	163.233	50.128	47.632	65.473
Stockport	221,849.4	148.016	167.665	64.859	61.630	41.175
Tameside	165,078.8	124.250	138.871	48.262	45.859	44.750
Trafford	163,775.8	120.246	134.752	47.881	45.497	41.374
Wigan	232,336.8	164.301	184.879	67.926	64.543	52.411
MERSEYSIDE						
Merseyside Police Authority	1,061,476.2	77.222				
Merseyside Fire & CD Authority	1,061,476.2	36.230				
Knowsley	111,334.8	112.982	124.882	32.550	30.929	61.403
Liverpool	332,437.6	348.202	383.733	97.191	92.351	194.192
St Helens	141,037.4	109.051	124.125	41.233	39.180	43.711
Sefton	225,119.6	158.373	182.434	65.816	62.538	54.080
Wirral	251,546.8	199.171	226.057	73.542	69.880	82.635
SOUTH YORKSHIRE						
South Yorkshire Police Authority	968,937.4	49.201				
South Yorkshire Fire & CD Authority	968,937.4	22.261				
Barnsley	166,821.4	111.745	124.049	48.772	46.343	28.934
Doncaster	218,562.6	158.898	175.018	63.899	60.717	50.402
Rotherham	188,945.4	137.372	151.307	55.240	52.489	43.578
Sheffield	394,608.0	292.585	321.689	115.367	109.622	96.700

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
TYNE AND WEAR						
Northumbria Police Authority	1,070,822.2	58.543				
Tyne and Wear Fire & CD Authority	844,480.4	24.466				
Gateshead	157,707.2	119.033	132.224	46.107	43.811	42.306
Newcastle upon Tyne	203,332.6	175.122	192.129	59.446	56.486	76.198
North Tyneside	147,373.4	110.061	122.388	43.086	40.940	38.362
South Tyneside	117,525.8	97.780	107.610	34.360	32.649	40.602
Sunder Land	218,541.4	177.969	196.248	63.892	60.711	71.645
WEST MIDLANDS						
West Midlands Police Authority	1,922,909.6	112.659				
West Midlands Fire & CD Authority	1,922,909.6	53.205				
Birmingham	712,293.6	726.852	788.293	208.245	197.875	382.173
Coventry	219,473.8	193.176	212.107	64.165	60.970	86.972
Dudley	235,871.0	156.836	177.182	68.959	65.525	42.698
Sandwell	219,770.6	192.850	211.807	64.252	61.052	86.503
Solihull	156,294.2	103.619	117.101	45.694	43.418	27.989
Walsall	196,252.6	156.769	173.697	57.376	54.519	61.802
Wolverhampton	182,953.8	173.606	189.387	53.488	50.825	85.075
WEST YORKSHIRE						
West Yorkshire Police Authority	1,512,161.0	86.888				
West Yorkshire Fire & CD Authority	1,512,161.0	37.481				
Bradford	330,864.0	316.889	344.101	96.731	91.914	155.457
Calderdale	148,599.0	110.330	122.552	43.444	41.281	37.827
Kirklees	275,409.8	219.315	241.966	80.518	76.509	84.939
Leeds	522,556.4	393.085	436.063	152.774	145.166	138.124
Wakefield	234,731.8	160.152	179.458	68.626	65.208	45.624

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
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	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
AVON	715,745.8	452.177				
Bath	61,903.8	6.416	45.524	18.098	17.197	10.229
Bristol	268,071.4	35.841	205.197	78.373	74.470	52.354
Kingswood	69,781.2	5.183	49.267	20.401	19.385	9.481
Northavon	99,856.6	7.375	70.460	29.194	27.740	13.526
Wansdyke	65,130.6	4.250	45.397	19.041	18.093	8.262
Woodspring	151,002.2	10.988	106.384	44.147	41.948	20.289
	701 010 1	270 251				
BEDFORDSHIRE	394,219.6	278.856				
North Bedfordshire	102,126.0	10.518	82.758	29.857	28.371	24.530
Luton	122,540.2	18.036	104.717	35.826	34.042	34.849
Mid Bedfordshire	84,169.2	6.218	65.757	24.608	23.382	17.767
South Bedfordshire	85,384.2	6.639	67.037	24.963	23.720	18.354
BERKSHIRE	553,976.0	377.278	F			44 999
Bracknell	73,096.8	6.247	56.028	21.370	20.306	14.352
Newbury	103,234.4	8.226	78.533	30.181	28.678	19.673
Reading	94,447.0	12.339	76.660	27.612	26.237	22.811
Slough	74,760.4	12.355	63.269	21.857	20.768	20.644
Windsor and Maidenhead	93,027.8	7.932	71.287	27.197	25.843	18.247
Wokingham	115,409.6	7.337	85.935	33.741	32.061	20.133
PURCTURE	472,750.0	326.532				
BUCKINGHAMSHIRE Aylesbury Vale	108,865.2	9.671	84.865	31.828	30.243	22.795
South Bucks	45,684.6	3.112	34.667	13.356	12.691	8.620
Chiltern	65,589.2	4.260	49.563	19.176	18.221	12.167
	136,600.6	13.060	107.412	39.936	37.948	29.528
Milton Keynes	116,010.4	9.566	89.695	33.917	32.228	23.551
Wycombe	110,010.4	9.300	07.073	33.917	32.220	23.331
CAMBRIDGESHIRE	477,446.0	315.489				
Cambridge	63,544.8	8.515	50.505	18.578	17.653	14.274
East Cambridgeshire	46,910.0	3.719	34.716	13.715	13.032	7.970
Fenland	58,221.8	5.322	43.794	17.022	16.174	10.599
Huntingdonshire	105,020.0	9.018	78.414	30.703	29.175	18.536
Peterborough	114,341.0	11.340	86.895	33.429	31.764	21.703
South Cambridgeshire	89,408.4	6.758	65.838	26.139	24.838	14.861
CHESHIRE	720,210.6	473.658				
Chester	88,671.0	8.315	66.631	25.924	24.633	16.075
Congleton	67,019.6	4.286	48.363	19.594	18.618	10.151
Crewe and Nantwich	73,528.2	7.008	55.365	21.497	20.426	13.442
Ellesmere Port and Neston	59,617.0	5.689	44.897	17.430	16.562	10.906
Halton	89,569.8	8.852	67.759	26.186	24.882	16.690
Macclesfield	116,338.4	8.416	84.928	34.012	32.319	18.597
Vale Royal	85,471.4	6.497	62.708	24.988	23.744	13.976
Warrington	139,995.2	12.131	104.201	40.929	38.891	24.382

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAS), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

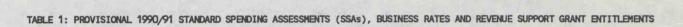
	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
CLEVELAND	405,507.0	338.793				
Hartlepool	64,623.8	7.967	61.959	18.893	17.952	25.114
Langbaurgh-on-Tees	107,195.6	9.719	99.279	31.340	29.779	38.160
Middlesbrough	101,528.4	13.907	98.732	29.683	28.205	40.844
Stockton-on-Tees	132,159.2	12.052	122.469	38.638	36.714	47.117
CORNWALL	359,532.2	235.081				
Caradon	58,117.6	4.528	42.529	16.991	16.145	9.393
Carrick	63,497.2	5.619	47.137	18.564	17.640	10.934
Kerrier	66,804.2	6.214	49.894	19.531	18.558	11.805
North Cornwall	56,348.6	5.045	41.889	16.474	15.654	9.761
Penwith	47,595.8	4.537	35.658	13.915	13.222	8.521
	67,168.8	5.648	49.566	19.637	18.659	11.269
Restormel	07,100.0	3.040	47.300	17.001	10.037	Transplated in
CUMBRIA	376,886.8	243.980				
Allerdale	74,797.6	6.356	54.777	21.868	20.779	12.131
Barrow in Furness	54,546.4	5.013	40.324	15.947	15.153	9.224
Carlisle	77,538.0	7.593	57.788	22.669	21.540	13.579
Copeland	54,077.2	4.638	39.645	15.810	15.023	8.813
Eden	36,439.6	3.191	26.780	10.653	10.123	6.004
South Lakeland	79,488.0	6.278	57.735	23.239	22.082	12.414
DERBYSHIRE	706,772.4	444.651				
Amber Valley	87,733.4	6.070	61.266	25.650	24.372	11.244
Bolsover	52,870.4	3.820	37.083	15.457	14.687	6.938
Chesterfield	77,822.8	5.899	54.859	22.752	21.619	10.488
Derby	160,001.6	19.005	119.666	46.778	44.448	28.440
Erewash	83,392.6	6.420	58.885	24.381	23.166	11.338
High Peak	63,555.4	5.283	45.268	18.581	17.656	9.031
North East Derbyshire	75,088.0	4.526	51.766	21.953	20.859	8.954
South Derbyshire	54,511.2	4.118	38.413	15.937	15.143	7.333
Derbyshire Dales	51,797.0	4.297	36.884	15.143	14.389	7.352
DEVON	785,617.6	484.108				
East Devon	95,268.4	6.958	65.664	27.852	26.466	11.346
Exeter	69,856.2	7.783	50.829			11.000
North Devon	65,320.6	5.874	46.125			8.882
Plymouth	192,471.4	23.055	141.658		53.468	31.919
South Hams	60,968.0	4.890	42.459		16.937	7.698
Teignbridge	85,565.0	6.830	59.556			10.770
Mid Devon	48,962.2	4.351	34.522			6.606
Torbay	93,114.2	8.099	65.477			12.388
Torridge	40,500.4	3.590	28.547		11.251	5.455
West Devon	33,591.2	2.907	23.607		9.332	4.454
1000			ALIENS CO.			the or and the

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	0
PODET	522,314.4	291.330				
DORSET Bournemouth	123,943.2	13.996	83.127	36.236	34.431	12.460
Christchurch	33,542.0	2.113	20.822	9.806	9.318	1.698
North Dorset	43,020.0	3.488	27.483	12.577	11.951	2.955
Poole	103,859.6	7.519	65.448	30.364	28.852	6.232
Purbeck	36,448.0	3.033	23.362	10.656	10.125	2.581
West Dorset	68,118.4	5.645	43.640	19.915	18.923	4.801
Weymouth and Portland	49,646.0	4.188	31.879	14.514	13.792	3.573
East Dorset	63,737.2	3.536	39.086	18.634	17.706	2.746
Edst Dorset	05,151.2					
DURHAM	446,312.8	300.577				
Chester-le-Street	40,770.8	2.740	30.198	11.920	11.326	6.952
Darlington	75,570.6	8.038	58.933	22.094	20.993	15.845
Derwentside	65,746.0	5.252	49.530	19.221	18.264	12.044
Durham	60,082.8	5.155	45.619	17.566	16.691	11.362
Easington	70,876.0	6.293	54.026	20.721	19.689	13.615
Sedgefield	65,642.0	5.568	49.776	19.191	18.235	12.350
Teesdale	19,049.6	1.799	14.629	5.569	5.292	3.767
Wear Valley	48,575.0	4.718	37.431	14.201	13.494	9.736
EAST SUSSEX	554,453.6	326.119				
Brighton	111,240.0	14.972	80.401	32.522	30.902	16.977
Eastbourne	62,423.4	6.244	42.960	18.250	17.341	7.369
Hastings	62,599.4	8.371	45.191	18.301	17.390	9.499
Hove	68,860.8	9.487	49.990	20.132	19.130	10.728
Lewes	72,579.0	4.787	47.477	21.219	20.162	6.096
Rother	69,646.4	5.363	46.328	20.362	19.348	6.619
Wealden	107,104.6	7.464	70.461	31.313	29.754	9.395
	4 444 242 4	763.937				
ESSEX	1,166,212.4		87.448	34.609	32.886	19.953
Basildon	118,379.2	9.667	64.916	25.740	24.458	14.718
Braintree	88,041.8	7.068	38.727	15.619	14.842	8.266
Brentwood	53,425.6	3.624 4.718	47.441	19.010	18.063	10.368
Castle Point	65,022.2 114,370.0	8.729	83.875	33.437	31.772	18.667
Chelmsford	111,310.0	9.456	82.592	32.542	30.922	19.128
Colchester	84,901.2	6.425	65.516	24.822	23.586	17.109
Epping Forest	52,530.4	5.527	40.042	15.358	14.593	10.092
Harlow	41,766.8	3.126	30.569	12.211	11.603	6.755
Maldon	56,772.8	3.911	41.214	16.598	15.771	8.844
Rochford	130,472.0	14.007	99.733	38.145	36.245	25.344
Southend-on-Sea	106,710.0	8.364	78.477	31.198	29.644	17.636
Tendring Thunnack	92,306.6	8.156	68.806	26.987	25.643	16.176
Thurrock	50,203.8	3.835	36.821	14.677	13.947	8.197
Uttlesford	20,203.8	3.003	30,021	171011		

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	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
GLOUCESTERSHIRE	404,518.2	250.259				
Cheltenham	64,564.0	6.812	46.755	18.876	17.936	9.943
Cotswold	57,562.8	4.747	40.359	16.829	15.991	7.539
Forest of Dean	60,788.4	4.786	42.393	17.772	16.887	7.734
Gloucester	66,037.2	7.304	48.159	19.307	18.345	10.507
Stroud	87,082.6	6.252	60.127	25.459	24.192	10.476
Tewkesbury	68,483.2	4.779	47.146	20.022	19.025	8.100
					17.023	0.100
HAMPSHIRE	1,157,505.8	753.937				
Basingstoke and Deane	103,905.2	8.964	76.642	30.378	28.865	17.400
East Hampshire	78,930.6	5.780	57.191	23.076	21.927	12.188
Eastleigh	76,863.8	5.082	55.147	22.472	21.353	11.323
Fareham	78,463.6	5.081	56.188	22.939	21.797	11.451
Gosport	56,258.4	5.113	41.757	16.448	15.629	9.681
Hart	64,706.0	4.297	46.443	18.917	17.975	9.551
Havant	87,086.8	8.120	64.844	25.461	24.193	15.191
New Forest	128,480.6	9.923	93.608	37.562	35.692	20.354
Portsmouth	135,189.4	19.783	107.839	39.524	37.556	30.759
Rushmoor	55,733.2	5.785	42.086	16.294	15.483	10.310
Southampton	140,872.2	18.250	110.006	41.185	39.134	29.687
Test Valley	79,629.8	5.760	57.626	23.280	22.121	12.225
Winchester	71,386.2	5.768	52.265	20.870	19.831	11.564
HEREFORD AND WORCESTER	512,036.4	314.283				
Bromsgrove	67,732.2	4.521	46.095	19.802	18.816	7.477
Hereford	37,267.6	3.214	26.089	10.895	10.353	4.840
Leominster	30,993.0	3.128	22.151	9.061	8.610	4.481
Malvern Hills	67,350.6	5.433	46.772	19.691	18.710	8.371
Redditch	57,008.4	5.132	40.123	16.667	15.837	7.619
South Herefordshire	39,956.0	3.547	* 28.071	11.681	11.100	5.290
Worcester	61,967.4	5.490	43.525	18.117	17.215	8.194
Wychavon	78,149.8	5.681	53.649	22.848	21.710	9.091
Wyre Forest	71,611.4	5.526	49.480	20.936	19.894	8.651
HERTFORDSHIRE	739,586.8	478.069				
Broxbourne	63,190.8	4.756	48.331	18.474	17.554	12.302
Dacorum	99,541.4	8.445	73.479	29.102	27.653	16.725
East Hertfordshire	90,230.0	6.434	65.385	26.379	25.066	13.940
Hertsmere	65,833.4	5.341	52.372	19.247	18.288	14.836
North Hertfordshire	85,519.2	7.076	62.950	25.002	23.757	14.190
St Albans	94,548.4	7.838	69.610	27.642	26.266	15.703
Stevenage	54,456.0	4.894	40.473	15.921	15.128	9.424
Three Rivers	59,720.8	4.358	43.376	17.460	16.590	9.325
Watford	55,800.4	6.956	43.413	16.314	15.501	11.598
Welwyn Hatfield	70,746.4	5.335	51.813	20.683	19.653	11.477



	OPCS based	SSA for	SSA for	Business	Community	Revenue
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	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	Trains In
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
HUMBERSIDE	633,205.0	465.757				
Beverley	88,161.4	5.710	70.557	25.775	24.491	20.291
Boothferry	49,446.2	4.793	41.163	14.456	13.736	12.971
Cleethorpes	52,083.2	4.693	43.003	15.227	14.469	13.307
Glanford	56,389.2	5.135	46.613	16.486	15.665	14.462
Great Grimsby	64,541.2	7.052	54.526	18.869	17.930	17.727
Holderness	39,204.6	3.375	32.212	11.462	10.891	9.859
Kingston upon Hull	171,439.0	25.593	151.696	50.122	47.626	53.949
East Yorkshire	68,587.6	5.150	55.600	20.052	19.054	16.494
Scunthorpe	43,352.6	4.477	36.365	12.674	12.043	11.647
ISLE OF WIGHT	102,944.8	63.117				
Medina Medina	56,773.4	5.363	40.172	16.598	15.772	7.802
South Wight	46,171.4	3.862	32.170	13.499	12.826	5.845
South wight	40,171.4	. 5.002	52.110	15.477	12.020	3.043
KENT	1,149,482.6	769.239				
Ashford	72,804.2	6.248	54.969	21.285	20.225	13.459
Canterbury	97,584.2	9.446	74.750	28.530	. 27.109	19.111
Dartford	56,994.4	5.468	43.609	16.663	15.833	11.113
Dover	82,057.2	7.515	62.428	23.990	22.795	15.643
Gillingham	70,149.2	7.040	53.984	20.509	19.487	13.988
Gravesham	67,109.8	6.461	51.371	19.620	18.643	13.108
Maidstone	104,488.0	9.216	79.140	30.548	29.027	19.565
Rochester upon Medway	109,327.2	11.598	84.760	31.963	30.371	22.426
Sevenoaks	79,381.8	6.048	59.171	23.208	22.052	13.910
Shepway	67,481.8	6.556	51.715	19.729	18.746	13.240
Swale	88,931.4	7.805	67.318	26.000	24.705	16.614
Thanet	101,656.0	10.370	78.398	29.720	28.240	20.438
Tonbridge and Malling	77,222.8	5.904	57.581	22.577	21.452	13.552
Tunbridge Wells	74,294.6	6.609	56.327	21.721	20.639	13.967
LANCASHIRE	1,029,991.8	740.364				
Blackburn	93,722.0	15.717	83.085	27.400	26.036	29.649
Blackpool	111,555.6	13.977	94.164	32.614	30.990	30.560
Burnley	61,172.6	8.233	52.204	17.884	16.994	17.326
Chorley	73,094.4	5.506	58.047	21.370	20.306	16.371
Fylde	56,706.0	4.368	45.128	16.578	15.753	12.797
Hyndburn	58,532.8	6.594	48.667	17.113	16.260	15.294
Lancaster	95,506.8	9.970	78.621	27.922	26.532	24.167
Pendle	62,242.6	6.920	51.661	18.197	17.291	16.172
Preston	94,515.0	13.277	81.215	27.632	26.256	27.327
Ribble Valley	38,249.2	2.882	30.376	11.182	10.626	8.568
Rossendale	48,145.0	4.477	39.084	14.076	13.375	11.633
South Ribble	75,717.4	5.242	59.668	22.137	21.034	16.497
West Lancashire	77,582.0	6.593	62.359	22.682	21.552	18.125
Wyre	83,250.4	6.524	66.365	24.339	23.127	18.899

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	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
LEICESTERSHIRE	655,576.8	458.654				
Blaby	65,248.8	4.079	49.728	19.076	18.126	12.526
Charnwood	109,380.4	7.883	84.408	31.978	30.386	22.044
Harborough	52,474.4	3.488	40.200	15.341	14.577	10.281
Hinckley and Bosworth	74,620.0	4.823	57.029	21.816	20.729	14.484
Leicester	195,109.2	36.685	173.187	57.042	54.201	61.944
Melton	33,597.0	2.476	25.981	9.822	9.333	6.826
North West Leicestershire	61,578.8	4.518	47.600	18.003	17.107	12.490
Oadby and Wigston	37,260.0	2.746	28.813	10.893	10.351	7.569
Rutland	26,308.2	2.070	20.476	7.691	7.308	5.476
LINCOLNSHIRE	455,874.6	291.426				
Boston	40,641.4	4.000	29.980	11.882	11.290	6.808
East Lindsey	95,515.6	9.815	70.875	27.925	26.534	16.416
Lincoln	61,320.0	6.800	46.000	17.927	17.035	11.038
North Kesteven	65,447.2	4.810	46.648	19.134	18.181	9.333
South Holland	53,382.8	4.935	39.061	15.607	14.830	8.624
South Kesteven	81,838.6	6.933	59.250	23.926	22.735	12.589
West Lindsey	57,729.0	5.018	41.922	16.878	16.037	9.007
NORFOLK	576,468.6	350.272				
Breckland	80,304.6	6.491	55.285	23.478	22.309	9.499
Broadland	81,945.0	5.277	55.068	23.957	22.764	8.347
Great Yarmouth	69,329.8	6.704	48.830	20.269	19.260	9.301
North Norfolk	77,635.2	6.642	53.815	22.697	21.567	9.551
Norwich	83,074.8	10.496	60.974	24.288	23.078	13.608
South Norfolk	78,506.2	5.634	53.336	22.952	21.809	8.575
King's Lynn and West Norfolk	105,673.0	9.761	73.970	30.894	29.356	13.719
NORTHAMPTONSHIRE	432,225.6	297,270				
Corby	37,101.2	4.043	29.560	10.847	10.307	8.406
Daventry	47,609.6	3.721	36.465	13.919	13.226	9.320
East Northamptonshire	51,979.6 57,482.6	4.007	39.757	15.197	14.440	10.120
Kettering	137,457.0	5.154	44.689	16.806	15.969	11.915
Northampton		14.095	108.634	40.187	38.186	30.261
South Northamptonshire Wellingborough	50,386.2 50,209.4	3.664 4.599	38.318 39.131	14.731 14.679	13.997	9.590
NORTHUMBERLAND	226,341.8	139.567				
Alnwick	23,406.4	2.106	17.819	6.843	6.502	4.474
Berwick-upon-Tweed	20,955.2	1.737	15.804	6.126	5.821	3.857
Blyth Valley	58,731.2	4.594	44.019	17.171	16.316	10.533
Castle Morpeth	36,058.8	2.985	27.191	10.542	10.017	6.632
Tynedale	42,613.6	3.428	32.034	12.458	11.838	7.738
Wansbeck	44,576.6	3.823	33.747	13.032	12.383	8.331



TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
NORTH YORKSHIRE	547,488.4	329.812				
Craven	38,855.2	3.179	26.586	11.360	10.794	4.432
Hambleton	59,699.6	4.711	40.675	17.454	16.585	6.637
Harrogate	113,137.0	8.773	76.928	33.077	31.429	12.422
Richmondshire	39,849.4	3.330	27.335	11.650	11.070	4.615
Ryedale	71,045.8	4.959	47.757	20.771	19.736	7.250
Scarborough	82,367.8	7.913	57.532	24.081	22.882	10.570
Selby	68,604.0	6.061	47.389	20.057	19.058	8.274
York	73,929.6	8.130	52.666	21.614	20.538	10.514
NOTTINGHAMSHIRE	752,323.6	514.801				
Ashfield	82,699.6	5.708	62.298	24.178	22.974	15.146
Bassetlaw	79,709.8	6.741	61.285	23.304	22.143	15.838
Broxtowe	83,855.0	5.861	63.241	24.516	23.295	15.431
Gedling	84,668.0	6.578	64.515	24.753	23.521	16.241
Mansfield	75,203.4	6.209	57.669	21.986	20.891	14.791
Newark and Sherwood	78,844.8	6.950	60.902	23.051	21.903	15.948
Nottingham	190,793.6	29.715	160.272	55.780	53.002	51.489
Rushcliffe	76,549.4	5.183	57.564	22.380	21.265	13.919
	100 0// 0	250 070				
OXFORDSHIRE	408,044.8	250.838	FO 0/F	0/ 770	07 400	44 70/
Cherwell	83,225.0	7.684	58.845	24.332	23.120	11.394
Oxford	68,964.6	11.790	54.185	20.162	19.158	14.864
South Oxfordshire	97,268.8	7.484	67.278	28.437	27.021	11.820
Vale of White Horse	84,165.6	6.009	57.748	24.607	23.381	9.761
West Oxfordshire	74,420.8	5.771	51.520	21.758	20.674	9.088
SHROPSHIRE	303,986.6	206.806				
Bridgnorth	39,040.8	3.195	29.755	11.414	10.846	7.496
North Shropshire	42,876.8	3.595	32.765	12.535	11.911	8.318
Oswestry	25,171.8	2.057	19.182	7.359	6.993	4.830
Shrewsbury and Atcham	68,386.2	5.307	51.831	19.993	18.998	12.840
South Shropshire	29,523.8	2.798	22.884	8.632	8.202	6.050
Wrekin	98,987.2	8.978	76.321	28.940	27.499	19.883
SOMERSET	352,189.0	224.764				
Mendip	70,737.2	5.927	51.071	20.681	19.651	10.740
Sedgemoor	74,694.4	6.099	53.769	21.838	20.750	11.181
Taunton Deane	72,173.0	5.900	51.960	21.100	20.050	10.810
West Somerset	24,968.0	2.379	18.313	7.300	6.936	4.078
South Somerset	109,616.4	8.906	78.862	32.047	30.451	16.363

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAS), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business		
	adult	notifiable	area of		Community	Revenue
	population	authority	receiving	rate	Charge	Support
	population	authority		(£292/adult)	income at standard	Grant
			authority	(£292/adult)	spending	
					(£278/adult)	
		(£m)	(£m)	(5-)		15-1
		(III)	(III)	(£m)	(£m)	(£m)
				4		
STAFFORDSHIRE	783,080.6	497.366				
Cannock Chase	66,956.0	5.526	48.052	19.575	18.600	9.877
East Staffordshire	73,712.6	7.400	54.217	21.550	20.477	12.190
Lichfield	71,743.2	5.124	50.691	20.975	19.930	9.786
Newcastle-under-Lyme	87,167.6	6.729	62.092	25.484	24.215	12.393
South Staffordshire	83,127.4	5.520	58.317	24.303	23.093	10.922
Stafford	88,842.8	7.223	63.650	25.974	24.680	12.996
Staffordshire Moorlands	74,249.6	5.866	53.025	21.707	20.627	10.691
Stoke-on-Trent	186,964.4	19.514	138.262	54.661	51.939	31.663
Tamworth	50,317.0	3.997	35.955	14.711	13.978	7.266
SUFFOLK	460,477.8	293.123				
Babergh	60,049.2	4.792	43.018	17.556	16.682	8.780
Forest Heath	29,206.6	3.448	22.040	8.539	8.114	5.388
Ipswich	83,228.2	9.197	62.177	24.332	23.121	14.724
Mid Suffolk	59,748.8	4.901	42.935	17.468	16.598	8.869
St Edmundsbury	68,408.4	5.633	49.179	20.000	19.004	10.176
Suffolk Coastal	76,609.0	7.147	55.914	22.397	21.282	12.235
Waveney	83,227.6	7.062	60.042	24.332	23.121	12.589
			104 40			
SURREY	742,146.6	448.652				
Elmbridge	80,324.6	5.894	57.983	23.484	22.314	12.185
Epsom and Ewell	48,538.4	3.959	36.602	14.191	13.484	8.927
Guildford	89,477.2	8.015	63.361	26.159	24.857	12.345
Mole Valley	58,195.6	3.969	39.966	17.014	16.167	6.785
Reigate and Banstead	83,981.8	6.644	60.281	24.553	23.330	12.398
Runnymede	52,933.8	5.573	38.315	15.476	14.705	8.135
Spelthorne	65,444.6	5.297	49.310	19.133	18.180	11.997
Surrey Heath	63,597.0	4.455	43.793	18.593	17.667	7.533
Tandridge	55,310.2	4.361	38.573	16.170	15.365	7.037
Waverley	80,607.2	6.299	56.159	23.566	22.393	10.200
Woking	63,736.2	5.825	45.249	18.634	17.706	8.909

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

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	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
	population	duction 10)		(£292/adult)	standard	OI dire
				(22,2,00000)	spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
WARWICKSHIRE	368,699.0	227.668				
North Warwickshire	44,914.4	3.387	31.122	13, 131	12.477	5.513
Nuneaton and Bedworth	89,119.2	6.966	61,997	26.055	24.757	11.185
Rugby	64,719.8	5,901	45.865	18,921	17.979	8.964
Stratford on Avon	82,954.0	6.265	57.488	24.252	23.045	10.192
Warwick	86,991.6	7.589	61.305	25.433	24.166	11.707
WEST SUSSEX	549,143.8	321.708				
Adur	44,381.6	3.186	29.187	12.975	12.329	3.882
Arun	105,091.8	7.800	69.367	30.724	29.194	9.448
Chichester	83,765.4	6.883	55.956	24.490	23.270	8.196
Crawley	64,047.0	6.036	43.557	18.725	17.792	7.040
Horsham	82,335.0	6.408	54.643	24.071	22.873	7.699
Mid Sussex	90,554.0	6.220	59.270	26.474	25.156	7.640
Worthing	78,969.0	7.131	53.394	23.087	21.938	8.370
WILTSHIRE	422,097.2	265.514				
Kennet	48,867.4	4.212	34.951	14.287	13.575	7.089
North Wiltshire	87,259.4	6.816	61.705	25.511	24.241	11.954
Salisbury	75,098.2	6.536	53.775	21.956	20.862	10.957
Thamesdown	129,050.2	11.863	93.040	37.729	35.850	19.461
West Wiltshire	81,822.0	5.887	57.356	23.921	22.730	10.704
ALL PURPOSE AUTHORITY						
Isles of Scilly	1,492.2	1.721	1.721	0.436	0.415	0.870

TABLE 1: PROVISIONAL 1990/91 STANDARD SPENDING ASSESSMENTS (SSAs), BUSINESS RATES AND REVENUE SUPPORT GRANT ENTITLEMENTS

	OPCS based	SSA for	SSA for	Business	Community	Revenue
	adult	notifiable	area of	rate	Charge	Support
	population	authority	receiving	income	income at	Grant
			authority	(£292/adult)	standard	
					spending	
					(£278/adult)	
		(£m)	(£m)	(£m)	(£m)	(£m)
	1	2	3	4	5	6
TOTAL England	35,670,284.2	29,805.300	29,805.300	10,428.500	9,909.193	9,467.607
TOTAL Shire districts	22,423,393.4	2,039.538	16,695.721	6,555.663	6,229,211	3,910.847
TOTAL Shire counties	22,423,393.4	14,605.831				
TOTAL Metropolitan districts	8,213,938.6	6,772.703	7,487.115	2,401.412	2,281.829	2,803.873
TOTAL Metropolitan Police Authorities	8,440,280.4	499.214				
TOTAL Metropolitan Fire Authorities	8,213,938.6	227.572				
TOTAL inner London boroughs incl. City	1,697,899.2	2,104.479	2,366.408	496.395	471.676	1,398.338
TOTAL outer London boroughs	3,333,560.8	2,765.468	3,254.335	974.594	926.062	1,353.679
Metropolitan Police	5,377,968.0	598.258				
London Fire & CD Authority	5,031,460.0	190.514				
TOTAL Shire areas	22,423,393.4	16,645.369	16,695.721	6,555.663	6,229.211	3,910.847
TOTAL Metropolitan areas	8,213,938.6	7,499.489	7,487.115	2,401.412	2,281.829	2,803.873
TOTAL London	5,031,460.0	5,658.720	5,620.743	1,470.989	1,397.738	2,752.017

Annex J (2)

Table 2: Assumed 1990/91 spending figures, safety nets, transitional grants and community charges

- Column 1: shows the average domestic rate bill per adult in 1989/90 for each charging authority, increased by 4 per cent. This is the amount assumed to be raised from the domestic sector in 1989/90 after making an allowance for inflation, calculated as in paragraph 2 of Annex D to the consultation paper, and divided by the OPCS based adult population in column 1 of Table 1.
- Column 2: shows a spending figure for 1990/91 for each notifiable authority in £ million, calculated (other than for the Receiver of the Metropolitan Police) as described in paragraph 3.1(i) to (vi) of Annex D to the consultation paper. This is based on 1989/90 rate income and grant, adjusted for changes in function and uprated by 4.76% to be consistent with TSS of £32.8bn.
- Column 3: shows a spending figure for 1990/91 for the area of each receiving authority in £ per adult, calculated as described in paragraph 3.1(vii) of Annex D to the consultation paper and corresponding to the spending figures in column 2.
- Column 4: shows an underspend (negative) or overspend (positive) figure, relative to SSA, for each receiving authority in £ per adult, if authorities in its area spent at the level shown in column 2. It is calculated by deducting the SSA in column 3 of Table 1, expressed as an amount per adult, from column 3 of this table.
- Column 5: shows the provisional long run community charge (ie without a safety net) for each receiving authority if authorities in its area spent at the

level shown in column 2. This is calculated by adding the underspend or overspend in column 4 to the community charge for standard spending of about £278.

Column 6:

shows the provisional transitional adjustments - described as safety net receipt (positive) or contributions (negative) - for each receiving authority in £ per adult. Their calculation is as described in paragraph 4 of Annex D to the consultation paper. In short:

- (a) Where column 5 exceeds column 1 by more than £25 per adult, it is the amount needed to bring that excess down to £25, expressed as a positive amount;
- (b) Where column 1 exceeds column 5 it is about 52.7% of that excess subject to a maximum of £75 per adult, expressed as a negative amount.

Column 7:

shows the provisional special grants in 1990/91 in £ per adult for all relevant receiving authorities. The special grants are those in respect of inner London authorities and authorities with low average domestic rateable values.

Column 8:

shows the provisional community charge which is the 1990/91 charge with the safety net and special grants, if authorities spent at the level shown in column 2. It is equal to column 5 less the sum of columns 6 and 7. This is a provisional estimate of the charge which will be used in the calculation of community charge transitional relief.

The actual community charge in each area will depend on local authorities' own budget decisions.

	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safet
	plus 4%	1989/90	authority		safety			ne
		income			net			
	(£/adult)	(£m)		(£/adult)	(£)	(£/adult)	(£/adult)	(£
GREATER LONDON								
City of London	823	77.772	30,042	13,782	362	-75	81	35
Camden	505	156.788	1,347	43	321	-75	51	34
Greenwich	295	193.252	1,381	251	529	209	72	24
Hackney	361	209.708	1,682	27	305	-29	48	28
Hammersmith and Fulham	389	160.461	1,545	241	519	105	59	35
Islington	475	173.609	1,539	111	389	-45	62	37
Kensington and Chelsea	489	93.983	1,243	-32	246	-75	43	27
Lambeth	330	259.587	1,627	102	380	24	54	30
Lewisham	290	204.979	1,373	160	438	123	63	25
Southwark	295	225.042	1,562	193	471	151	59	26
Toron Harlaha	279	204.202	1,824	250	528	224	74	22
lower Hamlets								40
Tower Hamlets Wandsworth Westminster	212 703	215.615 166.624	1,268 1,554	72 -32	349 246	112 -75	56 60	26'
Wandsworth	212 703 Indon and Inner Lond	166.624	1,554	-32	246	-75	60	26
Wandsworth Westminster Spending figures for City of Lon	212 703 Indon and Inner Lond	166.624	1,554	-32	246	-75	60	26°
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran	212 703 adon and Inner Long sitional grant.	166.624 don Boroughs	1,554 include spen	-32 ding on edu	246 cation inhe	-75	60	26 LL be
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham	212 703 adon and Inner Lone sitional grant. 249	166.624 don Boroughs 100.724	1,554 include spen 1,056	-32 ding on edu	246 cation inhe	-75 rited from IL 96	60	26 LL be 27- 31
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet	212 703 adon and Inner Lond sitional grant. 249 379	166.624 don Boroughs 100.724 152.266	1,554 include spen 1,056 828	-32 ding on edu 93 -31	246 cation inhe 371 246	-75 rited from IL 96 -70	60	26' LL be 27' 310 27.
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley	212 703 adon and Inner Lond sitional grant. 249 379 248	166.624 don Boroughs 100.724 152.266 117.831	1,554 include spen 1,056 828 843	-32 ding on educ 93 -31 20	246 cation inhe 371 246 298	-75 rited from IL 96 -70 25	60	26' LL be 27' 310 27' 480
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent	212 703 adon and Inner Lond sitional grant. 249 379 248 495	166.624 don Boroughs 100.724 152.266 117.831 250.661	1,554 include spen 1,056 828 843 1,438	-32 ding on educ 93 -31 20 185	246 cation inhe 371 246 298 463	-75 rited from IL 96 -70 25	60	26 LL be 27- 31- 27- 48- 26
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing	212 703 adon and Inner Long sitional grant. 249 379 248 495 258 276 328	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348	1,554 include spen 1,056 828 843 1,438 753	-32 ding on edu 93 -31 20 185 -11	246 cation inhe 371 246 298 463 267	-75 rited from IL 96 -70 25 -17	60	26 LL be 27/ 31/ 27/ 48/ 26/ 22/ 31/
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon	212 703 adon and Inner Long sitional grant. 249 379 248 495 258	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355	1,554 include spen 1,056 828 843 1,438 753	-32 ding on educe 93 -31 20 185 -11	246 cation inhe 371 246 298 463 267	-75 rited from IL 96 -70 25 -17	60	26 LL be 27/ 31/ 27/ 48/ 26/ 22/ 31/
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey	212 703 adon and Inner Lond sitional grant. 249 379 248 495 258 276 328 326 563	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267	246 cation inhe 371 246 298 463 267 164 294 239 544	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10	60	26 LL be 27- 310 27- 48 26 22- 31: 28:
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield	212 703 adon and Inner Lond sitional grant. 249 379 248 495 258 276 328 326	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955	-32 ding on educe 93 -31 20 185 -11 -114 16 -38	246 cation inhe 371 246 298 463 267 164 294 239	-75 rited from IL 96 -70 25 -17 -59 -18 -45	60	26 LL be 27- 310 27- 480 26 222 311 28: 55-
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow	212 703 ndon and Inner Lond sitional grant. 249 379 248 495 258 276 328 326 563 340	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627	-32 ding on edu 93 -31 20 185 -11 -114 16 -38 267 -39	246 cation inhe 371 246 298 463 267 164 294 239 544	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10	60	26 LL be 27/ 31/ 27/ 48/ 26 22/ 31/ 28/ 55/ 29/
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon	212 703 Moon and Inner Lond Insitional grant. 249 379 248 495 258 276 328 326 563 340 261 340	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53	60	26 LL be 27/ 31/ 27/ 48/ 26/ 22/ 31/ 28/ 55/ 29/ 28/ 36/
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon Hounslow	212 703 Adon and Inner Long sitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22	60	26 LL be 27/ 31/ 27/ 48/ 26/ 22/ 31/ 28/ 36/ 36/ 37/
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon Hounslow Kingston-upon-Thames	212 703 Adon and Inner Long sitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393 328	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528 76.840	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121 888	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73 33	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351 311	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22 -9	60	26 11 be 274 310 277 480 266 222 311 286 355 297 286 367 373 320
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon Hounslow	212 703 Adon and Inner Long sitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22	60	26 LL be 27/ 31/ 27/ 48/ 26/ 22/ 31/ 28/ 36/ 37/ 32/ 32/ 32/ 32/ 32/ 32/ 32/ 32/ 32/ 32
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hounslow Kingston-upon-Thames Merton	212 703 Adon and Inner Lond Insitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393 328 290	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528 76.840 98.660	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121 888 938 1,490	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73 33 -7 26	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351 311 271	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22 -9	60	26 LL be 274 316 275 488 266 222 317 288 556 297 288 368 377 320 287
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hillingdon Hounslow Kingston-upon-Thames Merton Newham Redbridge	212 703 Adon and Inner Lond Insitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393 328 290 367 234	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528 76.840 98.660 199.923 122.088	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121 888 938 1,490 844	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73 33 -7 26 -40	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351 311 271 304 238	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22 -9 -10 -33	60	26' LL be 274 316 273 486 266 222 317 283 554 296 363 373 326 281 337
Wandsworth Westminster Spending figures for City of Lon offset in part by a special tran Barking and Dagenham Barnet Bexley Brent Bromley Croydon Ealing Enfield Haringey Harrow Havering Hounslow Kingston-upon-Thames Merton	212 703 Adon and Inner Lond Insitional grant. 249 379 248 495 258 276 328 326 563 340 261 340 393 328 290	166.624 don Boroughs 100.724 152.266 117.831 250.661 139.355 161.959 207.348 158.038 208.579 111.601 120.353 147.270 135.528 76.840 98.660	1,554 include spen 1,056 828 843 1,438 753 832 1,074 955 1,627 906 815 1,003 1,121 888 938 1,490	-32 ding on educe 93 -31 20 185 -11 -114 16 -38 267 -39 23 113 73 33 -7 26	246 cation inhe 371 246 298 463 267 164 294 239 544 239 301 391 351 311 271	-75 rited from IL 96 -70 25 -17 -59 -18 -45 -10 -53 15 26 -22 -9 -10	60	187 261 LL be 274 316 273 480 267 223 312 285 554 292 286 365 373 320 281 337 238 342 307

200.481

598.258

London Fire & CD Authority

Metropolitan Police

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90	authority		safety			net
		income			net			
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
GREATER MANCHESTER								
Greater Manchester Police Authority		110.875						
Greater Manchester Fire & CD Authority		53.504						
Bolton	241	156.856	883	-8	270	3		266
Bury	309	99.256	842	50	328			328
Manchester	356	332.089	1,168	-28	250	-56		306
OLdham	240	140.973	952	12	290	25	3	262
Rochdale	265	138.060	999	70	348	58	10	280
Salford	303	152.394	975	23	301	-1		302
Stockport	313	151.724	770	14	292	-11		303
Tameside	253	132.114	887	45	323	45	4	274
Trafford	290	116.003	795	-28	250	-21		271
Wigan	267	185.782	886	90	368	76		292
MERSEYSIDE								
Merseyside Police Authority		78,464						
Merseyside Fire & CD Authority		37.945						
Knowsley	313	113.383	1,128	6	284	-15		700
Liverpool	327	345.836	1,150	-4	273	-28		300
St Helens	262	114.492	921	41	319	32		302
Sefton	292	160,807	824	14	291	0		287
Wirral	386	217.747	975	77	354	-17		292 371
SOUTH YORKSHIRE								
South Yorkshire Police Authority		46,122						
South Yorkshire Fire & CD Authority		27.049						
Barnsley	223	127.939	842	99	777	400	first in	
Doncaster	252	178.729			377	129	25	223
Rotherham	249	153.238	893	92	370	93	13	264
Sheffield	294	336,902	887	86	364	90	18	256
	274	330.902	929	114	392	73	15	304

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

							0	
	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90 income	authority		safety			net
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
TYNE AND WEAR								
Northumbria Police Authority		59.080						
Tyne and Wear Fire & CD Authority		25.540						
Gateshead	253	128.883	903	64	342	64	17	261
Newcastle upon Tyne	299	187.458	1,007	62	340	17		324
North Tyneside	317	123.543	924	93	371	29		342
South Tyneside	242	102.966	962	46	324	56	9	258
Sunderland	221	181.471	916	18	296	49	16	230
WEST MIDLANDS								
West Midlands Police Authority		107.312						
West Midlands Fire & CD Authority		51.903						
Birmingham	295	660.778	1,010	-96	182	-60		241
Coventry	330	201.413	1,001	34	312	-10		322
Dudley	299	155.758	743	-8	270	-15		285
Sandwell	287	183.495	918	-46	232	-29		261
Solihull	316	97.671	708	-42	236	-42		278
Walsall	308	157.531	885	0	278	-16		294
Wolverhampton	315	162.918	973	-62	216	-52		268
WEST YORKSHIRE								
West Yorkshire Police Authority		83.386						
West Yorkshire Fire & CD Authority		45.032						
Bradford	224	317.385	1,044	4	282	33	25	224
Calderdale	237	128.464	949	125	403	141	25	237
Kirklees	223	238.736	952	73	351	103	25	223
Leeds	232	385.117	822	-13	265	8	3	254
The second secon	238	178.463	845	81	358	96	19	244

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90	authority		safety			net
		income			net			
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)		(£/adult)	(£)
	1	2	3	4	5	6	7	8
AVON		465.027						
Bath	277	6.745	759	23	301			301
Bristol	332	49.203	833	68	346			346
Kingswood	261	3.494	700	-6	272			272
Northavon	290	6.310	713	7	285	-2		288
Wansdyke	267	4.337	716	19	297	5		292
Woodspring	290	10.474	719	15	292			292
BEDFORDSHIRE		272.481						THE STATE OF
North Bedfordshire	311	6.776	758	-53	225	-45		270
Luton	360	13.217	799	-55	222	-73		295
Mid Bedfordshire	320	4.736	747	-34	244	-40		284
South Bedfordshire	357	7.468	779	-6	271	-45		317
BERKSHIRE		341.274						
Bracknell	296	7.524	719	-48	230	-34		265
Newbury	299	5.057	665	-96	182	-62		244
Reading	297	13.688	761	-51	227	-37		264
Slough	262	6.530	703	-143	135	-67		202
Windsor and Maidenhead	374	10.749	732	-35	243	-69		312
Wokingham	321	6.536	673	-72	206	-60		266
BUCKINGHAMSHIRE		308.309						
Aylesbury Vale	285	4.312	692	-88	190	-50		240
South Bucks	476	2.246	701	-58	220	-75		295
Chiltern	488	4.124	715	-41	237	-75		312
Milton Keynes	294	10.171	727	-60	218	-40		258
Wycombe	391	6.877	711	-62	216	-75		291
CAMBRIDGESHIRE		300.259						
Cambridge	393	8.151	757	-38	240	-75		315
East Cambridgeshire	229	1.967	671	-69	209	-11		219
Fenland	211	3.844	695	-57	221			221
Huntingdonshire	253	4.413	671	-76	202	-27		229
Peterborough	265	11.718	731	-29	249	-9		258
South Cambridgeshire	292	1.788	649	-87	190	-54		244
CHESHIRE		473.366						
Chester	310	7.888	746	-5	273	-20		292
Congleton	275	4.056	718	-4	274	-1		275
Crewe and Nantwich	300	7.746	763	10	287	-7		294
Ellesmere Port and Neston	291	6.083	759	6	284	-4		288
Halton	259	9.393	762	6	283			283
Macclesfield	362	7.527	722	-8	270	-49		318
Vale Royal	267	5.705	724	-10	268			268
race notat	A December 1997				283			283

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	A SHARE THE REAL PROPERTY.
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90 income	authority		safety			net
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
CLEVELAND		348.008						
Hartlepool	257	9.050	998	39	317	35	8	274
Langbaurgh-on-Tees	311	15.327	1,001	75	353	17		336
Middlesbrough	283	17.689	1,032	60	338	30		308
Stockton-on-Tees	294	14.007	964	38	315			315
		220 2/5						
CORNWALL	24/	220.245	407	10	229			229
Caradon	214	4.103	683	-49				
Carrick	229	5.527	700	-43	235			235
Kerrier	194	5.549	696	-51	227	8	3	216
North Cornwall	217	4.492	692	-51	227			227
Penwith	198	3.975	696	-53	225	2	3	219
Restormel	200	4.734	683	-55	223			223
CUMBRIA		254.873						
Allerdale	196	5.909	755	23	301	79	25	196
Barrow in Furness	205	6.661	798	59	337	107	25	205
Carlisle	229	6.451	759	14	292	38	12	242
Copeland	193	4.906	767	34	312	93	25	193
Eden	202	2.346	741	6	284	57	24	203
South Lakeland	247	5.785	749	23	301	28		272
DERBYSHIRE		491.492						
Amber Valley	243	5.166	754	56	334	66		268
	224	4.666	784	82	360	111	22	226
Bolsover			786	81	359	78		281
Chesterfield	256	7.029				10		321
Derby	309	15.315	791	43	321 340	56		285
Erewash	260	6.103	769	62				279
High Peak	254	5.343	779	67	345	66		
North East Derbyshire	272	6.197	778	89	366	69		297
South Derbyshire	276	3.016	751	46	324	23		301
Derbyshire Dales	301	3.830	769	57	335	9		326
DEVON		460.511						
East Devon	238	6.292	652	-37	241			241
Exeter	238	7.510	694	-34	244			244
North Devon	183	4.993	663	-44	234	26	5	204
Plymouth	218	19.516	688	-48	229			229
South Hams	247	4.660	663	-34	244	-1		245
Teignbridge	226	6.387	661	-35	243			243
Mid Devon	189	3.861	665	-40	238	23		214
Torbay	264	13.606	732	29	307	18		289
Torridge	167	3.199	665	-40	238	46	25	167
West Devon	211	2.499	661	-42	236	0		236

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

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	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure		receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90	authority		safety			net
		income			net			
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
DORSET		269.518						
Bournemouth	259	16.317	648	-23	255	-2		257
Christchurch	309	2.564	592	-28	249	-31		281
North Dorset	206	2.131	566	-73	205	-1		205
Poole	287	7.385	587	-43	235	-28		262
Purbeck	222	1.911	568	-73	205	-9		214
West Dorset	220	4.140	577	-64	214	-3		217
Weymouth and Portland	202	4.336	603	-39	239	12		227
East Dorset	310	4.238	582	-31	247	-33		280
DURHAM		302.834						
Chester-le-Street	237	3.751	771	30	308	45		262
Darlington	250	9.901	810	30	307	33		275
Derwentside	213	8.456	807	54	332	93	25	213
Durham	249	6.618	789	29	307	33		274
Easington	205	8.329	796	34	312	82	25	205
Sedgefield	233	10.011	831	73	351	93	25	233
Teesdale	189	1.303	747	-21	257	43	25	189
Wear Valley	211	7.487	833	62	340	104	25	211
EAST SUSSEX		302.308						
Brighton	340	23.298	755	32	310	-16		326
Eastbourne	359	7.897	672	-16	261	-52		313
Hastings	274	7.590	666	-55	222	-27		250
Hove	312	8.454	668	-58	220	-49		269
Lewes	301	4.809	611	-43	235	-35		270
Rother	317	5.041	618	-48	230	-46		276
Wealden	280	7.126	612	-46	232	-25		257
ESSEX		728.604						
Basildon	430	22.388	816	77	355	-40		395
Braintree	302	5.553	690	-48	230	-38		268
Brentwood	424	11.414	840	116	393	-16		409
Castle Point	338	4.083	690	-40	238	-53		290
Chelmsford	370	6.908	687	-46	232	-73		304
Colchester	292	7.473	694	-48	230	-33		262
Epping Forest	430	8.224	763	-9	269	-75		344
Harlow	453	14.682	906	144	422	-17		438
Maldon	318	2.308	682	-50	228	-47		275
Rochford	363	3.970	697	-29	249	-60		309
Southend-on-Sea	351	14.486	738	-27	251	-53		304
Tendring	295	8.208	704	-32	246	-26		272
Thurrock	370	14.121	780	34	312	-30		343
Uttlesford	361	3.064	688	-46	232	-68		300

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA		or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90	authority		safety			net
		income			net			
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
GLOUCESTERSHIRE		242.241						
Cheltenham	290	7.343	713	-12	266	-13		279
Cotswold	285	3.662	662	-39	239	-24		263
Forest of Dean	195	3.703	660	-38	240	20		220
Gloucester	240	5.754	686	-43	234	-3		238
Stroud	241	5.680	664	-26	251			251
Tewkesbury	262	2.790	640	-49	229	-17		246
HAMPSHIRE		657.210						
Basingstoke and Deane	247	5.149	617	-120	158	-47		205
East Hampshire	276	5.281	635	-90	188	-46		234
Eastleigh	274	5.424	638	-79	199	-40		239
Fareham	274	5.080	633	-84	194	-42		236
Gosport	251	5.467	665	-77	201	-26		227
Hart	300	4.818	642	-76	202	-51		254
Havant	285	7.781	657	-87	190	-50		240
New Forest	259	10.413	649	-80	198	-32		230
Portsmouth	222	21.779	729	-69	209	-7		216
Rushmoor	244	5.325	663	-92	186	-31		217
Southampton	240	19.007	703	-78	200	-21		221
Test Valley	255	4.340	622	-101	176	-41		218
Winchester	302	5.665	647	-85	193	-57		250
HEREFORD AND WORCESTER		284.199						
Bromsgrove	270	3.232	407	70	200	77		277
Hereford	187		603	-78	200	-37		237 194
Leominster	173	2.292 1.886	617	-83	194			179
Malvern Hills	260	4.813	616	-99 -68	179 210	24		236
Redditch	258	5.763	656	-48	230	-26 -15		245
South Herefordshire	184	1.822	601	-102	176	-4		180
Worcester	254	6.112	654	-49	229	-13		242
Wychavon	272	5.182	621	-65	213	-31		244
Wyre Forest	240	6.638	648	-43	235	-3		238
		0.000						
HERTFORDSHIRE		477.961						
Broxbourne	326	4.582	762	-3	275	-27		302
Dacorum	381	6.801	722	-17	261	-63		325
East Hertfordshire	338	6.800	729	4	282	-29		311
Hertsmere	421	7.354	826	30	308	-59		368
North Hertfordshire	373	6.784	733	-4	274	-52		326
St Albans	409	6.738	724	-12	266	-75		341
Stevenage	399	8.040	801	58	335	-34		369
Three Rivers	422	4.849	734	8	286	-72		357
Watford	353	6.506	770	-8	270	-44		314
Welwyn Hatfield	433	10.121	800	67	345	-46		391

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

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	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	Community
	average	figure for	figure	figure	community	receipt (+)	grants	charge
	rate bill	authority	for area of	Less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90 income	authority		safety			net
	(£/adult)	(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
	1		3	The state of the s				
HUMBERSIDE		485.641						The Target
Beverley	308	5.874	834	33	311			311
Boothferry	211	4.584	860	27	305	69	17	218
Cleethorpes	264	6.225	886	61	339	49		289
Glanford	242	4.514	847	20	298	31		267
Great Grimsby	260	8.063	892	47	325	39		285
Holderness	252	2.853	840	18	296	19		277
Kingston upon Hull	257	29.463	939	54	332	49	25	257
East Yorkshire	225	6.458	861	50	328	78	11	239
Scunthorpe	300	7.429	938	99	377	52		325
ISLE OF WIGHT		60.465						
Medina	244	4.433	665	-42	236	-4		240
South Wight	259	4.014	674	-22	255	-2		257
South wight	2,7	4.014	014					
KENT		685.277						
Ashford	236	5.741	675	-80	198	-20		218
Canterbury	231	9.031	689	-77	201	-16		217
Dartford	233	7.790	733	-32	245			245
Dover	194	6.592	676	-84	193	0		194
Gillingham	214	6.106	683	-86	191	-12		203
Gravesham	241	6.321	690	-75	203	-20		223
Maidstone	229	7.171	665	-93	185	-23		208
Rochester upon Medway	205	6.836	659	-117	161	-23		184
Sevenoaks	265	5.991	672	-74	204	-32		236
Shepway	289	8.503	722	-44	234	-29		263
Swale	191	8.368	690	-67	211			211
Thanet	230	11.254	707	-64	213	-9		222
Tonbridge and Malling	229	7.790	697	-49	229			229
Tunbridge Wells	251	6.206	680	-78	199	-27		227
LANCASHIRE		721.688						
Blackburn	195	14.067	851	-36	242	22	25	195
Blackpool	250	17.893	861	17	295	20		275
Burnley	184	8.691	843	-11	267	58	25	184
Chorley	225	4.793	766	-28	250	0		250
Fylde	278	4.542	781	-15	263	-8		271
Hyndburn	181	7.035	821	-11	267	61	25	181
Lancaster	224	10.156	807	-16	262	12	1300 V	249
Pendle	173	8.035	830	0	278	80	25	173
Preston	236	10.142	808	-51	226	-5		231
Ribble Valley	234	3.014	779	-15	263	4		259
Rossendale	199	5.829	822	10	288	63	25	199
South Ribble	222	5.389	772	-16	262	15		247
West Lancashire	282	5.939	777	-27	251	-16		267
	234	6.570	780	-18	260	2		259
Wyre	234	0.570	180	-10	200			237

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1000 100	Codi	04:	C				
	1989/90	Spending	Spending	Spending	Long run	Safety net		Community
	average	figure for	figure	figure		receipt (+)	grants	charge
	rate bill PER ADULT	based on	for area of	less SSA		or contrib-		with
	plus 4%	1989/90	receiving	for area	without	ution (-)		safety
	ptus 4%	income	authority		safety			net
	(£/adult)	(£m)		(£/adult)			(£/adult)	(£)
	1	2	3	4	5	6	7	8
LEIÇESTERSHIRE		448.959						
Blaby	257	2.696	726	-36	242	-8		250
Charnwood	270	3.916	721	-51	227	-23		249
Harborough	293	3.246	747	-19	258	-18		277
Hinckley and Bosworth	248	3.531	732	-32	246	-1		247
Leicester	245	41.185	896	8	286	16		270
Melton	253	1.951	743	-30	247	-3		250
North West Leicestershire	254	4.445	757	-16	262			262
Oadby and Wigston	300	2.566	754	-20	258	-22		280
Rutland	246	1.170	729	-49	229	-9		238
LINCOLNSHIRE		270.761						
Boston	208	3.567	682	-56	222			222
East Lindsey	192	7.627	674	-68	210			210
Lincoln	198	6.685	703	-47	231	7	1	222
North Kesteven	203	4.096	657	-56	222			222
South Holland	197	4.602	680	-52	226	4		222
South Kesteven	213	6.571	674	-50	228			228
West Lindsey	202	4.614	674	-52	225			225
NORFOLK		333.707						
Breckland	221	5.133	643	-46	232			232
Broadland	247	4.006	628	-44	234	-7		240
Great Yarmouth	214	6.839	678	-27	251	12		239
North Norfolk	218	5.283	647	-46	232			232
Norwich	285	11.947	723	-11	267	-10		276
South Norfolk	250	5.399	648	-32	246	-2		248
King's Lynn and West Norfolk	195	7.236	647	-53	225	5		220
NORTHAMPTONSHIRE		288.610						
Corby	276	4.037	777	-20	258	-10		267
Daventry	296	3.618	744	-22	256	-21		277
East Northamptonshire	222	2.489	716	-49	229			229
Kettering	242	4.432	745	-33	245			245
Northampton	286	17.598	796	5	283	-1		285
South Northamptonshire	294	1.839	704	-56	222	-38		260
Wellingborough	240	2.982	727	-52	226	-8		233
NORTHUMBERLAND		150.775						
Alnwick	239	2.116	812	50	328	64		264
Berwick-upon-Tweed	234	1.712	803	49	327	68	17	242
Blyth Valley	270	7.059	841	92	370	75		295
Castle Morpeth	332	2.485	790	36	314	-10		323
Tynedale	260	3.016	792	40	318	33		285
Wansbeck	246	5.997	856	99	377	106	21	250

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

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	1989/90	Spending	Spending	Spending	Long run	Safety net	Special	
	average	figure for	figure	figure	community		grants	charge
	rate bill	authority		less SSA	charge	or contrib-		with
	PER ADULT	based on	receiving	for area	without	ution (-)		safety
	plus 4%	1989/90	authority		safety			net
	(((income	(C (adul 4)	15 (md) 41	net	(((adula)	(C/add4)	.0
	(£/adult)	(£m)	(£/adult)		(£)		(£/adult)	(£)
	1					6	7	
NORTH YORKSHIRE		327.613						
Craven	194	2.608	666	-19	259	40	10	209
Hambleton	221	3.763	661	-20	258	12		246
Harrogate	263	10.996	696	16	293	6		288
Richmondshire	177	2.620	664	-22	256	54		202
Ryedale	208	4.790	666	-6	271	38		233
Scarborough	204	8.612	703	4	282	53	8	222
Selby	201	5.648	681	-10	268	42		226
York	191	7.061	694	-18	259	43	18	198
NOTTINGHAMSHIRE		509.043						
Ashfield	203	5.739	746	-7	271	42	15	213
Bassetlaw	229	6.852	763	-6	272	18		254
Broxtowe	256	6.015	748	-6	272			272
GedLing	275	6.278	751	-11	267	-5		271
Mansfield	227	7.672	779	12	290	37	2	251
Newark and Sherwood	247	6.289	756	-16	262			262
Nottingham	257	26.250	814	-26	252	-3		255
Rushcliffe	287	4.327	733	-19	259	-15		274
OXFORDSHIRE		238.730			040	70		250
Cherwell	294	5.272	648	-59	219	-39		258
Oxford	381	7.837	699	-87	191	-75		266
South Oxfordshire	334	5.087	637	-54	223	-58		282
Vale of White Horse	303	2.762	618	-68	210	-49		259
West Oxfordshire	266	3.122	627	-65	213	-28		241
SHROPSHIRE		198.031						
Bridgnorth	230	1.913	700	-62	216	-7		223
North Shropshire	192	2.761	716	-48	229	13		217
Oswestry	197	1.988	730	-32	246	24		222
Shrewsbury and Atcham	255	5.189	727	-31	247	-4		251
South Shropshire	197	1.893	716	-60	218			218
Wrekin	262	11.629	769	-2	276			276
SOMERSET		222.367						
Mendip	249	3.872	686	-36	242	-4		246
Sedgemoor	255	4.897	697	-23	255	0		255
Taunton Deane	255	4.306	691	-29	249	-3		252
West Somerset	269	2.082	715	-19	259	-5		265
South Somerset	256	6.754	693	-26	251	-2		254

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

average figure for figure for area figure figure figure for area figure figure figure for area figure figure for area figure figure for area figure figu									
Pate bill PRE ADULT based on receiving for area of less SSA charge or contribusife safety net plus 4X pley/yo income (£/adult) (£/ad		1989/90		Spending	Spending	Long run	Safety net	Special	Community
PER ADULT Dased on plus 4x 1989/90 authority safety net		average	figure for	figure	figure	community	receipt (+)	grants	charge
Plus 4X 1989/90 authority ret re			authority	for area of	less SSA	charge	or contrib-		with
Income Income Income Income Income Income Iteration Iteration		PER ADULT	based on	receiving	for area	without	ution (-)		safety
(£/adult)		plus 4%	1989/90	authority		safety			net
STAFFORDSHIRE Carnock Chase 237 5.562 708 -10 268 6 268 East Staffordshire 226 5.404 698 -37 241 241 Lichfrield 229 3.685 676 -30 248 -22 266 Nex-castle-under-Lyme 247 6.939 705 -8 270 277 South Staffordshire 282 3.564 668 -34 244 -20 264 Staffordshire Morlands 251 5.250 696 -18 259 3 258 Staffordshire Morlands 231 5.250 696 -18 259 3 258 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamuorth 255 3.542 695 -19 259 259 SUFFOLK 279.038 Babergh 250 4.976 689 -28 250 255 Forest Heath 324 2.644 696 -58 220 -55 275 Ipsuich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 225 Staffordshury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Naveney 230 7.072 691 -30 247 SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Surrey Heath 355 5.130 645 -63 215 -74 289 Not Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 33 Surrey Heath 351 4.454 710 -43 234 -41 275 Surrey Heath 352 4.454 710 -43 234 -41 275 Surrey Heath 353 3.822 648 -40 237 -52 289 Surrey Heath 351 4.454 710 -43 234 -41 275 Surrey Heath 352 4.454 710 -43 234 -41 275 Surrey Heath 353 3.822 648 -40 237 -52 289 Surrey Heath 354 2.644 281 -19 300 Naverley 379 5.667 658 -38 239 -73 313			income			net			
STAFFORDSHIRE			(£m)	(£/adult)	(£/adult)	(£)	(£/adult)	(£/adult)	(£)
Carnock Chase 237 5.562 708 -10 268 6 262 East Staffordshire 226 5.404 698 -57 241 241 Lichfield 289 3.685 676 -30 248 -22 266 NewcastLe-under-Lyme 247 6.939 705 -8 270 277 South Staffordshire 282 3.564 668 -34 244 -20 264 Stafford 258 4.836 679 -37 241 -9 250 Staffordshire Boorlands 231 5.250 696 -18 259 3 250 Staffondhire Boorlands 231 5.250 696 -18 259 3 250 Staffondhire Boorlands 231 5.250 696 -18 259 3 250 Staffondhire Boorlands 231 5.250 696 -19 259 3 250 Staffondhire Boorlands 2		1	2	3	4	5	6	7	8
East Staffordshire	STAFFORDSHIRE		489.389						
Lichfield 289 3.685 676 -30 248 -22 266 Nexcastle-under-Lyme 247 6.939 705 -8 270 270 South Staffordshire 282 3.564 668 -34 244 -20 266 Stafford 258 4.836 679 -37 241 -9 250 Staffordshire Moorlands 231 5.250 696 -18 259 3 266 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamorth 255 3.542 695 -19 259 259 SUFFOLK 279.038 Babergh 250 4.976 689 -28 250 50 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmindsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -355 279 Namery 240 SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Epson and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reighte and Banstead 380 8.480 709 -9 269 -59 388 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -11 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Naverley 379 5.667 658 -38 239 -73 313	Cannock Chase	237	5.562	708	-10	268	6		262
Newcastle-under-Lyme 247 6.939 705 -8 270 277 South Staffordshire 282 3.564 668 -34 244 -20 264 Stafford 258 4.836 679 -37 241 -9 250 Staffordshire Moorlands 231 5.250 696 -18 259 3 256 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamorth 255 3.542 695 -19 259 259 SUFFOLK 279.038 28 250 250 255 SUFFOLK 279.038 28 250 -55 255 SUFFOLK 279.038 28 250 -55 255 255 SUFFOLK 279.038 28 220 -55 275 175 195 195 255 175 175 176 196 -58 220 -55 275	East Staffordshire	226	5.404	698	-37	241			241
South Staffordshire 282 3.564 668 -34 244 -20 266 Stafford 258 4.836 679 -37 241 -9 250 Staffordshire Moorlands 231 5.250 696 -18 259 3 256 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamworth 255 3.542 695 -19 259 259 SUFFOLK 279.038 8 28 250 250 250 SuFFOLK 279.038 8 28 250 250 250 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswisch 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 225 Suffolk Coastal 310 6.933 696 -53 <	Lichfield	289	3.685	676	-30	248	-22		269
Stafford 258 4.836 679 -37 241 -9 250 Staffordshire Moorlands 231 5.250 696 -18 259 3 256 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamworth 255 3.542 695 -19 259 259 259 SUFFOLK 279.038 28 -28 250<	Newcastle-under-Lyme	247	6.939	705	-8	270			270
Staffordshire Moor lands 231 5.250 666 -18 259 3 256 Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamworth 255 3.542 695 -19 259 259 259 SUFFOLK 279.038 28 250 <td>South Staffordshire</td> <td>282</td> <td>3.564</td> <td>668</td> <td>-34</td> <td>244</td> <td>-20</td> <td></td> <td>264</td>	South Staffordshire	282	3.564	668	-34	244	-20		264
Stoke-on-Trent 212 19.128 727 -12 266 28 237 Tamworth 255 3.542 695 -19 259 259 SUFFOLK 279.038 Babergh 250 4.976 689 -28 250 250 Forest Heath 324 2.644 666 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 SURREY SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -466 269 Surrey Heath 335 3.822 648 -40 257 -52 289 Runnymede 310 4.311 670 -54 223 -466 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 257 -52 289 Naverley 379 5.667 658 -38 239 -73 313	Stafford	258	4.836	679	-37	241	-9		250
Tamworth 255 3.542 695 -19 259 259 SUFFOLK 279.038 Babergh 250 4.976 689 -28 250 250 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 255 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 SURREY Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Naverley 379 5.667 658 -38 239 -73 313	Staffordshire Moorlands	231	5.250	696	-18	259	3		256
SUFFOLK Babergh 250 4.976 689 -28 250 250 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Runnymede 310 4.311 670 -54 223 -46 269 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Naverley 379 5.667 658 -38 239 -73 313	Stoke-on-Trent	212	19.128	727	-12	266	28		237
Babergh 250 4.976 689 -28 250 250 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 250 <td>Tamworth</td> <td>255</td> <td>3.542</td> <td>695</td> <td>-19</td> <td>259</td> <td></td> <td></td> <td>259</td>	Tamworth	255	3.542	695	-19	259			259
Babergh 250 4.976 689 -28 250 250 Forest Heath 324 2.644 696 -58 220 -55 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 250 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>									
Forest Heath 324 2.644 696 -58 220 -555 275 Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 229 Spel thorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley 379 5.667 658 -38 239 -73 313	SUFFOLK		279.038						
Ipswich 301 12.722 759 12 290 -6 296 Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4	Babergh	250	4.976	689	-28	250			250
Mid Suffolk 236 4.113 675 -44 234 -1 235 St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath	Forest Heath	324	2.644	696	-58	220	-55		275
St Edmundsbury 233 3.679 660 -59 219 -8 226 Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge	Ipswich	301	12.722	759	12	290	-6		296
Suffolk Coastal 310 6.933 696 -33 244 -35 279 Waveney 230 7.072 691 -30 247 247 SURREY 426.018 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley <t< td=""><td>Mid Suffolk</td><td>236</td><td>4.113</td><td>675</td><td>-44</td><td>234</td><td>-1</td><td></td><td>235</td></t<>	Mid Suffolk	236	4.113	675	-44	234	-1		235
Waveney 230 7.072 691 -30 247 247 SURREY 426.018 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley 379 5.667 658 -38 239 -73 313	St Edmundsbury	233	3.679	660	-59	219	-8		226
SURREY 426.018 Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley 379 5.667 658 -38 239 -73 313	Suffolk Coastal	310	6.933	696	-33	244	-35		279
Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley 379 5.667 658 -38 239 -73 313	Waveney	230	7.072	691	-30	247			247
Elmbridge 470 10.219 745 23 301 -75 376 Epsom and Ewell 427 7.253 791 37 315 -59 374 Guildford 355 5.130 645 -63 215 -74 289 Mole Valley 347 4.936 673 -14 264 -44 308 Reigate and Banstead 380 8.480 709 -9 269 -59 328 Runnymede 310 4.311 670 -54 223 -46 269 Spelthorne 312 4.454 710 -43 234 -41 275 Surrey Heath 335 3.822 648 -40 237 -52 289 Tandridge 318 6.250 701 4 281 -19 300 Waverley 379 5.667 658 -38 239 -73 313									
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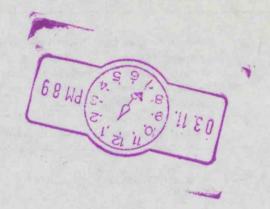
TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90	Spending	Spending	Spending	Long num	Safety net	Special	Communitar
	average	figure for	figure			receipt (+)	grants	Community
	rate bill			less SSA		or contrib-	grants	with
	PER ADULT	based on	receiving		without	ution (-)		safety
	plus 4%	1989/90	authority	TOT at Ca	safety	dt (-)		net
	7.	income			net			net
	(£/adult)	(£m)	(£/adult)	(£/adult)		(£/adult)	(£/adult)	(£)
	1	2	3	4	5	6	7	8
WARWICKSHIRE		235.737						
North Warwickshire	312	4.308	735	42	320			320
Nuneaton and Bedworth	300	9.414	745	49	327	2		325
Rugby	311	5.146	719	10	288	-12		300
Stratford on Avon	370	4.783	697	4	282	-46		328
Warwick	379	6.902	719	14	292	-46		338
WEST SUSSEX		285.416						
Adur	293	5.083	634	-23	254	-20		275
Arun	268	8.955	605	-55	223	-24		247
Chichester	263	6.274	595	-73	204	-31		235
Crawley	273	10.349	681	1	279			279
Horsham	260	4.357	573	-91	187	-38		225
Mid Sussex	290	7.285	600	-54	223	-35		258
Worthing	251	7.631	616	-60	218	-18		236
WILTSHIRE		261.238						
Kennet	244	2.890	678	-37	241	-2		243
North Wiltshire	220	6.355	692	-15	262	18		245
Salisbury	271	3.948	671	-45	233	-20		253
Thamesdown	245	13.759	726	5	282	12		270
West Wiltshire	230	6.092	693	-8	270	15		255
ALL PURPOSE AUTHORITY								
Isles of Scilly	223	1.685	1,130	-24	254	6		248
						141734		The sale

TABLE 2: ASSUMED 1990/91 SPENDING FIGURES AND PROVISIONAL SAFETY NET, TRANSITIONAL GRANTS AND COMMUNITY CHARGES

	1989/90 average rate bill PER ADULT plus 4% (£/adult)	based on 1989/90 income (£m)		Spending figure less SSA for area (£/adult)	charge without safety net (£)		Special grants (£/adult)	charge with safety net (£)
				4)	6	(8
TOTAL England	285	29,805.300	836	0	277		5	272
TOTAL Shire districts	273	2,037.371	723	-22	256	-9	2	263
TOTAL Shire counties		14,119.220						
TOTAL Metropolitan districts TOTAL Metropolitan Police Authorities TOTAL Metropolitan Fire Authorities	280	6,946.376 485.240 240.972	933	21	299	17	6	276
TOTAL inner London boroughs incl. City	368	2,341.622	1,535	142	399	64	59	276
TOTAL outer London boroughs Metropolitan Police	333	2,834.075 598.258	999	23	300	-17		317
London Fire & CD Authority		200.481						
TOTAL Shire areas	273	16,156.591	723	-22	256	-9	2	263
TOTAL Metropolitan areas	280	7,672.588	933	21	299	17	6	276
TOTAL London	345	5,974.435	1,180	63	333	10	20	303

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Nohm Red 2/44 SWIP 21

Treasury Chambers, Parliament Street SW1P 3AG

Roger Bright Esq Private Secretary to the Secretary of State for the Environment Department of the Environment 2 Marsham Street London SW1

2 November 1989

Dear Roger

LOCAL GOVERNMENT FINANCE

Thank you for sending me a copy of your letter of 31 October to Paul Gray enclosing a draft statement by your Secretary of State.

- The Chief Secretary has one point of substance on the statement. As presently drafted it makes no reference to community charge capping. Indeed, the final sentence literally interpreted would seem to exclude capping. The Government did however consciously decide to take capping powers and be prepared to use them, in case of need, not least during the early years of the community charge system before the full impact of accountability is felt.
- The Chief Secretary thinks it important that your Secretary of State should take the opportunity provided by this statement to mention the capping power again, so that local authorities may be influenced towards restraint in drawing up their budgets for next year and will not be able to say subsequently that the Government failed to give adequate advance warning about capping.
- With this in mind, the Chief Secretary asks that the last sentence of the draft be deleted or revised so as to remove any suggestion that there will be no capping. He would also like the closing section of the speech to include the point that the Government will not hesitate to use its capping powers if it by individual considers the spending increases budgeted authorities to be excessive. Our understanding is that your Secretary of State is willing to make this point but would prefer to make it in reply to a supplementary question after the statement. The Chief Secretary would see this as less than ideal but would prepared to go along with it provided that your

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Secretary of State can guarantee to ensure that the necessary question and his answer do actually happen. He would also be grateful to know what precise form of words your Secretary of State would have in mind.

need amendment in the light of this.

5. On a separate point, the Chief Secretary and your Secretary of State reached agreement yesterday that a NNDR multiplier of 36p in the pound should be assumed for the purpose of calculating the NNDR distributable amount. The numbers in the draft statement will

6. We have in addition a number of technical and presentational suggestions on the draft statement which officials are passing to their opposite numbers in DOE.

7. I am copying this letter to the Private Secretaries of members of E(LG) and to Trevor Woolley.

yours

Caryi a

MISS C EVANS Private Secretary



10 DOWNING STREET LONDON SWIA 2AA From the Private Secretary 2 November 1989 dear Kaa

LOCAL GOVERNMENT AND HOUSING BILL

For the record, the Prime Minister has seen your Secretary of State's minute of 1 November. She accepts the views of your Secretary of State and the Business Managers that the arrangements set out are the best that can now be obtained, and is content for Lord Hesketh to take the line proposed at 3rd Reading.

DOMINIC MORRIS

Miss Kate Bush, Department of the Environment

MR. MILLS
POLICY UNIT

LOCAL GOVERNMENT FINANCE: STATEMENT

Thank you for your note of 31 October which I showed the Prime Minister last night along with Chris Patten's draft statement. She commented that she thinks you are right but that it is not worth making an issue of the point. She has therefore agreed the original terms of Chris Patten's draft.

fre.

PAUL GRAY

1 November 1989





Prime Minister

LOCAL GOVERNMENT AND HOUSING BILL: LORDS DEFEATS

I have been reconsidering the position following the letters of 31 October from Geoffrey Howe and John Belstead; and we have had further discussions with the Lords Business Managers, given the overriding need to complete our legislative programme this session.

RURAL SHARED OWNERSHIP

We are making promising progress in discussions with the supporters of Lord Stanley's amendment. I have agreed with John Belstead that, provided that by close tomorrow the NFU, the County Landowners up to our rural housing package, and that the most influential peers have been brought on side as a result, we shall go ahead as proposed and reverse the amendment at CCLA. Failing that, we shall produce the fall-back amendment I outlined earlier.



RIGHT TO BUY FOR THE ELDERLY

In my minute of 30 October I proposed to reverse in the Commons Lord McIntosh's amendments carried against us at Report in the Lords, which bring new non-sheltered housing for the elderly within the right to buy but give us the task of excluding existing housing of that kind from the right to buy. The concession I proposed was a wider definition of sheltered housing, to deal with some marginal cases which the Association of District Councils were concerned Lord Monk Bretton has since tabled an amendment on these lines; but Lord Vinson has also tabled an amendment to require me to make determinations excluding non-sheltered housing for the elderly from the right to buy in rural areas. In conversation with John Belstead and Bertie Denham this morning Michael Howard and Alexander Hesketh explored the option of accepting that amendment also, in order to secure the support of our backbenchers.

I think this package would offer a reasonable quid pro quo for reversing Lord McIntosh's amendments: non-sheltered housing would be protected in rural areas, and elsewhere a wider category of sheltered housing would be preserved. The Business Managers have however told me that those concessions would not necessarily be accepted when the Bill went back to the House of Lords, and I must reluctantly accept the view of the Business Managers that it would





not be helpful to join issue with that House at this stage in the Session when there is still a heavy legislative load. I therefore propose that we should accept the substance of the amendments against us at Report, and introduce in the Commons a tidying up amendment which restores Peter Walker's and my jurisdiction to exclude properties from the right to buy. I do not welcome the implications of this for departmental manpower, but I think they must be accepted.

Lord McIntosh has tabled for today an amendment to modify the effect of his Report amendments by taking away the Secretary of State's role. This would mean that existing tenants could still be denied the right to buy by their landlords, as now. This is not acceptable, and Alexander Hesketh will resist it. I understand the Business Managers are content with that course.

This is the line which Alexander Hesketh and the Lords Business Managers will follow during Third Reading in the Lords today, unless you or colleagues object early in the afternoon.

I am copying this letter to the Lord President, Lord Privy Seal, Peter Walker, Malcolm Rifkind, the Chief Whips in both Houses, to Sir Robin Butler and First Parliamentary Counsel.

of CP

1 November 1989 (approved by the Secretary of State and signed in his absence)

CESBosh



SCOTTISH OFFICE WHITEHALL, LONDON SW1A 2AU 1. DA - 6 me 2. NBPM Park The Rt Hon Christopher Patten MP Secretary of State for the Environment Department of the Environment 2 Marsham Street LONDON SW1P 3EB November 1989 LOCAL GOVERNMENT AND HOUSING BILL: LONG LEASES Your minute of 30 October to the Prime Minister asked for any comments on your proposals to reverse the Government's two defeats in the House of Lords. The provisions on rural shared ownership do not affect Scotland and I have no comments on your proposal. With regard to the position concerning housing for the elderly, I note your proposal to seek to overturn the amendment made at Lords Report Stage but in so doing to offer concessions which would widen the sheltered housing exclusion provisions. I am content for you to proceed in this manner since, as you are aware, our amendment for Scotland to repeal the exclusion of amenity housing for the elderly was accepted in the Lords. We have thus at present a situation whereby in Scotland there will be no restrictions on the sale of such housing but in England & Wales authorities will be able (subject to Secretary of State confirmation) to refuse to sell existing amenity housing. Clearly on this aspect of Right to Buy policy we should be broadly consistent. It would not be my intention, however, to follow you in offering any concession. The definition of the housing excluded from the Right to Buy in Scotland is less precise than is the case for England & Wales. There is no mention of a common room facility; the appropriate provisions simply refer to a house being one of a group with facilities including a call system and the services of a warden. In the circumstances I do not think I need to seek further amendments. 1. MFI304M7

I am copying this letter to the Prime Minister, other members of E(LG), The Lord Privy Seal, the Chief Whips in both Houses, to Sir Robin Butler and First Parliamentary Counsel. MALCOLM RIFKIND 2. MFI304M7



Leo be Press

10 DOWNING STREET LONDON SW1A 2AA

From the Private Secretary

1 November 1989

Deer Roje,

LOCAL GOVERNMENT FINANCE

Thank you for your letter of 31 October which the Prime Minister has seen, together with the attached draft statement. She is content with the draft statement, subject to the terms of your Secretary of State's agreement with the Chief Secretary about the NNDR multiplier.

I am copying this letter to the Private Secretaries of the members of E(LG) and to Trevor Woolley (Cabinet Office).

Pal

PAUL GRAY

Roger Bright, Esq., Department of the Environment.

FROM THE LEADER OF THE HOUSE HOUSE OF LORDS 31 October 1989 LOCAL GOVERNMENT AND HOUSING BILL: LORDS DEFEATS I have seen a copy of your minute to the Prime Minister of 30 October and I wish to comment on your proposals in respect of both defeats. I must make one general comment. We still have five major Bills outstanding which must receive Royal Assent before Prorogation. It is therefore very important that we do not consider reversals of Lords' defeats in isolation. If the House as a whole were to be alienated by the course we adopted on this Bill, it might well endanger other Bills. RURAL SHARED OWNERSHIP If it were possible, as the first option, to get agreement on the basis of resources for rural housing, that would clearly be the best way forward - but I would have thought the chances of this were minimal. At the very least the supporters of the amendment will want something on the face of the Bill. I would prefer your second option, the 95% top of the "staircase" with the linked attraction of the lease returning automatically to the Housing Association. This should surely do the trick. Indeed, I felt that the proposers of the amendment simply did not realise the financial burden which would remain on the shoulders of someone unable to "staircase" up to 100% (or near to 100%) with the consequent disadvantage that people in such housing would be very slow to move out. This argument should help to secure agreement to this option, which comes near to reversing the defeat. Nevertheless, if we need to know by Third Reading that this option is acceptable, swift negotiations will have to be held with the proposers of the amendment. RIGHT TO BUY FOR THE ELDERLY There is a history to this issue in the House of Lords. The House has twice resisted the right to buy for housing for the elderly in the past. Moreover, Lord McIntosh rehearsed the history of the amendment which the Government put into the Bill at Committee Stage in the House as his prime argument for his own amendment, and one can only assume that the very large majority he gained late at night is an indication of the strength of feeling on that point, as well as on the merits. The Rt Hon Chris Patten MP

In order to get what would in effect be a complete reversal, there would have to be some prior agreement. This is unlikely to be forthcoming, although support in briefing from the Association of District Councils would clearly help. If we need to have a clear position ahead of Third Reading on Wednesday, then we would have to be certain that the Conservatives in the House of Lords were united behind the Government stance on this issue. After consultations with the Chief Whip, I can give no such assurance at this stage, because of the history I have mentioned.

Another difficulty is that it was argued that the McIntosh amendment is already something of a compromise on the issue in that it excludes from the exemption all those existing elderly tenants who have been led to believe that a Conservative Government would give them this right. It was moreover presented in a studiously moderate fashion. To attempt to compromise this compromise - particularly when the concession that is being offered is hardly a concession at all - might run real risks in the House.

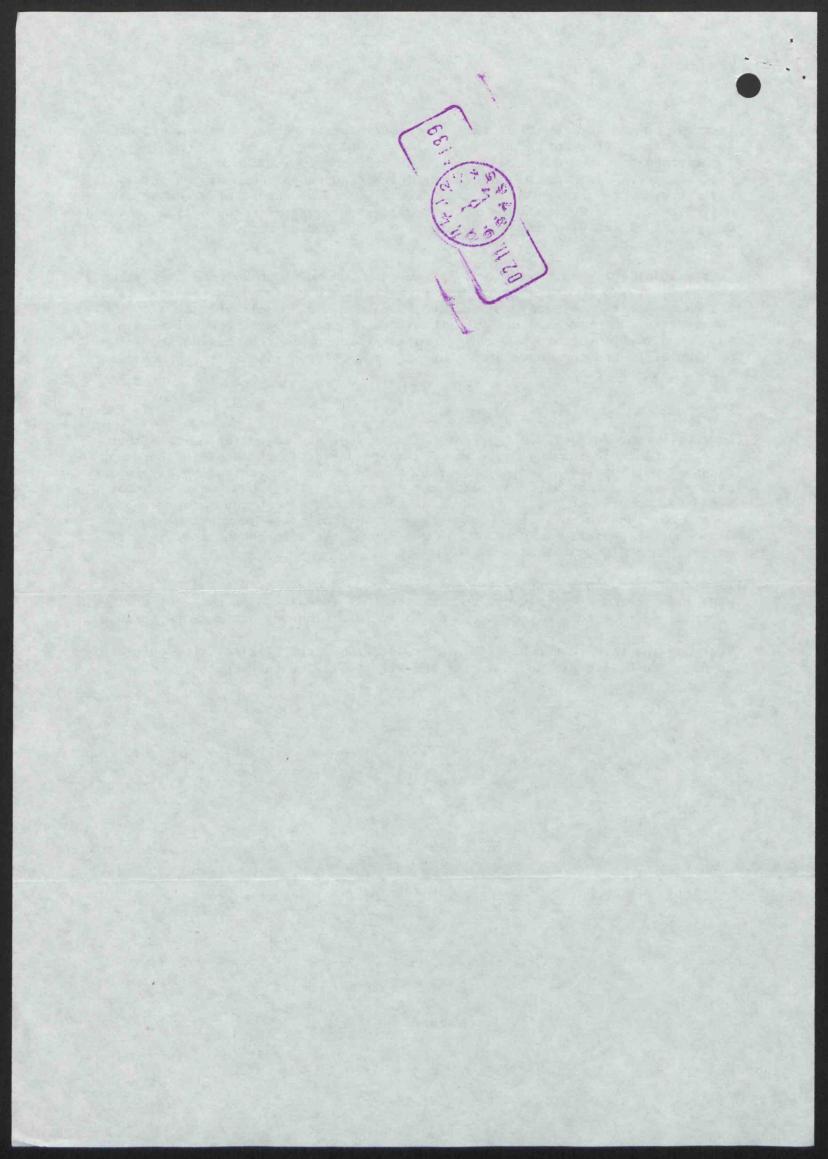
Conclusion

In short, therefore, I would prefer to adopt your second option on the first defeat, and avoid running the risk of a third defeat in the House of Lords on right to buy for the elderly. Right to buy is of course central to Government policy, and I do not wish to weaken the principle. I believe, however, that since the Government has in effect endorsed the House of Lords twice-repeated stance on right to buy for the elderly over the past nine years it would be dangerous, especially at present, to seek the House's agreement to reversing (in effect) the McIntosh amendment.

I am sorry if I seem difficult. These are hard decisions. In business management terms I believe however that at this late stage in the session the priority must be to limit damage, and to avoid giving any hostages to fortune.

I am copying this to the Prime Minister, other members of E(LG), the Chief Whips in both Houses, to Sir Robin Butler and First Parliamentary Counsel.

BELSTEAD





PRIVY COUNCIL OFFICE WHITEHALL, LONDON SWIA 2AT

31 October 1989

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Year Roger

LOCAL GOVERNMENT AND HOUSING BILL : LORDS DEFEATS

The Lord President has seen your Secretary of State's note of 30 October to the Prime Minister and the letter from the Lord Privy Seal dated 31 October. He has asked me to let you know that he absolutely endorses the point made by the Lord Privy Seal that the primary objective must be to ensure that the full legislative programme for the current session can be delivered, even if this means accepting that your Bill may not be as full a reflection of Government policy as your Secretary of State would like. He therefore endorses the Lord Privy Seal's preference for the second option in relation to Rural Share Ownership and agrees that, in business management terms, it must be right not to seek to reverse the defeat on Right to Buy for the Elderly.

I am copying this letter to Paul Gray, the Private Secretaries to other members of E(LG), to the Lord Privy Seal, the Chief Whips in both Houses and to Trevor Woolley and First Parliamentary Counsel.

S D CATLING

Private Secretary

Roger Bright Esq Private Secretary to the Secretary of State for the Environment

PAUL GRAY

31 October 1989

LOCAL GOVERNMENT FINANCE: STATEMENT

will pe? I have only one commnet on Chris Patten's draft statement.

The words "budget sensibly and" in line 6 of the last paragraph should be deleted. Deletion would leave the language neutral:

"If authorities spend in line community charge will be about £275 ... If they can do better, it will be lower...".

But as it stands, the word "sensibly" implies a value judgement that any expenditure above standard is not "sensible". This is a very unwise hostage to fortune given that standard spending implies an increase of only 3.8% on this year's budgets and that virtually all councils will have to increase spending by more than this just to keep pace with inflation.

JOHN MILLS

Louise Ashbon

2 MARSHAM STRE LONDON SWIP 3EB 01-276 3000 Prine Mile Policy Unit are keen Lo tele he deletio in pagent 17 of he Paul Gray deft debend, for the recions explained in Private Secretary to The Prime Minister their minute Selan. I am of personaled and think 10 Downing Street LONDON the doll in teller as it stands. 3/ October 1989 SWIA 2AA (i) Do you wat to rete he commet a paagen 17? is retir - but winds work moleight an issue of (ii) Any she comeh a he dold. AC631/10 LOCAL GOVERNMENT FINANCE My Secretary of State proposes to make a statement next week, possibly on Monday, 6 November, about the Local Authority Grant Settlement for England. He will also take this opportunity to announce the Non-Domestic Rating Multiplier for 1990/91. I attach a draft of the statement. With the consultation paper there will be exemplifications showing for each authority the Standard Spending Assessment calculated in accordance with the methodology which has been agreed. There will also be figures showing the community charge which would emerge, if authorities spend in aggregate in line with the Government's assumptions. I will circulate these figures for information later this week. You will also note that paragraph 5 of the draft statement refers in parentheses to my socretain formation for the draft statement refers in parentheses to my Secretary of State's preferred NNDR multiplier of 35.5p; this is, however, subject to agreement with the Chief Secretary.

In order that the statement can be printed for distribution to local authorities, I should be grateful if I could have any comments by 5pm Wednesday, 1 November. I am sending copies of this to the Private Secretaries of members of E(LG) and to Trevor Woolley (Cabinet Office). Encerely R BRIGHT Private Secretary

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LOCAL GOVERNMENT FINANCE

- 1. With permission, Mr Speaker, I should like to make a statement about the local authority grant settlement for England for 1990/91.
- I am today sending a consultation paper to the local authority associations setting out my proposals. Copies are being sent to each local authority, and are available in the Vote Office. The consultation paper summarises the various reports which will be made later this year. Drafts of two of the reports, dealing with the distribution of grant definition of population have also been circulated. There are also exemplifications showing the amount of grant and the community charges which would result for each area. first year of the new system a number of basic definitions and principles have to be set out, and that accounts for the large amount of material. It may help the House if I outline the main features of the proposals.
- 3. My RHF the Member for Cirencester and Tewkesbury proposed in July that the total of external support for local government services next year should be £23.1 billion, an increase of 8½% over the figure for this year on a comparable basis. This support comprises three elements: the yield from business rates, specific grants, and Revenue Support Grant.
- 4. I estimate the yield from business rates in 1990/91, and hence the amount to be distributed to local authorities, will be [£10,378]. This estimate represents the total amount which I expect charging authorities to receive in respect of rates paid by private businesses, by the nationalised industries, and by

local authorities themselves, together with a contribution in aid in respect of Crown property. I have made allowance for a number of factors, such as rate income foregone as a result of empty properties and of charitable or discretionary relief, and for losses in, and costs of collection. The amount estimated to be collected from private businesses and the nationalised industries is in line with the Government's commitment that the yield from these sectors will be broadly the same in real terms as in the current year, 1989-90.

- 5. In arriving at this amount available for distribution, I have now made a firmer estimate of the national non-domestic rate multiplier for 1990-91. On the basis of the most up-to-date information available about the effects of the 1990 rating revaluation, I estimate that the multiplier for 1990-91 will be [352] pence for England. This figure will be provisional until I have final information about the effects of the revaluation, which will be available before the Revenue Support Grant Report is laid before the House; but I would expect it to vary only very slightly, if at all.
- 6. I anticipate that specific grants and transitional grants will amount to [£3184] million. Further details of specific grants will be in the Autumn Statement.
- 7. I am proposing that Revenue Support Grant should be [£9,538] million. Our principal objective in distributing grant is to ensure that if each authority spends so as to provide a common standard of service, the community charge could be set at the same level in every area before allowing for the transition adjustments. My RHF announced in July that the Government consider that it would be appropriate for local authorities to spend £32.8 billion in total in providing services. We shall calculate an assessment for each authority of what it would cost to provide services locally to a common standard, consistent with that total.

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- 8. The proposed method for making these assessments, known as the Standard Spending Assessments, is set out in the documents published today. In summary, the SSA will be based on an assessment for each of the main local authority services, using data about the demand for each service in each area. In this way we can take account of variations between authorities in the demands they face. These proposals take account of extensive work carried out over the last two years, and of the views of the local authority associations.
- 9. Mr Speaker, SSAs are central to the new grant system. Apart from the transitional adjustments, the relationship between an authority's budget and its SSA determines the community charge for that area. If spending is higher than the SSA, the community charge will be higher than the national Community Charge for Standard Spending, and vice versa. It is therefore important that the methods used to calculate these assessments should be fair and right.
- 10. If authorities were each to spend at the level of their SSA, the community charge everywhere would be about £275. The final figure will not be known until we know the number of people on Community Charge Registers. This figure, the Community Charge for Standard Spending, will be the benchmark for accountability. It will appear on the Bill which each chargepayer will receive and will help chargepayers to assess the policies and performance of their authorities. In this way councils will be made accountable to those who must pay for their activities.
- 11. The existing system of Grant Related Expenditure Assessments had become over-complex and difficult to explain. We have therefore introduced a simpler, more understandable method. As now, the method is applied to each authority, using objective measures of the cost of providing services such as the number of pupils to be educated and the number of miles of road to be maintained. There has been discussion about the weight to be attached to each factor, and the Associations have put forward alternative suggestions. In my view the proposals I have made represent the fairest judgment between the various view points. I

believe they provide the best basis that can be devised for distributing grant.

- 12. In place of the 63 separate assessments in the present GRE system there will be 11 components covering five major services (education, social services, fire and civil defence, police, and highway maintenance), a component covering smaller services, and a component reflecting the cost of borrowing for capital expenditure. In general, the method proposed involves fixing a unit cost and multiplying this by the number of clients for each service. I can tell the House, in particular, that in response to representations we are proposing to include an allowance for overnight visitors (in order to reflect the demands tourists make on local services), and to recognise separately the costs of land drainage and flood protection work. I know that these matters are of particular concern to Hon Members from the areas affected.
- 13. The consultation paper also describes the transitional arrangements. As my Noble Friend Lord Hesketh announced on 11 October the area safety net will be for one year only. For the following three years the Exchequer will pay for protection for losing areas. These arrangements will provide protection for areas which lose as a result of introducing the community charge and related changes. Chargepayers in these areas will be expected to find the first £25 of any loss to their area, but above that there is full protection. To pay for this protection, gaining areas are being asked to defer about half their gains for one year, up to a maximum of £75 per adult. They can still see significant gains from the start, but it is right that the new system should be phased in.
- 14. My RHF announced in July two transitional grants to provide extra protection for inner London boroughs, and for areas with very low rateable values. These grants, will significantly reduce community charges in some authorities.



- 15. I have included with the consultation paper exemplifications showing the amounts which each area would receive under these proposals. I should stress, however, that figures for authorities are provisional at this stage, and will change (though in most cases only marginally) when local authorities notify me in December of the number of adults they have included in their community charge registers.
- 16. The exemplifications also show what the community charge would be in each area if local authorities spend at their 1989/90 levels, increased so that the total equals £32.8 billion. It is these charge levels which will form the basis of the transitional relief scheme announced last month to help those former ratepayers, pensioners and the disabled who would otherwise face increases of more than £3 a week. This relief scheme will cost about £300 million in 1990/91. In addition over 9 million people will receive help through community charge benefits. Many individuals will therefore see their bills substantially reduced.
- 17. Mr Speaker, I have asked the local authority associations to respond to these proposals by 4 December. I hope to lay the formal documents before the House in early January for debate later that month. The proposals amount to a substantial package of support for local authorities. The amount of external support has increased by 8½%. If authorities budget sensibly and spend in line with the Government's proposals the average community charge next year should be about £275. If they can do better, charges will be lower. But if their spending increases faster charges will be higher. It will ultimately be for local authorities to decide the amount their chargepayers will pay.







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Treasury Chambers, Parliament Street SWIP 3AG

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

31 October 1989

Dew Chis

LOCAL AUTHORITY CASH INCENTIVE SCHEMES

Thank you for your letter of 17 October. Our officials have been in touch about this issue which we discussed at our first bilateral last month.

- As colleagues have recognised, there is a risk that we may come in for considerable criticism from our supporters for increasing to extremely generous levels a subsidy from the taxpayer to enable council house tenants to compete in the private housing market on advantageous terms when other first time buyers may well have to work very hard to get a foot on the housing ladder.
- That said, I recognise that so long as the expanded scheme is restricted to those local authorities facing the most acute housing shortages, it appears to represent a reasonably costeffective way of creating housing opportunities for the homeless and plays an important part in our offering a multi-faceted homelessness package. I am particularly pleased to see that you are suggesting that the available grants should be only 80 per cent of the average right-to-buy discount and grants would only be available to tenants of five years' standing. This should ensure that the success of the right-to-buy in generating receipts and reducing the local authority housing stock is not jeopardised to any great extent in any area and that there will not be too much of an incentive for people to join the council's waiting list so as to benefit from a possible discount in the future.
- Accordingly I agree to your proposals. I regard it as most important however that the scheme should be strictly limited to those areas with the most acute homelessness problems and I would be grateful if your officials could consult mine to draw up

CONFIDENTIAL · Locar Sovis Relation guidelines to determine which authorities might be allowed to participate. We considered the resources which would be necessary in our Survey discussions and the credit approvals you feel necessary for the scheme will need to be within the provision we agreed. I am copying this letter to members of E(LG) and to Sir Robin Butler. NORMAN LAMONT 一、大方、大家在海路的 新巴里州南部

Prime Minister LOCAL GOVERNMENT AND HOUSING BILL: LORDS DEFEATS At Cabinet on Thursday, we discussed the Government's two defeats in the House of Lords on rural shared ownership and the right to buy. This minute sets out my proposed response. Rural Shared Ownership We have had informal discussions with the authors of the Lords amendment. Their main concern seems to be to ensure a healthy rural housing programme rather than (as the amendment suggested) to restrict shared owners' right to progress to full home ownership. too want such a programme, subject of course to decisions on the Housing Corporation programme. There is, therefore, a possibility that we can persuade the amendments' architects (the NFU and the National Agricultural Centre Rural Trust) to agree to our deleting the amendment in return for an assurance about resources for rural housing, and that we should be able to carry the day in both Houses. That is important, since without such an agreement there is obviously a risk that the Lords will not agree to their amendment being overturned, and that that would jeopardise the bill timetable. My proposal therefore is that we overturn the Lords amendment, with the help of this agreement if we can get it. But if there is no agreement, and if it seems likely that the Lords will stick to their guns, I propose the following fall-back. We would allow housing associations (but not local authorities) in certain rural areas (determined by the Secretary of State after consultation) to restrict "staircasing" so that the shared owner could only buy up to 95% of the equity. This would enable him to build up sufficient equity to become an owner occupier in another property while ensuring that the lease returned automatically to the housing association. This would fall short of the straightforward reversal which we should prefer, but not much. Right to Buy for the Elderly The defeat on the right to buy would give Peter Walker and me the unwelcome task of deciding which individual properties should be excluded from the right to buy as being elderly persons' housing. Again, I propose to reverse the defeat but with a limited concession designed to try to secure the support of our backbenchers.



The Association of District Councils say that our original proposal, designed to extend the right to buy to non-sheltered housing for elderly people, would also have permitted the sale of some sheltered housing. The legislation specifically excludes sheltered housing from the right to buy, but the definition of 'sheltered' is tight. I propose to table at CCLA an amendment which slightly widens that definition, whilst minimising the risk of abuse and avoiding unwelcome new tasks for central Government.

The existing exclusion applies to housing that is part of a development particularly suitable for the elderly which is customarily let for occupation by elderly or disabled people. My amendment would extend this by not insisting that there must be a resident warden or common room. To prevent too wide an exclusion we would insist that a means for summoning assistance — such as an alarm system — was in place and had been from the start of the current tenancy. In practice, this concession would not significantly dent the principle of giving the right to buy to elderly people, and ADC support should help ensure the satisfactory passage of the Bill.

Conclusion

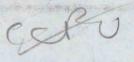
In short I propose:

- (a) to seek agreement with the authors of the shared ownership amendment to its reversal, on the basis of assurances about an increased rural housing programme (within the Housing Corporation's overall programme); failing that, to produce the fall-back amendment above; and
- (b) to reverse the defeat on the right to buy for the elderly, but with the amendment described above.

Alexander Hesketh will be pressed to indicate our intentions at Third Reading on Wednesday, so I would welcome any comments on my proposals by close tomorrow (Tuesday 31 October). I am copying this letter to other members of E(LG), the Lord Privy Seal, the Chief Whips in both Houses, to Sir Robin Butler and First Parliamentary Counsel.

PP CP 30 October 1989

(approved by the Secretary of State and signed in his absence)





NBPM Philo 15/10

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon John MacGregor MP Secretary of State for Education and Science Department of Education and Science Elizabeth House York Road London SE1 7PH

30 October 1989

DISTRIBUTION OF TOTAL STANDARD SPENDING AMONGST SERVICES

I am grateful to you and other colleagues for your agreement to the proposed approach to the distribution of Total Standard Spending (TSS) amongst services, which I proposed in my 14 September letter,

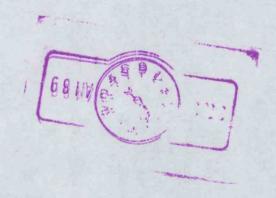
- I explained in that letter that the numbers were subject to further changes. All the relevant decisions have now been taken, and I attach the final service distribution. As you will see, the figures are very little different from those in my earlier letter. The size of the Police block has been slightly reduced, and the size of the Fire and Civil Defence block is also lower, as a result of the decision, for 1990-91 only, to fund the Fire Service College by top-slicing revenue support grant. The extra margin has been distributed amongst service blocks pro-rata to their existing share.
- Perhaps I could take this opportunity to clear up the issue which Norman Fowler raised, in his letter of 10 October, about the problems which could be implied for Sheltered Employment, if the Other Services Block were to be disaggregated. There are two points here. First, the Other Services Block will not in fact be disaggregated under the new system. Second, Norman will in any case be able to point to the level of specific grant available for sheltered employment in 1990-91 and the number of places this will support.
- The Treasury is issuing separately guidance to Departments on the presentation of local authority components of the Survey and grant decisions.
- 5 I am copying this letter to the other members of E(LG), John Gummer, Richard Luce, and to Sir Robin Butler.

NORMAN LAMONT

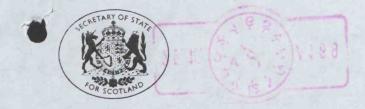
DISTRIBUTION OF TOTAL STANDARD SPENDING FOR 1990-91 AMONGST SERVICES

	1989-90 adjusted GREs	1989-90 adjusted budgets	1990-91 standard spending (14 Sept	1990-91 standard spending (final	% Increase on budgets	(final figures) on GREs
			proposals	figures)		
Education	13774	14448	15079	15083	4.4	9.5
. Personal Social Services	3217	3563	3643	3648	2.4	13.4
Police	3709	3828	4190	4178	9.1	12.6
Fire and Civil Defence	786	874	900	895	2.4	13.9
Highway Maintenance	1478	1542	1577	1578	2.3	6.8
Other Services	5092	5671	5799	5806	2.4	14.0
		•				
Total current Expenditure	28056	29926	31188	31188		11.2
Financing items	1582	1650	1612	1612		1.8
Total revenue Expenditure	29638	31576	32800	32800		10.7

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SCOTTISH OFFICE WHITEHALL LONDON SWIA 2AU

The Rt Hon Christopher Patten MP Secretary of State for the Environment Department of the Environment 2 Marsham Street LONDON SW1P 3EB CALC Who 24 October 1989

Dear Suretary of State

LOCAL AUTHORITY CASH INCENTIVE SCHEMES

I refer to your letter of 17 October in which you indicate that you propose to adopt more generous criteria for approving local authority cash incentive schemes.

I have no objection to your announcing revised criteria for England but I do not believe that I would be justified in following suit here. House prices are generally not as high in Scotland as in many parts of England, and in our experience it is the local authorities who are reluctant to make use of the cash incentive provisions in Scotland rather than the tenants. Any proposals to make the cash incentive scheme more generous to tenants might perversely make some Scottish authorities more reluctant to bring forward proposals for my consent. In the circumstances, therefore, I do not propose to announce any changes to the criteria for consideration of cash incentive schemes in Scotland.

Copies of this letter go to members of E(LG) Committee and to Sir Robin Butler.

go James Reville

MALCOLM RIFKIND

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

Local Gov. Relations

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Re

JOHN MILLS

LOCAL AUTHORITY CURRENT EXPENDUTURE: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

Thank you for your further note of 17 October.

I still do not think we still see eye to eye, but I do take your point about not going too far in the "irresponsible and unnecessary" direction. I have discussed all this with Roger Bright in the Department of the Environment Private Office, and I hope he will now ensure your points are borne in mind.

Race.

PAUL GRAY 20 OCTOBER 1989

C: POLICY . MRM

NBPN PRC6 18/10 2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000 My ref: Your ref: The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street LONDON 18 October 1989 SWl Fran Nomen, LOCAL AUTHORITY CAPITAL: LOCAL AUTHORITIES WITH NO OUTSTANDING DEBT Thank you for your letter of 20 September agreeing to the enabling power Nick Ridley had proposed for the Local Government and Housing Bill. On balance I favour a regulation making power. It gives us flexibility to distinguish between descriptions of authority, not just classes of authority. So for example we could prescribe different treatment for authorities which had sold all their housing stock. The disadvantage of a direction making power is that it would expose us to special pleading from every authority which became debt free. Our officials are discussing how the power should be applied and what we might say on this early next week at Lords Report. Given the uncertainty about the future number of debt free authorities, we will want to maintain as much flexibility as possible. I am copying this letter to other members of E(LG) and to Sir Robin Butler. CHRIS PATTEN

hocal anv-Relations PV37.







2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street LONDON SW1P 3AG

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/ October 1989

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LOCAL AUTHORITY CASH INCENTIVE SCHEMES attache

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The proposals in E(LF) (89)6, endorsed by the Committee on 11 July, for short-term measures to ease homelessness included an improved cash incentives scheme to encourage council tenants to move into homes of their own, thus releasing urgently-needed vacancies for reletting. I am writing to set out what I propose.

Schemes approved to date could release a maximum of 959 council homes, 583 of them in London, for reletting. The need is far greater than this - 116,000 households were accepted as homeless last year - and there are indications that at present grant levels the response from tenants will be limited. I therefore propose to approve more generous schemes. Specifically, I propose to adopt a general policy of approving grants up to 80% of the average right-to-buy discount in the area concerned. Schemes proposed by local authorities would still be scrutinised individually to ensure that they were justified in the local circumstances, and grants would only be available to tenants of five years' standing so as not to make it more attractive to become a council tenant.

I propose also to stop requiring approved schemes to include a limit on the proportion of the cost of the new home which may be met by a cash incentive grant. (Authorities could still not pay more than the costs incurred by the tenant in obtaining accommodation elsewhere.) The attached paper sets out the case for these changes, which have been discussed between officials.

I propose to announce the improved scheme as part of the statement on homelessness it was agreed I should publish, and would be grateful for colleagues' agreement by Tuesday 24 October. Copies of this letter go to members of E(LG) Committee and to Sir Robin Butler.

John siceres

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RO CHRIS PATTEN

(approved by the Sentlay of) State and signed in his affence).

LOCAL AUTHORITY CASH INCENTIVES: REVISED SCHEME Background 1. The revised scheme would operate, as now, under section 129 of the Housing Act 1988. Schemes submitted for approval are currently considered against the approach set out in annex B to the paper attached to Mr Ridley's minute of 22 February 1988 to the Prime Minister. A list of schemes approved is attached. Maximum grant 2. None of the schemes provides for grants exceeding £13,000. This was the maximum proposed by Bromley, the first authority to have a scheme approved under the new powers, and has been taken as the initial benchmark for London pending evidence from authorities to justify some higher limit. A number of authorities are already clear that the current ceiling of £13,000 will have a major dampening effect on their programme, and will reduce the scheme's impact in easing homelessness and use of bed and breakfast accommodation. Wandsworth Borough Council accepted the £13,000 ceiling under protest and have recently reported that of over 100 enquiries received to date only six have led to cash incentive grant payments. Of the remainder, about 90 were not pursued because the enquirer thought not enough money was being offered. 3. Some London boroughs have decided that they will not apply for a scheme unless the grant level can be raised. Hillingdon, for example, who had run an earlier pilot scheme offering incentive payments above £13,000, say that grants at the present level would create little or no interest and that they are unwilling to devote resources and officer time to promoting such a scheme. If they had applied a £13,000 limit under their earlier scheme they say they would not have secured any of the 14 vacancies they did: the average income of applicants for Hillingdon grants last year was £9,000. The present grant levels cannot, in fact, be expected to yield large numbers of vacancies, because of the competition of the right to buy. Most cash incentive schemes are targeted at family houses, not flats, and tenants of houses in high-value areas will generally do better, financially, to exercise the right to buy and sell in three years, when the requirement to repay discount ceases to apply. Cash incentive schemes are thus currently aimed at tenants of houses who can afford owneroccupation with modest assistance but have non-financial reasons for not wanting to buy their present homes. Such tenants are bound to be a minority. Consideration has therefore been given to the level of incentive payment which would make the choice between moving out and exercising the right to buy more financially neutral. Time preference variables make it impossible to predict accurately the point at which a tenant will be indifferent between, on the one

hand, exercising the right to buy with an opportunity to realise the discount in cash terms after three years, and on the other hand taking a cash incentive which offers cash now. It seems reasonable to deduct about 20% from the RTB discount to reflect these factors. The attached table sets out average RTB discounts in each of the London boroughs in the first half of 1988/89 and the maximum cash incentives which this approach would imply: mostly in the low £20,000s. 6. Careful presentation is needed with any scheme which offers council tenants assistance not available to other first time buyers. If, however, cash incentives of this order were offered by local authorities in London it would not seem difficult to defend the benefit received by the individual by reference to the vacancy released. The costs of securing vacancies for payments of this order would also still compare favourably with the costs of other forms of provision. The comparison is set out below: Cash incentive: perhaps £22,000 New build: £72,000 Acquisition and renovation of existing dwelling: £88,000 Bed and breakfast for one household: £15,000 pa. The figures are for London; for new provision they refer to the public sector cost of a three-person general needs dwelling in London provided by a housing association with 15% private finance. Impact on house prices 7. There appears to be no risk that grants at this level would have any discernible impact on local house prices: in London, for instance, a few thousand extra purchasers assisted with cash incentives would be unlikely to have any effect in a market of over 1.6m owner-occupied properties, around 10% of which changed hands last year. The possible effect on local house prices is in any case one of the factors considered in vetting proposed schemes. Safeguards 8. To guard against people seeking to obtain tenancies in the hope of being offered a grant at the higher rate, and to take account of the fact that grants would be based on average RTB discounts, grants under the improved scheme would only be available to public sector tenants of at least five years standing. It would be for the authority to satisfy itself that any grant it proposed represented value for money, taking deadweight into account. Authorities are required to scrutinise applicants' financial circumstances and make grants available only to those who could not otherwise afford to buy. Moreover, authorities have an incentive not to offer higher grants than necessary, so as to maximise the number of vacancies secured for a given level of expenditure. Scheme approvals would be subject, as now, to requirements for formal monitoring.

Purchase of house in area of low prices 9. There is currently a limit of 30% on the proportion of the cost of the new home which is met by grant. The thought was that a tenant moving to an area of lower house prices ought to make some contribution to the cost of the new home, even if the purchase price was no greater than the cash incentive. On reflection this seems unnecessary. A tenant in Bromley considering buying a cottage in a remote area for £13,000 will be told that he must pay £9,750 himself. He will only get the full grant if he buys a property worth at least £52,500, so there is an incentive to buy a more up-market property than is needed. The rule in any case penalises the people the scheme most needs to attract: those who are prepared to relieve the demand for housing by moving to areas of relative surplus. It is therefore proposed to relax this restriction. The legislation is in such terms that the grant cannot exceed the costs incurred by the tenant in securing the new home. Resources 10. Section 129 makes clear that grants count as capital expenditure. Expenditure on the higher grants proposed would have to be contained within authorities' available capital resources, which for 1990/91 will in turn reflect the outcome of the current Survey. Scheme approvals set a limit on the total expenditure to be incurred by each authority. Targeting 11. Cash incentive schemes are only approved for areas where the need for rented housing makes it possible to justify the benefit received by tenants receiving grants. Most of the areas where cash incentive schemes are approved will be the same areas which are the target of other measures to deal with homelessness, but proposals for schemes in other areas must be considered on their merits. Department of the Environment 13 October 1989

LOCAL AUTHORITY CASH INCENTIVES SCHEMES APPROVED, 1989/90

Authority	Max grant	Max expenditure	Max no of grants
LONDON			
Bromley	£13,000	£1m	100
Croydon	£13,000	£650,000	50
Ealing	£13,000	£750,000	57
Hammersmith	£10,000	£200,000	30
& Fulham			
Haringey	£13,000	£500,000	38
Harrow	£12,500	£200,000	16
Havering	£13,000	£350,000	27
Wandsworth	£13,000	£2m	150
Westminster	£13,000	£1.5m	115
SOUTH WEST			
Carrick	£5,000	£100,000	20
Kennet	£10,000	£100,000	10
Mendip	£10,000	£210,000	21
N Cornwall	£7,500	£97,500	13
Taunton Deane	£10,000	£275,000	35
EASTERN			
Colchester	£10,000	£150,000	20
Luton	£13,000	£150,000	12
Rochford	£11,250	£56,250	5
South Bucks	£11,000	£66,000	6
St Albans	£13,000	£150,000	12
SOUTH EAST			
Adur	£10,000	£80,000	8
Arun	£10,000	£50,000	5
Gillingham	£8,000	£60,000	7
Gravesham	£10,000	£200,000	25
Hart	£8,000	£100,000	12
New Forest	£10,000	£250,000	30
Rochester	£8,000	£200,000	32
Rushmoor	£8,000	£50,000	6
Shepway	£13,000	£100,000	8
Slough	£13,000	£500,000	30
Tandridge	£12,000	£144,000	12
Test Valley	£10,000	£200,000	20
T. Wells	£12,000	£200,000	18
Wealden	£6,000	£60,000	10

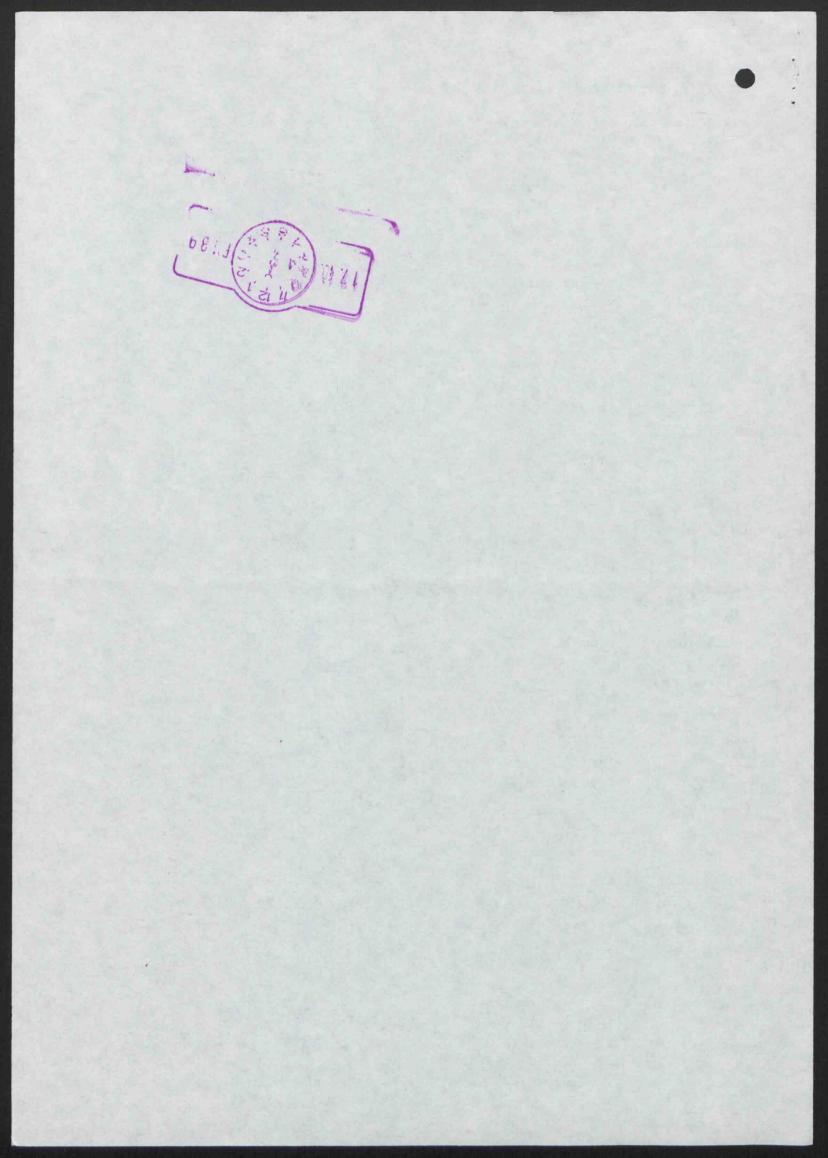
³³ schemes approved; maximum expenditure £10.7m; maximum number of vacancies 959

¹³ October 1989

RIGHT TO BUY DISCOUNTS: LONDON BOROUGHS

The first column gives the average right-to-buy discount reported by the borough in the first half of 1988/89; the second column gives the figures in the first column discounted by 20%.

	Average right to buy discount	Value discounted by 20%
Barking &		19 (3 Fa)
Dagenham	£22,000	£18,000
Barnet	£26,000	£21,000
Bexley	£27,000	£22,000
Brent	£26,000	£21,000
Bromley	£27,000	£22,000
Camden	£29,000	£23,000
Croydon	£26,000	£21,000
Ealing	£26,000	£21,000
Enfield	£25,000	£20,000
Greenwich	£26,000	£21,000
Hackney	£29,000	£23,000
Hammersmith &		
Fulham	£29,000	£23,000
Haringey	£29,000	£23,000
Harrow	£30,000	£24,000
Havering	£26,000	£21,000
Hillingdon	£26,000	£21,000
Hounslow	£26,000	£21,000
Islington	£32,000	£26,000
Kensington & Chelsea	£36,000	£29,000
Kingston	£28,000 ·	£22,000
Lambeth	£29,000	£23,000
Lewisham	£29,000	£23,000
Merton	£26,000	£21,000
Newham	£29,000	£23,000
Redbridge	£24,000	£19,000
Richmond	£29,000	£23,000
Southwark	£29,000	£23,000
Sutton	£36,000	£29,000
Tower Hamlets	£29,000	£23,000
Waltham	226,000	821 000
Forest	£26,000	£21,000
Wandsworth	£26,000	£21,000
Westminster	£31,000	£25,000



PAUL GRAY

17 October 19899

LOCAL AUTHORITY CURRENT EXPENDITURE: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

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Thank you for your note of 13 October.

Let me rehearse the key arguments once more, and then I leave it to your judgement as to what, if any, action should be taken. The settlement is, as you say, water under the bridge and the issue now is one of presentation.

My worries on this score remain. There will be accusations, fair or foul, that the Government is seeking to impose significant real cuts on key services. The relative generosity of the settlement compared with this year's grants will be forgotten and the comparison simply made with this year's spending. Anyway it is the latter that will be used to compare community charge with rates.

Against this background, I sense confusion about the view which the Government wishes to convey about spending above the standard level. This will be exploited by opponents, and leave the Prime Minister exposed, particularly (but not only) on issues like food safety with which she is closely identified. Four descriptions of the situation have emerged: that spending above standard is either

- unnecessary;
- irresponsible;
- capable of elimination through greater efficiency and effectiveness; or
- a matter of local choice, entirely financed by the community charge.

(i) <u>unnecessary</u>

This is, we are I think agreed, an intrinsically unwise word, and should be dropped absolutely in the hope that there is no adverse reaction to its use in the DOE circular.

(ii) "irresponsible"

This is really not much better. As Chris Patten has already noted, of the extra <u>cash</u> available of £1.2 billion in the settlement, three 'Government' items (police and teachers pay, and collecting the community charge) will take up all but £110 million of it, this small remainder to be spread around services costing this year £11.5 billion. This is why virtually every council will be spending above standard.

I believe it would be very damaging if they are all denounced together as "irresponsible". Most are manifestly not, and such language will alienate supporters (never mind opponents). I have already quoted Wandsworth's estimate for expenditure next year (12% above budget). I have now acquired another: Somerset County Council (10%). I'm sure many others in the shires and non-metropolitan districts will be similar. The Prime Minister should not be drawn into a position where she has to argue that such authorities are acting "irresponsibly".

(iii) "efficiency and effectiveness"

This argument has similar difficulties if used bluntly. Of course the room for greater efficiency should be stressed (pointing to the Audit Commission's evidence). This includes the benefit next year and beyond from the wider competitive tendering rules introduced this year.

But even this has its limits. In Somerset, for example, a competitive tender for school meals has just been won in-house, at a 5% saving. This is relatively low because it follows a 10% saving already achieved over the last two years under a progressive, business-minded authority. Ditto with vehicle maintenance, where the big saving, closure of a central depot, has already been made. In Wandsworth, as I said earlier, hope is now being pinned on school closures, but the savings will take at least two years, possibly more, to come through. (Their old central depot is now a giant Sainsbury's!)

The gist of this is that efficiency has a major part to play, but in well-run authorities it has been a watchword for a long time, which reduces the impact of further improvements. I think it is too simplistic to say that overall all councils could manage next year at standard spending if they were as efficient and effective as they should be. It's better to present standard spending as an ideal target which authorities must aim at but failure to reach which does not necessarily brand them as wanting.

(iv) "choice"

This was simply stated in Lord Hesketh's statement. It contrasts with the other three above in not being emotive and fitting in, as a principle, to the whole community charge policy. If we believe in it, we should therefore not denigrate it.

CONCLUSION

It seems a given that if the elements for confusion exist, then confusion will follow. And it's an area of great

sensitivity where opponents of the Government will be doing their best to score points. If the Government appears not to be speaking with one voice the embarrassment will pass quickly to the Prime Minister.

The position is intensified because of the new relief scheme which will bring the slightly metaphysical distinction between standard spending and spending above it into the forefront of debate.

Thus I feel that the presentational aspect needs to be fully thought through sooner rather than later when the initiative may be lost.

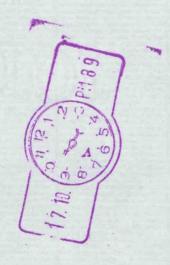
The best elements of the Government's case might be:

- acceptance that the settlement is tough, and deliberately so, but tough in relation to this year's spending <u>not</u> this year's grant. All this in the context of the continuing need to get local authority expenditure under control.
- while in a good number of specific cases expenditure above needs may be irresponsible, in many others it will simply indicate the element of local choice. That's up to individual councils, but accountability through the community charge will gradually act as a discipline. The situation where higher spending automatically led to higher grant is now ended.
- emphasis on the scope for efficiency improvement but without the implication that spending above needs necessarily implies inefficiency.
- defensive material about the position in earlier years where grant, taken alone, also implied "cuts" compared with previous year budgets.

The aim in my view ought to shift the presentational emphasis to choice, with standard spending as a target to aim at but not necessarily hit. One then gets away from emotive terms like "irresponsibility" which, if they gain currency in Government statements, will simply create bad feeling. In the past such words have mainly been used for the likes of Lambeth and we really should avoid tarring a huge range of councils with the same brush.

John Mills

LOCAR GOVT: Relations 1537



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MR. MILLS

LOCAL AUTHORITY CURRENT EXPENDITURE: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

Thank you for your note of 12 October.

I sense that what you are saying between the lines is that this year's settlement is <u>too</u> tough. But that, of course, is water under the bridge.

I see your point about not harping on too strongly about 'unnecessary' spending on local authorities. But there is a difficult balance to be struck here. And it will be important in defending the new Community Charge package for the Government to be able to say that no former ratepayer need be more than £3.00 a week worse off if local authorities behave responsibly.

I recognise that there are some bits of local authority spending to which Ministers - and the Prime Minister in particular - attach a strong importance. But this is not a new phenomenon. Can we not get through the problem by emphasising that <u>overall</u> the Government believes local authorities should be able to manage on the basis of 'standard spending' if they behave efficiently and effectively? There is a lot of ammunition to draw on from things like reports of the Audit Commission.

PAUL GRAY

13 October 1989

C:LA (slh)

PAUL GRAY

12 October 1989

LOCAL AUTHORITY CURRENT EXPENDITURE: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

Norman Fowler's letter of 10 October to Norman Lamont and E(LG) colleagues is important because it highlights just how tough this year's settlement is.

Once consultation with the local authorities takes place next month, much criticism will emerge that the Government is seeking to impose a 'cuts' package on local authorities who will then have no choice but to keep up essential services from higher community charges just to keep pace with inflation.

This has the potential to be very damaging, especially in areas like <u>food safety</u> and <u>litter</u> where enforcement is in the hands of local authorities and the Prime Minister is personally identified with policies aimed at increasing controls as well as improving services. The case for the defence will therefore need to be presented with vigour, but also with great care. It also needs thorough coordination across Whitehall, since many Departments are affected and they need to speak with one voice.

The background is in the table attached to Norman Lamont's letter of 14 September which initiated this correspondence. Comparing 1990/91 proposed standard spending with 1989/90 budgets (i e what is actually being spent this year) all service blocks face significant real cuts save the police.

The services involved are all-embracing:

- education;
- personal social services;
- the environment (eg coast protection, pollution control);
- food safety and trading standards;
- waste management and litter;
- magistrates' courts.

It will be one answer to critics that, as always, actual local authority expenditure will be considerably above "needs" and that Government grant will in fact be over 8% up on last year's. Therefore, talk of "cuts" is misleading and what the Government is aiming at is ideal levels of efficiency which all prudent councils can attain, though perhaps not straightaway.

But this argument needs deploying with care. The more the Government is seen to argue that all expenditure above the 3.8% increase allowed in the July settlement is "unnecessary", "not sensible" or due only to socialist profligacy, the harder it will be to escape the 'cuts' label as the actual position in all authorities, including the prudent ones, emerges at 7% plus. Wandsworth's current projected increase, for example, is 12%, notwithstanding the best will in the world to get it lower.

This is why I was worried about the just-issued DOE circular on the community charge relief scheme which indeed labels any expenditure above 3.8% as "unnecessary".

A particular difficulty is that, as Norman Fowler surmises, more than the whole cash increase for 'other services', (such as those in the list above) will probably be needed for community charge administration. Norman Fowler highlights the sensitivity of this and it makes it all the more crucial to choose words carefully to describe the nature of spending above the standard level.

Another particularly tricky area is <u>food safety</u>. The Food Bill to be introduced in the next Session involves new checks and controls designed to enhance food safety. These were heralded in the Food Safety White Paper which sought to reassure people that the Government had a credible strategy for minimising health risks from food. Many of the new controls will have to be carried out by local authorities.

Carolyn Sinclair advises that we have in Whitehall only a dim notion as to whether there are enough Environmental Health and Trading Standards Officers to do all this, and whether they are efficient. (The Audit Commission is looking at it but there will be no report until next year).

There is bound to be difficulty in rebutting charges that the whole policy on food safety is nugatory if there are insufficient resources at the local level to enforce controls. We shall have to argue that there are, provided they are deployed efficiently, but a starting-point which can easily be interpreted as a zero cash increase - ie a real cut in "needs" - will not make this easy.

NORMAN FOWLER'S PROBLEM: SHELTERED EMPLOYMENT FOR THE DISABLED

The short answer is that <u>actual</u> spending above the standard level should provide the necessary resources, paid for from

the community charge. The Treasury will also argue that particular impacts such as this are hidden because it does not intend publicly to break down the £6 billion "other services" block into its component parts. But all local authorities will know broadly how it is split up and opponents could easily argue that the Government must know in order to establish standard spending levels in the first place.

CONCLUSION

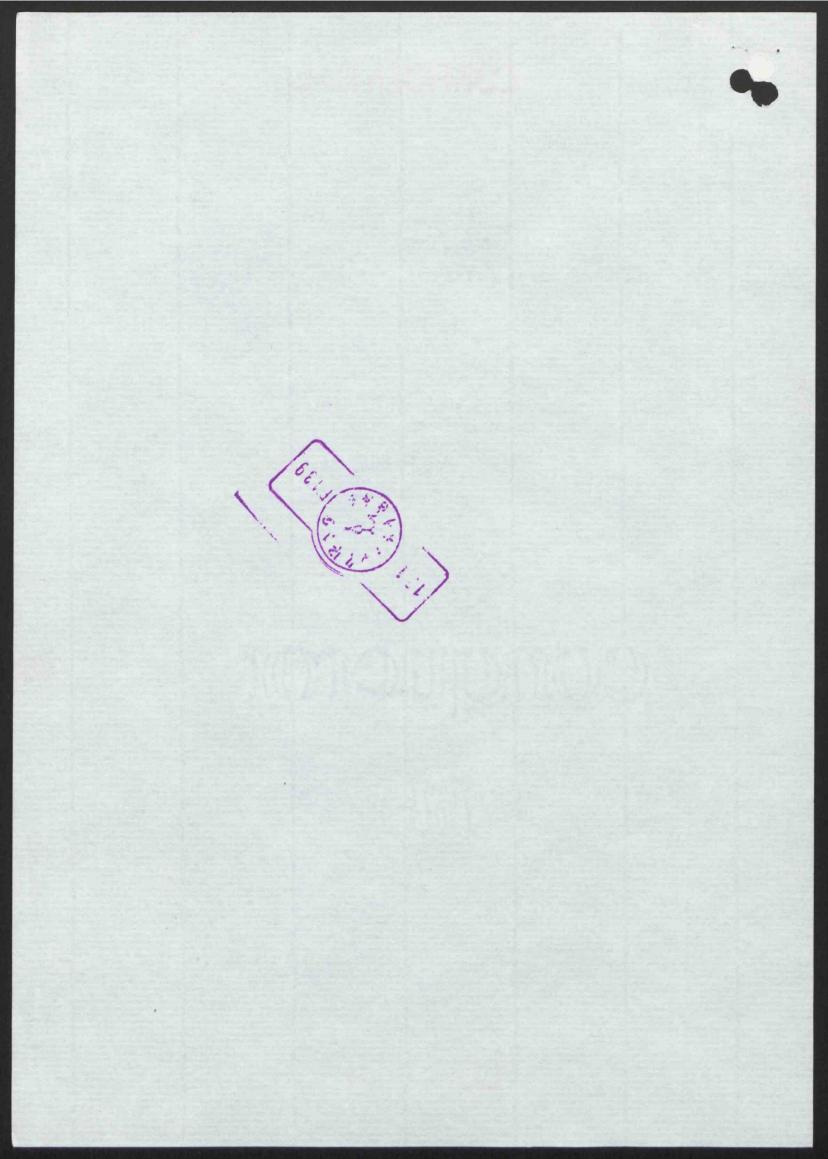
The settlement is deliberately tough, and the only way forward is to defend it on its merits and argue strongly the need to continue to get local authority spending down. But this must be accompanied by well-rehearsed arguments prepared by DOE and Treasury for all Ministers, so that no Department is, even unwittingly, out of line. In particular, consistency is essential on:

- the rationale behind the <u>concept of standard</u>
 <u>spending:</u>this is particularly crucial given thatthe
 new relief scheme is based on it and does <u>not</u> protect
 any community charge arising from all the spending
 above it;
- the fact that compared with last year's exchequer grant, this year's is very reasonable (8.5% up);
- the line taken about spending <u>above</u> the standard level. It will have to be said that, in accordance with local decisions, authorities may well choose to spend more than standard spending and that this need not be 'unnecessary' spending.

It seems essential to ensure that an agreed line to take on all this is in place, before the debate intensifies in public and in Parliament next month. This is especially important because the issues touch so many departments consequently giving much scope for ill-coordinated presentation of the Government's position. (We have already had enough difficulty on this front already regarding food safety). DOE need to take the lead, in consultation with the Treasury but also all other Departments (eg MAFF and Health on food safety) with an interest.

John MILLS

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CONFIDENTIAL



Department of Employment Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . 5803 . Telex 915564 Fax 01-273 5821

Secretary of State

ARU 10/10

The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street LONDON SW1P 3AG

10 October 1989

Dear Chief Societary

LOCAL AUTHORITY CURRENT EXPENDITURE DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

Thank you for sending me a copy of your letter of 14 September.

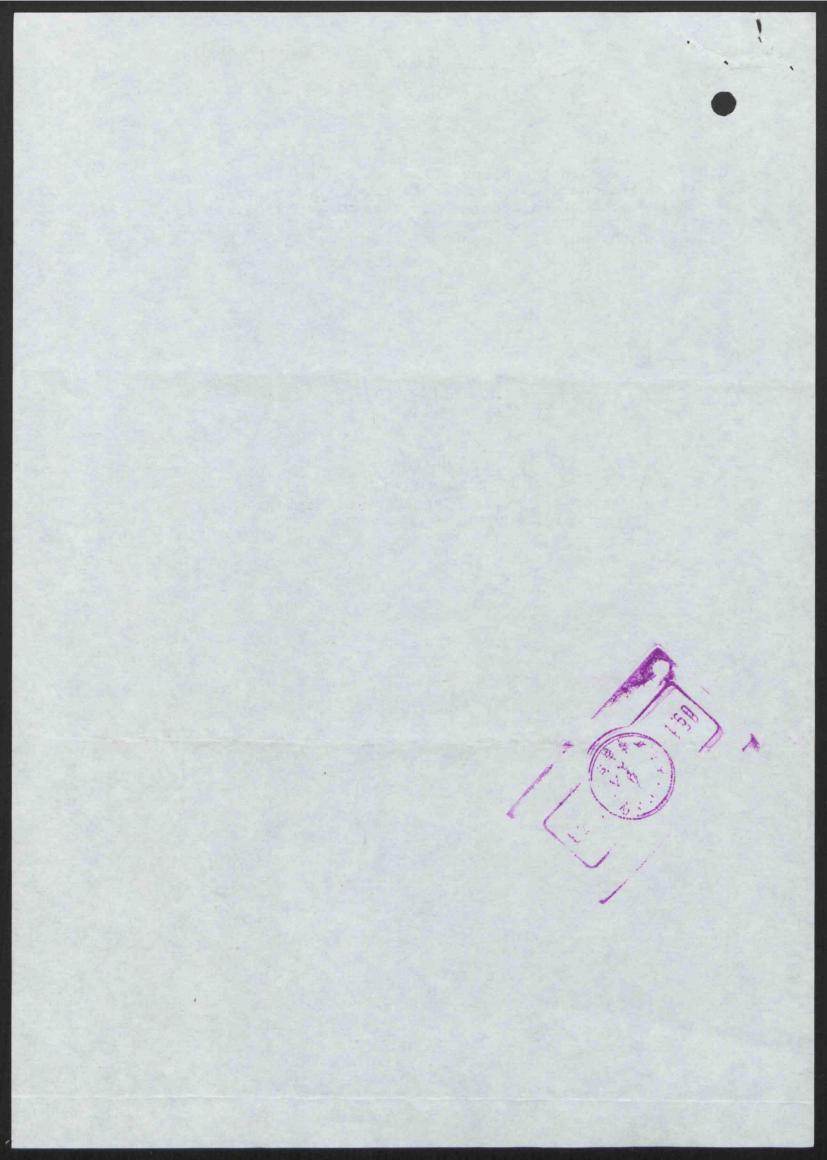
It is relatively rare for this Department's ministers to comment on distribution issues, and I should not have done so on this occasion had not Chris Patten's reply of 22 September alerted me to a potential problem. If community charge collection is given first claim on resources within the Other Service Block (OSB), and the corresponding reductions in expenditure were to be spread evenly across the remaining services in the block, we would have to defend an absolute cut in funding of sheltered employment provided by local authorities for the disabled.

Although sheltered employment does not account for a large proportion of OSB expenditure (just over half of one per cent), a cut of this order could result in the loss of up to around 400 sheltered places, causing some severely disabled people to lose their jobs, with all the adverse public and political reaction that this would entail.



Employment Department · Training Agency
Health and Safety Executive · ACAS
CONFIDENTIAL

Secretary of State for Employment Other services in the block will no doubt be affected in similar ways once the decision is taken to fund from this block the cost of collecting the community charge. I am copying this letter to other members of E(LG), John Gummer, Richard Luce, and Sir Robin Butler. Jours succesely Approved by the Secretary of State and Signed in his absence - 2 -CONFIDENTIAL



Selo





DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SWIA 2NS Telephone 01-210 3000

From the Secretary of State for MANNA Health

The Rt Hon Norman Lamont MP Chief Secretary to the Treasury Treasury Chambers Parliament Street LONDON SWIP 3AG

NBAM BLC6 4/10

04 OCT 1989

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LOCAL AUTHORITY CURRENT EXPENDITURE: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONGST SERVICES

Thank you for copying to me your letter of 14 September to John MacGregor in which you set out your proposals for the distribution of Total Standard Spending for 1990/91 by service.

We must avoid the danger of your proposals being interpreted as indicating very different Government signals by service on how local authorities should allocate their priorities next year. Our earlier decision on TSS was at the time inevitably not fully informed by the later pay settlements for police and teachers. This confirms my view that it would be better to settle the aggregate for local authority expenditure at the same time as decisions on the police specific grant and after the major pay awards are known. This would allow for a more sensible split by service and give a more balanced Government signal to the authorities. After fully top-slicing the small cash increment over current budgets within TSS for police and teachers' pay, the remaining sum is very difficult to allocate between the other services. You will know that PSS has a case for special consideration because of demographic and similar pressures mainly stemming from the rapidly increasing population aged 85 and over, child abuse and AIDS, plus new burdens resulting from Government legislation particularly the Children Bill. My earlier bid took a tough view of these pressures, anticipated considerable efficiency savings and was much lower than that put to CCLGF for PSS by the Local Authority Associations.

Your proposals could be difficult to explain. Clearly in this first year of New Planning Totals we do not wish to give the impression that they represent Government signals for each service at all. trust that colleagues will ensure that we all emphasise Total Standard Spending and Aggregate External Finance, rather than the split by service which is necessary for distributing grant to authorities. In reality, local authorities will determine their own priorities and the service splits that the Government makes are of technical importance only.

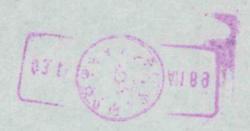
E.R.

long as colleagues agree with this common understanding and to a consideration next year of moving the settlement date for TSS and AEG to the Autumn, I agree with you that there is little room to manoeuvre this year and that a battle over a relatively small sum would be counter-productive.

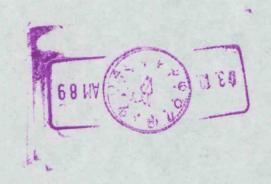
I am copying this letter to the other members of E(LG), John Gummer, Richard Luce and to Sir Robin Butler.

J ~ 1.

KENNETH CLARKE



LOCAL AUTHY: Relations





FROM THE SECRETARY OF STATE

NBAN RRUS 28/9

2 MARSHAM STREET LONDON SWIP 3EB

TELEPHONE 01-276 3000

My Ref:

Your Ref:

The Rt Hon Norman Lamont MP Chief Secretary to the Treasury HM Treasury Treasury Chambers Parliament Street LONDON SW1P 3AG

26 SE, 1989

DISTRIBUTION OF TOTAL STANDARD SPENDING LOCAL AUTHORITY CURRENT: AMONGST SERVICES

Thank you for sending me a copy of your letter of 14 September to John MacGregor.

I have considered the proposals in your letter, and can see no alternative way of allocating the total which would on balance be more defensible than what you propose.

I must nevertheless put on record the extreme difficulty that only £35m extra for road maintenance is going to cause me. Well over £200m is needed to deal with various extra costs - of turning round the condition to which local roads have deteriorated; of meeting the EEC bridge requirements; of the increase in tender prices outside local authority control; and of coping with the increasing size and use of the local road network. The figures in E(LF)89/2 allowed for some £40m (3%) efficiency savings - a higher percentage than for any other service. I think there is potential for more; but to suggest that even half the gap can be closed is totally unrealistic. In defending the allocation I shall not be helped by the fact that the Audit Commission recommended that such savings should all be ploughed back into additional structural maintenance.

The need to improve the condition of local roads will not go away. By making totally inadequate provision we are not avoiding expenditure, but deferring it. The result of such a policy, as we know only too well, is further deterioration and greater expenditure requirements in the long run. The criticism we are already receiving from the Transport Select Committee, local authorities, the business sector, and road users generally will intensify and become impossible to counter convincingly.



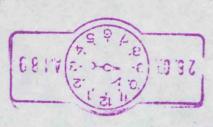
I feel I have no choice but to accept your proposals for 1990/91, but I believe that next year we shall need to look again at the way we take these decisions, in the light of our experience of how prominent these figures prove to be in the reception of the new system and the political response to it.

I am sending copies of this letter to colleagues on E(LG), to John Gummer, Richard Luce and Sir Robin Butler.

len

CECIL PARKINSON

LOCALGOVT: Kelahan pr 37





The Rt Hon Norman Lamont MP Chief Secretary HM Treasury Parliament Street LONDON SW1P 3AG

2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref

Ale 22 September 1989

Jean Chief Secretary

LOCAL AUTHORITY CURRENT EXPENDITURE DISTRIBUTION OF TOTAL STANDARD SPENDING AMONG SERVICES

Thank you for sending me a copy of your letter of 14 September.

The proposals you set out imply an increase of 2.3% or £128 million for spending on the Other Services Block. This Block includes the cost of collecting the community charge, which will be more than the cost of rate collection now. On the basis of the Price Waterhouse report, we have estimated that the new burden will be £200 million, and we are committed to ensuring that this need will be met. It will therefore have to be a first claim on resources within this Block. Your proposals therefore imply that all other services in the Block (listed in the annex) can be provided next year for £72 million less in cash terms than this year.

This is bound to be seen as a weakening of our commitment to environmental issues, pressures for high standards on waste disposal, environmental protection (including food hygiene) and the increased volume of planning application and appeals. Moreover, it would be argued by our opponents that it is our policy that the community charge should be paid for by cuts in these areas.

Nevertheless, I reluctantly accept that within the total available it will not be possible to achieve any better distribution of services. If we do agree to the figures you suggest, this would however imply that colleagues responsible for particular components within the other services Block should adopt an approach towards their service which makes it clear that the Government believe there is scope for substantial real cuts.

I am sending copies of this to the other members of E(LG), John Gummer, Richard Luce and to Sir Robin Butler.

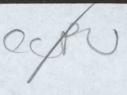
CHRIS PATTEN

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(apprive) by the southy of Stell and signed in his absence).

Local Gout pt 37 Relations.

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QUEEN ANNE'S GATE LONDON SWIH 9AT

RREG

22 September 1989

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Hear Nomen,

LOCAL AUTHORITY CURRENT: DISTRIBUTION OF TOTAL SPENDING AMONGST THE SERVICES

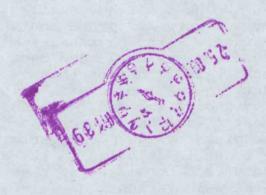
Thank you for copying to me your letter of 14 September to John MacGregor.

I am grateful for the recognition that standard spending for the police service should reflect the level of specific grant agreed in PES. The same issue does, of course, arise for my other grant services. We have already settled the grant figures for magistrates' courts and probation which imply standard spending of £455m. Although these two services (along with the minor Home Office services) have been subsumed in the 'other services' block it is important that we should be able to say that the grant figures, which will be published, represent 80% of standard spending. Although I understand that the Department of the Environment do not wish to disaggregate standard spending for the 'other services' block, we shall not be able to avoid doing so in the case of probation and magistrates' courts. Local authorities will, after all, be able to make the calculations themselves.

I am concerned that it is not possible to provide a standard spending assessment for fire and civil defence which does more to reflect the authorities' likely level of necessary spending. The problem is particularly acute for the Fire and Civil Defence Authorities which, unlike multi purpose authorities, have little room for manoeuvre if (as may well be the case) their assessment understates their spending needs. However, I accept that without an increase in total standard spending there is simply no more cake left to distribute.

I am copying this to the recipients of your letter.

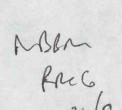
The Rt Hon Norman Lamont, MP Chief Secretary Treasury Youny Doyla.



cst.ps/8nl20.9/drft

CONFIDENTIAL





Treasury Chambers, Parliament Street SW1P 3AG

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

20 September 1989

Dear Secretary of State

LOCAL AUTHORITY CAPITAL: LOCAL COUNCILS WITH NO OUTSTANDING DEBT

Nick Ridley wrote to John Major on 12 July, setting out proposals for the treatment of local authority capital receipts under the new capital finance regime, for local authorities which have paid off all their debt. Since then, our officials have discussed how legislation could be drafted to achieve the objectives set out in Nick's letter.

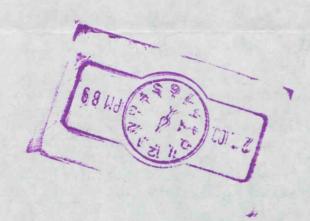
I accept that once an authority has eliminated all its outstanding debt there is no realistic alternative but to allow the council to use certain amounts of the receipts set aside for debt redemption for other specified purposes. Our officials have agreed that this power will have to enable purposes, amount and period of use to be specified by you as Secretary of State. There will need to be further discussion between our Departments about how these controls will be applied. But I am content that you should take a power on that basis.

I understand that you are considering taking a regulation-making power rather than a direction-making power. I wonder whether you might consider the advantages of taking a direction-making power as well. If you take only a regulation-making power, then the rules will have to apply to the whole class of authority. With a direction-making power the rates and purpose of spending could be set to reflect the individual authority's circumstances.

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

Your rincerely Cary Evan

NORMAN LAMONT
(Approved by the Chief Secretary and signed in his absence)



SUSTECT CE MASTER.



COPY NO 9 OF 10 COPIES + ONE for Steve cathing LSC.

10 DOWNING STREET

LONDON SW1A 2AA

14 September 1989

From the Private Secretary

Dear Roge,

LOCAL AUTHORITY GRANT SETTLEMENT

The Prime Minister held a meeting this afternoon to consider the local authority grant settlement. Those present were the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, your Secretary of State, the Chief Secretary, the Minister for Local Government, Department of the Environment (Mr. Hunt), Professor Brian Griffiths and Mr. Richard Wilson (Cabinet Office). The meeting had before it your Secretary of State's minute of 6 September, and the Chancellor of the Exchequer's minute of 8 September.

I should be grateful if you and copy recipients would ensure that no further copies of this minute are taken and that it is seen only by named individuals.

Your Secretary of State said that there was no doubt that the Community Charge would be a better system than rates. But the transitional problems would be very great. The two issues were how to fund the area safety net and the pattern of individual gainers and losers. Attention thus far had been focussed on the first aspect, but this may have been a surrogate for the second which would come increasingly to the fore. He had carefully considered the revised package announced by his predecessor in July, and was firmly of the view that the difficulties with it could not be overcome by zero-sum solutions. The proposals the Chancellor of the Exchequer had put forward for minor adjustments to that package would involve, for example, taking away from some authorities in London money they were now expecting to receive, and this would be bitterly resented. This game would not be worth a candle just to finance an increase in the proportion of gains coming through in the first year from 47 per cent to 50 per cent. He had also concluded that there was no sense in making any move to transfer only part of the cost of the area safety net to the Exchequer: it was a question of all or nothing.

Against that background he had reluctantly come to the conclusion that it was essential for the Exchequer fully to fund the area safety net. This would bring a number of major advantages. Accountability would be greatly improved, benefits would accrue to 210 constituencies in all, and some 21 million people would pay lower community charges, including

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many losers in gaining authorities. The adverse effect of the introduction of the community charge on the RPI would also be eased.

Continuing, your Secretary of State said he felt it was also for consideration whether some further action was needed to deal with the problem of individual losers. But he felt that extensions to the community charge rebate scheme would not be appropriate. This would serve to increase costs and benefit dependency indefinitely, and would not in any event address the problem of people who were just above rebate levels. If colleagues were minded to take further action to ease the problem of individual losers, the better route would be to provide for interim targeted household relief over a 3-4 year period. The cost would however be high: preliminary figures suggested some £300 million in the first year if maximum losses for those households who had previously paid rates were to be limited to £2.50 a week.

The Chancellor of the Exchequer said that an area safety net had always been an element of the community charge proposals going back to the 1985 Green Paper. This eased the introduction of the community charge in a broadly satisfactory, if rough and ready, way. He agreed that there was no satisfactory half-way house between the July package announced by the former Secretary of State and full Exchequer financing of the area safety net. But he considered that the extent of pressure from Government supporters for Exchequer financing of the safety net was now on the wane. And he did not believe that, against the general public expenditure background, there could be any question of finding an additional £650 million. This would involve extremely indiscriminate assistance, extending to many individual gainers without any assurance that the money would be used to reduce the community charge. Such a step would not bring political advantage.

Continuing the Chancellor of the Exchequer said he had put forward the alternative proposals in his minute in an attempt to meet the problems identified by the Secretary of State. But he recognised the difficulty in the proposal to raise the proportion of gains coming through from 47 per cent to 50 per cent, and if the Secretary of State was not attracted to this, he would not press the idea. He attached much greater importance to the proposal to allow all gains to come through in the second year of the community charge, with specific grant to losing areas continuing and being financed from within the overall total of Exchequer grant. There would be considerable attraction in making this major step in Spring 1991.

In discussion the following main points were raised:

(i) It was not sufficient to contemplate a supplement to the July package simply in relation to 1991-92, with no action in 1990-91. The introduction of the community charge next April was dependent on approval of the Parliamentary Order covering the grant

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settlement in January 1990. As the safety net proposals for 1990-91 currently stood, they were unlikely to get through the House.

- It was essential to identify the key problem, and to ensure that any additional assistance was clearly directed to it. Although Parliamentary pressure thus far had focussed on the area safety net, it was increasingly clear that the real problem was that of individual losers, particularly in authorities who were contributors to the area safety net. The position of people who were overall gainers as compared with rates, even though they might be in authorities contributing to the area safety net, did not cause significant difficulty. On this view the crucial comparison was between, on the one hand, the cost that 2-adult households would face under rates after allowing for an RPI uplift and, on the other hand, the community charge for two adults. It was this type of comparison that, when the community charge system was being designed, had led to consideration of transitional arrangements involving dual running of both rates and the community charge; but that approach had been rejected because of worries that the community charge would then be viewed as an additional tax.
- (iii) If individual losers were the key problem, the need now was to consider whether any alternative transitional scheme to dual running could be designed that would limit individual household losses. But there were major difficulties with this. It was hard to see how to graft on a scheme for a transition from a property-based to an individual-based system. Little or no information was currently available about the likely extent of individual losses. And if some maximum was imposed on the extent of individual losses under the community charge, that might encourage local authorities to push up their spending in the knowledge that vulnerable households would be protected by the Exchequer from higher community charges.
 - (iv) The Chancellor of the Exchequer's proposal for allowing all gains to come through in the second year would not be perceived as being financed by the Exchequer since the cost would come out of the predetermined envelope for local authority grant. The additional cost would therefore fall on the generality of community charge payers. This would be evident to those who studied the figures for 1991-92 in the forthcoming Autumn Statement. On the other hand, it was argued that it was not possible for commentators to interpret the Autumn Statement figures to that degree of accuracy.
 - (v) The estimates of the likely impact on the RPI of the introduction of the community charge next April were a major cause for concern. On the basis of the present

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safety net, if local authority spending proved to be 11 per cent higher than in 1989-90, this could add 1.1 per cent to the April RPI, compared with the impact from rates of 0.4 per cent in April 1989. This would therefore add 0.7 per cent to the year on year change in the RPI. This effect would come at a critical time and would also add, directly or indirectly, to upward pressures on public expenditure. But if the Exchequer was fully to fund the area safety net the direct RPI impact from the introduction of the community charge could be reduced by 0.4 per cent. That could prove very important in the counter-inflation fight. On the other hand, it was argued that it would be a mistake to attempt to fine tune the RPI in this way; the key to bringing down inflation was to have in place an appropriate fiscal and monetary policy, which would be undermined if public expenditure was allowed to get out of control. It was also argued that the suggested 1.1 per cent impact on the RPI was exaggerated since local authority spending was unlikely to rise by as much as 11 per cent. Moreover, extra Exchequer grant could certainly not be guaranteed to reduce community charges; many authorities would simply spend the extra grant. In considering possible options an important point to be investigated was whether community charge rebates or any scheme for interim household relief would score as an offset to the RPI.

- (vi) Consideration had to be given to means to prevent any extra Exchequer grant feeding through to additional local authority spending. Community charge capping was one approach. Another would be to specify that extra grant would only be given to individual local authorities if they did not exceed the community charge for standard spending, or that grant would be progressively reduced to the extent that it was exceeded. Alternatively, additional grant might only be allocated at a late stage, after local authorities had drawn up their plans; but this would be difficult given that the Grant Order had to go through the House in January.
- (vii) The political problems arising from the number of individual losers relative to gainers were exacerbated because the proportion of local authority spending financed from rates/community charge was rising as a result of the cumulative effect of squeezes on Exchequer grant. It was suggested that the proportion of local spending that would be financed in England next year from the community charge would rise to some 30 per cent, but this figure needed to be checked. The relative proportion of individual gainers and losers would also be affected by the actual level at which local authorities pitched their spending; the higher this was the bigger the proportion of losers. On the other hand, it was argued that this sensitivity was relatively low; it would not make much difference to the proportion of losers relative to gainers as

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between, say, 7 per cent and 11 per cent over-all increases in local authority spending.

- (viii) One possible measure that had been suggested earlier was to raise the capital cut-off for pensioner couples from £8,000 to, say, £16,000 or £20,000. But this would cost some £80 million, which seemed too high a figure for the benefits such a change would provide. It should also be borne in mind that many pensioner couples would gain from next April with the introduction of independent taxation for married women.
 - (ix) If it was decided to bring forward additional Exchequer funding, careful consideration would need to be given to the timing of any announcement. On the one hand there would be great pressure for, and possibly advantage from, an announcement at the time of the Party Conference. On the other hand, it was argued this would be a tactical mistake, and that it would be much better to defer any announcement until, say, the Grant Order was going through the House in January.

Summing up the discussion the Prime Minister said that the Group had reached no conclusions for or against any of the possible options for additional Exchequer grant to ease the introduction of the community charge. They had noted the implications of Exchequer financing of the area safety net as proposed by your Secretary of State, but further work was needed on other possible options. The Cabinet Office would chair a group of officials from the relevant departments for this purpose; only a strictly limited number of named officials should have access to the papers. The further work should start by considering the extent of possible individual losers and gainers, and then analyse schemes for limiting losses at the household level, either throughout England or just in the losing areas. In assessing individual losses one key comparison was between the position 2-adult households would face under rates (allowing for an inflation uplift) and the community charge. It was also desirable that schemes for limiting individual losses should meet two other criteria; first they should be transitional, and second they should offset the RPI effect of the community charge. The further work should also investigate the suggestion that the share of local authority spending to be financed from the community charge might rise to some 30 per cent. The further work should be carried out as soon as possible, with a view to another Ministerial meeting in a fortnight's time.

I am copying this letter to the Private Secretaries to Ministers attending, to the others present at the meeting, and to Trevor Woolley (Cabinet Office).

(PAUL GRAY)

Roger Bright, Esq., Department of the Environment. cst.ps/2nl14.9/lets

CONFIDENTIAL





Treasury Chambers, Parliament Street SWIP 3AG

Mohn I him skepe. Alege. 14 (9)

The Rt Hon John MacGregor MP Secretary of State for Education and Science Department of Education and Science Elizabeth House York Road London SE1 7PH 4 September 1989

Dear Servetan of State,

LOCAL AUTHORITY CURRENT: DISTRIBUTION OF TOTAL STANDARD SPENDING AMONGST SERVICES

In consultation with officials from all the main departments concerned, my officials have been considering how the announced Total Standard Spending (TSS) of £32.8 billion for England in 1990-91 can best be distributed amongst the main services provided by local authorities.

It is clearly not possible to identify a distribution that will meet all departments' aspirations in full. Although the TSS represents a 10½ per cent increase on this year's GREs, it amounts to only a 3.8 per cent addition to 1989-90 local authority budgets (to which the TSS will inevitably but erroneously be compared). It must also be accepted that, within the fixed announced total of standard spending, more for one department can only be secured at the cost of less for others.

Against that background, officials have attempted to draw up an appropriate distribution. My officials have had to take a tough line on the various bids for top-slicing within the total margin between 1989-90 budgets and 1990-91 TSB of £1,255 million. They have confined such top-slicing treatment to the police (where the total standard spending for that service must be consistent with police specific grant to be published in the Autumn Statement) and to teachers pay (where the figures must be consistent with the remit for the Interim Advisory Committee). I do not think that we should accept other top-slicing bids this year in view of the small margin available between 1989-90 budgets and 1990-91 TSS.

The remainder has broadly been divided pro rata to existing budgets for each of the other main services, although transport, health, fire and other environmental services have each been given a slightly larger share of the residual available. The overall outcome is set out in the attached table: for all services but the police, it implies a real cut on local authorities existing budgets. But, with the exception of the unavoidably more favourable treatment for the police and education, all departments are being asked to share the available amount broadly equally.

Clearly there is scope for difference in views and we could no doubt argue about marginal changes to the distribution. But as it stands it gives a presentable case, implying the need for efficiency savings across all local authority services. I doubt whether further deliberation could improve upon the distribution from the point of view of presentation; and it would only have a barely discernible impact on grant distribution. On that basis, I recommend the attached service distribution of total service spending to colleagues. (I should point out that the numbers may be subject to further minor changes to reflect final decisions on specific grant for the police and estimating changes on financing charges.)

I am copying this letter to the other members of E(LG), John Gummer, Richard Luce and to Sir Robin Butler.

Your senerely.

PP NORMAN LAMONT

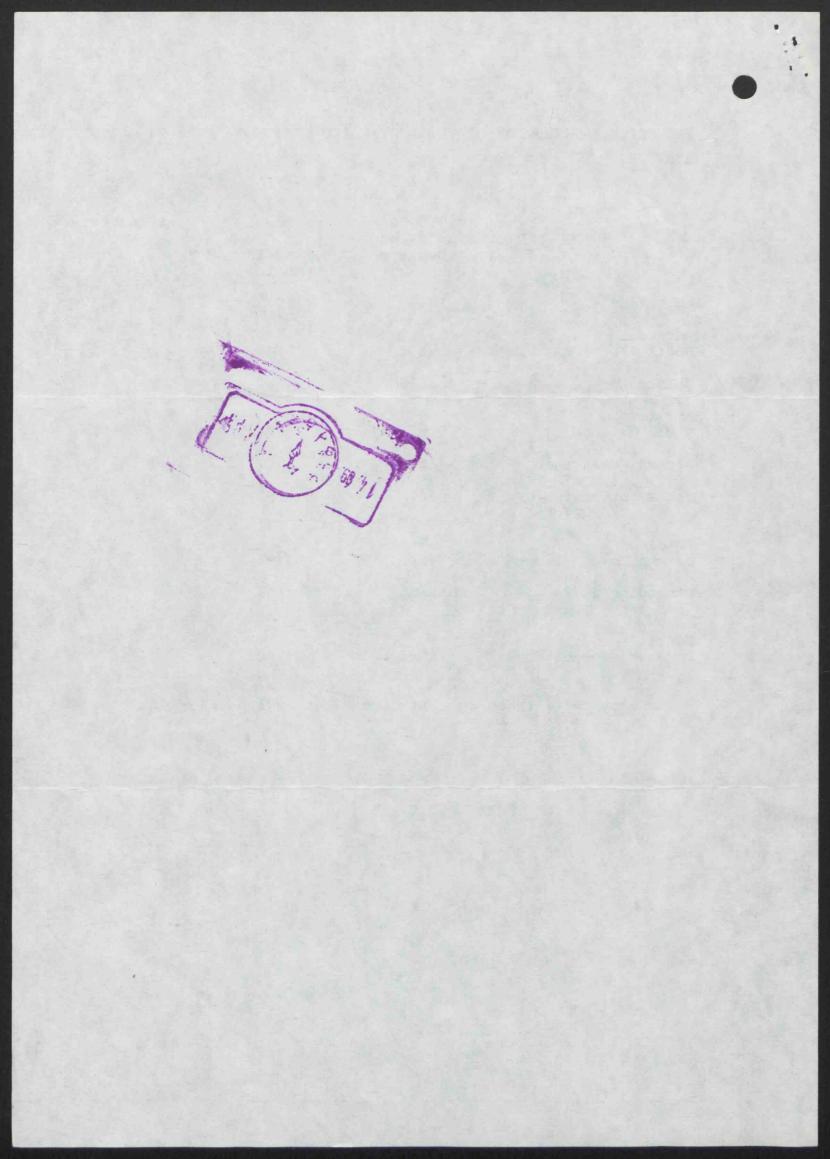
P. Warless

[Approved by the Chief Secretary and signed in his absence.]

PROPOSED DISTRIBUTION OF TOTAL STANDARD SPENDING 1990-91 BETWEEN SERVICES

1989-90 adjusted budgets	1990-91 proposed standard spending	% Increase
14448	15079	4.4
3563	3643	2.2
3828	4190	9.5
881	900	2.2
1542	1577	2.3
5671	5799	2.3
29933	31188	
1650	1612	
31583	32800	
	adjusted budgets 14448 3563 3828 881 1542 5671 29933 1650	adjusted budgets standard spending 14448 15079 3563 3643 3828 4190 881 900 1542 1577 5671 5799 29933 31188 1650 1612

^{*} includes certain non-current items, not included in financing items.



CONFIDENTIAL

PRIME MINISTER

Nosh-

8 September 1989

LOCAL AUTHORITY GRANT SETTLEMENT

Nigel Lawson makes a very good point at the foot of page 1 of his paper. I believe that the discussion on 14 September would be much improved if the DOE could provide explicit figures showing that those authorities who stand to gain most from the introduction of the community charge are the ones campaigning for further Exchequer support.

Blo

BRIAN GRIFFITHS



SCOTTISH OFFICE
NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Norman Lamont MP Chief Secretary to the Treasury HM Treasury Treasury Chambers Parliament Street LONDON SW1P 3AG Ruch
Ruch
899
7 September 1989

Dia Noma

NEW FINANCIAL REGIME FOR LOCAL AUTHORITIES: RENT REBATE SUBSIDY

In your letter of 21 August to Nicholas Scott, in which you have agreed to a 100% subsidy for rent rebates in England and Wales, I note that you wish to look again in this year's survey at a general reduction in subsidy in respect of rent rebates in Scotland, rent allowances and community charge rebates with effect from April 1991.

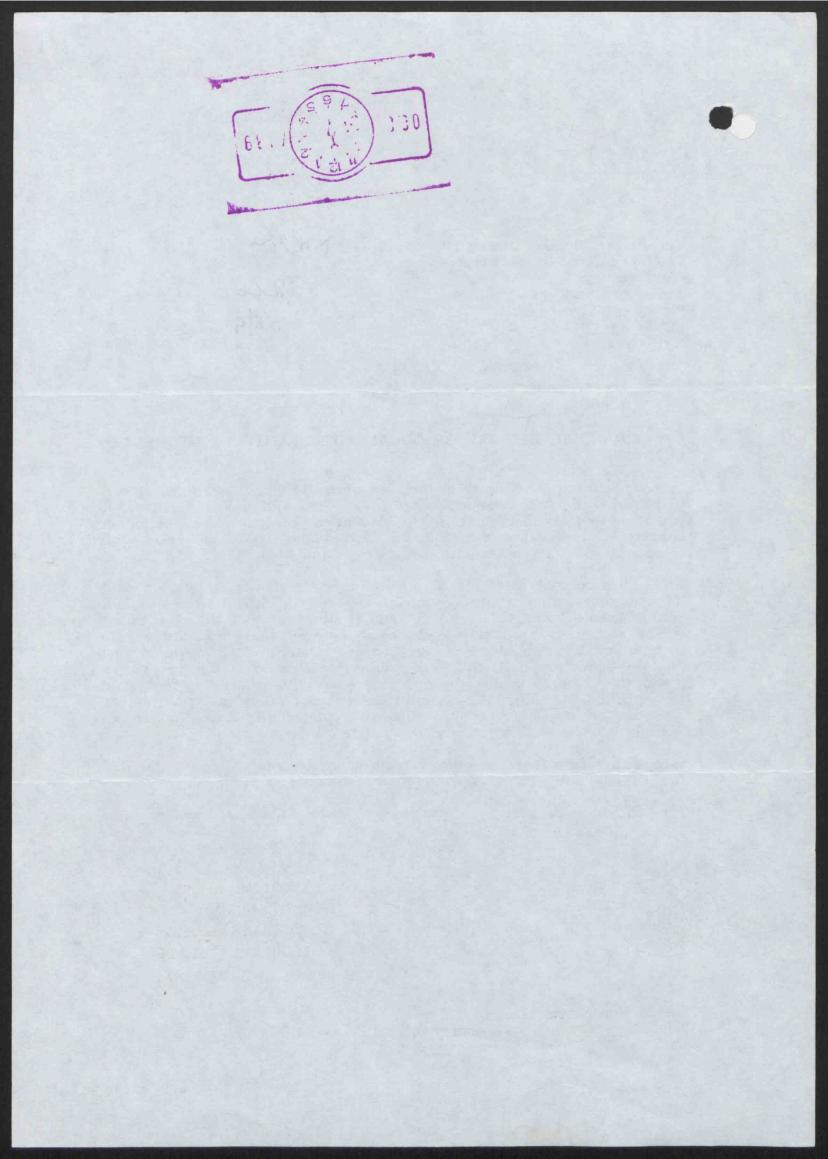
While I am content that this matter should be reviewed, I felt I should let you know of my misgivings about this. When the matter was last raised Malcolm wrote to John Major and pointed out that the main effect of any reduction in subsidy would be to increase the community charge in Scotland by around £3-£4 per charge payer. That remains true now. Your proposal therefore seems somewhat counter-productive given the general desire to give the community charge a fair wind throughout GB. Higher community charges do, of course, put further pressure on community charge rebates so detracting from the overall savings you are seeking in the DSS budget.

I hope therefore that the wider effects of any moves to reduce the DSS benefits subsidy will be taken fully into account.

I am copying this letter to Chris Patten, Peter Walker, and to No. 10.

James

JAMES DOUGLAS-HAMILTON



memaka



10 DOWNING STREET

LONDON SW1A 2AA

9 August 1989

From the Private Secretary

Dear Kale,

CIRCULARS TO LOCAL AUTHORITIES

This is to confirm my telephone call earlier this week about your letter to me of 3 August.

The Prime Minister agrees that there is no need for her to receive annual progress reports in future. However, she is concerned that this should not be seen as a signal for increasing the number of circulars.

Tavo,

CAROLINE SLOCOCK

Miss Kate Bush, Department of the Environment

Prie die ster 1 Content for DOE to discolutione Mer annual reports Ms Caroline Slocock PS/Prime Minister d circulars to 10 Downing Street ocal authorities? LONDON SWIA 2AA 10-80 4/8 ml - signed the local whole the local winders in the local win Dear Caroline

2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

Your ref:

Ches 3 August 1989

CIRCULARS TO LOCAL AUTHORITIES

This Department is responsible for the exercise, introduced in 1979, to reduce the number of circulars issued by Government Departments to local authorities. Each year, since 1981, my Secretary of State has made an annual progress report to the Prime Minister.

The original purpose of the exercise was a reduction to one-third of the number of circulars issued in the final 12 months of the last Labour administration (1,873 in the year ended April 1979). That objective has been more than fully achieved; despite a small increase this year - perhaps not surprising in view of the heavy legislative progress since the last election - the reduction since 1979 is 70% overall.

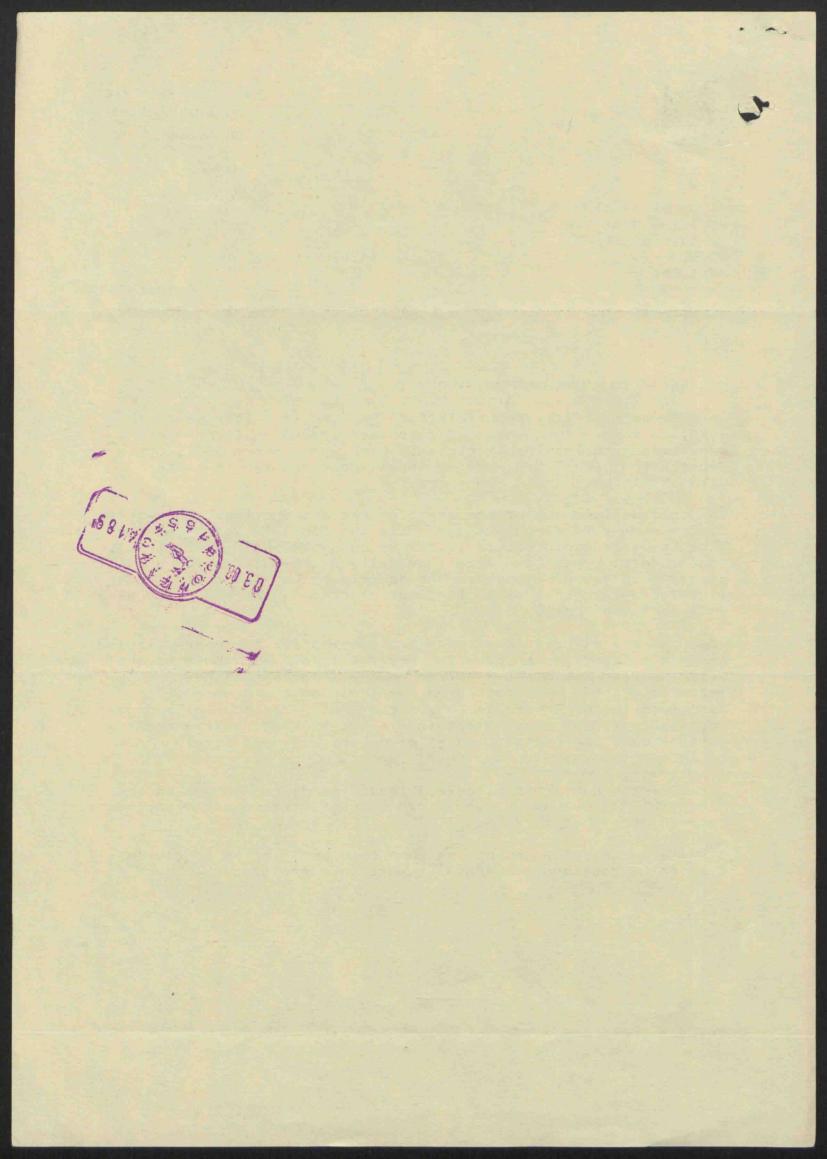
Now that the exercise has been in operation for ten years, it is perhaps appropriate to question whether an annual report to the Prime Minister is still required. Many Departments have introduced their own procedures for limiting the number of circulars issued - here in DOE, for example, Ministerial approval for each circular must be obtained - but we have never exercised control over other Departments' circulars and have merely collected returns for the annual report.

Clearly, the number of circulars issued needs to be kept to the essential minimum and we would propose to write to all Departments to reinforce that message.

I would be grateful to know whether this would be an appropriate time to discontinue the annual report on circulars.

EJBush

KATE BUSH Private Secretary



ocal Government Finance (Scotland)

3.30 pm

The Secretary of State for Scotland (Mr. Malcolm Rifkind): With permission, Mr. Speaker, I wish to make a statement about local government finance in Scotland.

First, I wish to announce my decision on grant for Scottish local authorities in respect of 1990-91. In reaching that decision, I have had in mind the views expressed to me by the Convention of Scottish Local Authorities on its estimates of what it regards as required spending levels next year. I have also had in mind the substantial increase in the planned volume of spending by Scottish authorities this year, and the scope that undoubtedly exists for economies and efficiency improvements. A further factor is my undertaking given some time ago that—subject to parliamentary approval of the necessary legislative changes—I would make substantial initial progress next year in reducing the rate burden on Scottish businesses.

What I am announcing today is the total of aggregate Exchequer grant—that is, the total of specific grants and revenue support grant—that will be paid to Scottish local authorities for 1990-91.

I propose that aggregate Exchequer grant for 1990-91 should be set at £2,739 million. This is £242 million or 9·7 per cent. higher than the corresponding figure for this year. This figure, however, includes extra grant to allow business rates to be substantially reduced in line with the Government's stated objective of eliminating the difference in non-domestic rates between Scotland and England.

My new proposals on business rates, which I announced on 8 May, have been widely welcomed in Scotland, and we lost no time in presenting legislative proposals to the House on 14 June. I am happy to announce today that I propose that the rate Bill for Scottish business next year should be reduced below what it would otherwise be by the sum of £80 million. The Confederation of British Industry has estimated the excess rate burden on Scottish business to be around £250 million, and we will therefore be closing that gap by almost a third in a single year. This represents very substantial progress. I know that this, together with the other steps that are being taken on harmonisation of valuation procedures north and south of the border, will be warmly welcomed by Scottish business and industry and by all those for whom the private sector in Scotland provides employment. Local authorities will be compensated by increased grant of £67 million, which is included in the total figure of aggregate Exchequer grant which I have already given. As their contribution to this reduction in business rates, and in recognition of their welcome support for this policy, I am asking local authorities to recover the balance of £13 million by efficiency savings. This compares with total current expenditure for next year estimated by COSLA to be over £5,000 million. I am confident that it should be well within their capability to achieve these modest savings without threat to standards of service. My Department has already had useful discussions with COSLA on implementation of the new policy, details of which will be announced in the autumn.

The remainder of the total of aggregate Exchequer grant represents an increase of 7 per cent. on this year's figure. Taken together with business rate income, it should enable local authorities, if they are prepared to take a grip

on their spending, to set community charges not significantly higher on average than this year's levels. I hope that many authorities will already have recognised their excessive budgeting for this year and, in the knowledge of the reasonable grant settlement that I am announcing today, will now plan for reasonable levels of spending and of community charge next year. Detailed proposals for grant distribution will be put to the Convention of Scottish Local Authorities for consultation, in the usual way, in the autumn.

I also wish to take this opportunity to announce a number of changes that I am proposing to make to the arrangements for administering the standard community charge in Scotland. As hon. Members are aware, the standard community charge is paid by owners, or long-term tenants, of houses such as second homes which are not used as someone's sole or main residence. I have received a significant number of representations about the standard community charge and recently received a paper from the Convention of Scottish Local Authorities outlining suggestions for change. I am quite clear that many of the problems that have arisen can be attributed directly to local authorities' decisions in almost every case to set their standard community charge multipliers at the maximum of two times the personal community charge, when they had been given discretion to set the multiplier anywhere between one and two.

Nevertheless, and in the light of the real problems that have as a result arisen, I have decided to make the following changes to the present arrangements. First, I intend to take powers to define certain classes of premises for which I will be able to prescribe a maximum multiplier. I will use that power to tackle, in particular, the very difficult case of the house that is unoccupied because the owner has to live with friends or relatives because of illness or infirmity. That is one situation in which a multiplier of up to two seems too high. If other categories of a comparable kind emerge, those powers will enable me to make provision for them.

I will also make provision to allow local authorities to determine, subject to certain conditions, their own classes of premises for which they could set different multipliers. That will allow them to take account of circumstances not covered by classes that I might prescribe, but which it is right should be the subject of local decision. That will give them, for example, discretion to set a different multiplier for the homes of old people in general who are living with relatives and for the homes of people obliged by their jobs to live in tied houses. Local authorities could also create other classes, depending on local circumstances; and a regional council would be able to set different maximum multipliers for its classes in different district council areas, something specifically requested by COSLA in the proposals which it put to me.

As a result, local authorities will have considerably greater flexibility in their operation of the standard community charge arrangements. I know, therefore, that the new arrangements will be welcomed. I am proposing that the necessary amendments to the Abolition of Domestic Rates Etc. (Scotland) Act 1987 to allow for the introduction of those changes should be made in the context of the Local Government and Housing Bill, and amendments to that Bill will be tabled. The changes will come into effect for the financial year 1990-91.

Lastly, I propose to redefine the boundary between domestic and non-domestic property so that single 26 JULY 1989

[Mr. Malcolm Rifkind]

dwellings available for holiday letting are subject to non-domestic rating rather than the standard community charge.

These proposals tackle the main problems that have emerged in relation to the incidence of the standard charge and are a direct response to the concerns expressed by local authorities and others. I hope that local authorities will reciprocate by using the additional discretion that they have now been given.

Mr. Donald Dewar (Glasgow, Garscadden): This is clearly a significant statement. It is good to see some signs that the Government have been listening and, perhaps, even learning. The aggregate Exchequer grant is more generous than in some previous years. I hesitate, but it would be pleasant to ascribe that to the increasing influence of the new chairman of the Tory party in Scotland. However, that is probably optimistic.

The increase of 9.7 per cent. sounds generous, but a number of caveats must be made. It includes the £67 million for the reduction in the non-domestic rate. I hope that the Secretary of State will accept that the true increase is about 7 per cent. As he knows, inflation is running at more than 8 per cent. at present, so there is certainly no way in which that could be said to represent an increase in the aggregate Exchequer grant in real terms. Will the Secretary of State accept that a great deal depends on the indexation of the non-domestic rate, which I understand is a question for the Chancellor? If that were to be below the retail prices index figure, it would directly affect a council's income.

I welcome the move to help the non-domestic ratepayer. The total allocated this year is £80 million. Will the Secretary of State give an estimate of the gap to be closed? I have seen figures for the subsidy required, which varies between £250 million and £400 million. No doubt, much depends on the harmonisation of rateable value and, as well as commenting on the gap, could the Secretary of State say a word or two about how that is progressing and whether it will be completed in the revaluation of 1990? In particular, can he say whether his approach, when using the £80 million, will sharply reduce the disparity in the central belt, where the non-domestic rate is highest, or whether he intends to reduce the differential, taking Scotland as a whole? What will be the impact of today's announcement on industrial derating? Will it be held at 40 per cent.?

I welcome any signs of flexibility on the standard community charge. Many people—all hon. Members will know of such cases in their constituencies—have modest second homes, perhaps cottages and flats, whose value is reflected in a low rate bill. They have suddently been faced with a massive increase of £400 or £500 with the arrival of the poll tax. I am glad that something has been done about the glaring injustice of an old person who moves in with relatives finding that his or her house is suddenly classed as a second home.

Am I right, however, in thinking that the general power to vary the standard charge between a multiplier of nil and two must be exercised on a district basis? For example, will a regional council be competent to decide that certain categories of houses, perhaps those that were below a certain rateable value in the last year of the old system, should attract a lower multiplier than others in the same

district? If that is not so, regional councils will be put in the difficult position of having to take a blanket approach at will inevitably create anomalies.

Does the Secretary of State accept that it is almost impossible to reconcile the treatment of second homes, by means of what is unashamedly a property tax, with the poll tax, which is a form of individual taxation?

While we are dealing with injustices, can the Secretary of State say whether he has had second thoughts about Alzheimer's disease because of the strong medical case which suggests that there is no essential difficulty in assessing when the illness has reached the point when exemption is justified? Is not the present situation, where patients with exactly the same presenting symptoms are treated in different ways for poll tax purposes, completely indefensible? Will he move on that matter?

The Secretary of State and his PR department have worked hard to try to establish this as a generous settlement. In fact, it is worse than a standstill, and it does nothing to undo the damage done to essential services and to the fabric of local democracy in recent years. He will certainly have to do better.

Mr. Rifkind: I think that the last two sentences were the only part of the hon. Gentleman's comments that were written before he saw the statement, as they bore little relation to his other comments. I thank the hon. Gentleman for his opening remarks, which described the settlement as, "more generous than in recent years". I appreciate that his view of recent years may not be the same as mine. Nevertheless, I think that, by his standards, that amounts to a compliment. I confirm that the increase, when one removes the element relating to business rates, is 7 per cent. The hon. Gentleman suggests that is not sufficient, but it was COSLA itself which said that that was what it needed.

Mr. Dewar indicated dissent.

Mr. Rifkind: It is no use the hon. Gentleman shaking his head. Mr. MacIver, the general secretary of COSLA, said that it required at least 7 per cent. to meet its needs —[Hon. Members: "At least."]—and that is exactly what it has been provided with. [Hon. Members: "When did he say that?"] I am happy to give that information. He was quoted in an article in the Glasgow Herald on 20 July as saying:

"We are certainly hoping for an increase of at least 7 per cent. for the coming year."

The Government have been happy to respond to that aspiration and that is the least that we are entitled to claim.

The hon. Member for Garscadden welcomed the proposals on business rates. I am grateful to him for that. The figure—or the gap—that has to be accommodated is £250 million. The CBI in Scotland has identified that figure and the Government have endorsed it as their best assessment of the gap. Meeting that to the extent of £80 million in the current year is a massive step towards eliminating a discrepancy that has been caused primarily by the high level of Scottish local authority expenditure, which the previous Labour Government made no attempt to deal with. Distribution will be dealt with later in the year when we announce the distribution of grant available.

Industrial derating will continue until the gap between rating levels in Scotland and England is eliminated. The original purpose of industrial derating was to assist with that difficulty. welcome the hon. Gentleman's friendly comments on white Government propose to do about the standard charge. I have to emphasis that what we are proposing is not a property tax—[Interruption.] No. As I explained, it is quite simple. The level of discretion available to the local authority will not depend on the kind of property that it is dealing with, but on the personal circumstances of the individual concerned. That is why it is consistent with the community charge principles on which we have put forward these matters.

Local Government Finance (Scotland)

The hon. Gentleman asked about Alzheimer's disease and whether the Government had anything to add on that matter. We have emphasised all along that if a method of dealing with the matter in a responsibile way is identified in the way that my hon. Friend the Minister of State has explained on several occasions, we would have no objection in principle to seeking to accommodate people. I have nothing to say to the House today about that matter and I do not know whether it will be possible for such a distinction to be identified.

Mr. Alick Buchanan-Smith (Kincardine and Deeside): Does my right hon. and learned Friend acknowledge that the difficulties in which the hon. Member for Glasgow, Garscadden (Mr. Dewar) found himself underlined the success of the statement? I am sure that my right hon. and learned Friend will not be surprised if I concentrate on the standard community charge on which I have campaigned and plagued him and our hon. Friend the Minister of State in recent months. I thank him warmly for his announcement. We are less worried about the classification of the charge as long as it moves in the right direction—as it does.

I should like to ask two questions. First, is my right hon. and learned Friend quite sure that it is right to leave discretion about some aspects with local authorities, given the way that local authorities have extracted the maximum that they are able to extract in the current year? Secondly, what is the position of people with a second home which may or may not be let but which may be held by someone of modest means who has not been paying much in rates? Will that be covered? If it is not it should be.

Mr. Rifkind: I very much hope that even now local authorities will seriously consider whether they should insist on the maximum multiple or whether, as a generality, it would be appropriate to have a more modest figure. That option is available to them and I hope that they will take it. I thank my right hon. Friend for his warm welcome for the standard charge proposals. He explicitly asked about matters being left to the discretion of local authorities. We gave considerable thought to that question and think that it is appropriate that it should be left to local authority discretion.

As I sought to explain earlier, we are essentially dealing with the personal circumstances of individual standard charge payers. It would be difficult either through primary legislation or by methods determined entirely by central Government to distinguish in a way that would be sensitive to the personal circumstances of such standard charge payers. I am pleased that in its paper to us COSLA said that if given these powers it would wish to use them and would recommend to local authorities that they should be used for the purposes that I have indicated.

Therefore, we have every reason to assume that local authorities will use the powers that they asked for and have been given.

Mr. David Steel (Tweeddale, Ettrick and Lauderdale): We too welcome the sinner who repenteth. The Secretary of State will remember that only a month ago we moved a new clause to provide exactly this provision in the English Bill. It is a great pity that he did not accept it at that time. Some of us wish that the sinner would sound as if he repenteth. Does the Secretary of State accept that his repeated assertion that local authorities decided to apply a multiplier of two ignores the fact that the revenue support grant formula that he imposed assumed that they would apply that multiplier? In view of what the Secretary of State has said, will he say that if they do not do so in future they will not suffer under the revenue support grant system? As I understand it, if they had applied a multiplier lower than two in the past, they would have had to pass on the excess charge to all community charge payers at a level of perhaps £2 or £3 a head. Will the right hon. and learned Gentleman come clean and admit that that is so?

Secondly, I should like to ask about the 7 per cent. support assumption in the coming year. As we have not yet got the NALGO pay settlement and as inflation is already running at 8·3 per cent., is that assumption not yet another sign that local government will continue to be severely squeezed? Local authorities in my area which are careful spenders will strongly resent that. Will he explain how it is that under this system Scottish poll tax payers will end up facing an average of well over £300 next year compared with the English average of £275 and the Welsh average of £175? How has the Secretary of State for Wales managed to screw more out of the Treasury than the right hon. and learned Gentleman got?

Mr. Rifkind: The right hon. Gentleman has asked me three questions, to which I shall respond. First, I am intrigued by this assumption that local authorities paid complete attention to the assumption in the rate support grant settlement with regard to the multiplier. If that was of such importance to them, I shall bear it in mind when determining what the assumption should be next year and we shall see what effect it has on local authority use of that discretion next year. I am grateful to the right hon. Gentleman for putting that proposition to me.

Secondly, the right hon. Gentleman referred to the NALGO pay settlements, which have not yet been resolved. Local authorities are the employers, so they have it in their own hands to determine what settlement they will agree to. I assume that COSLA had that in mind when it said that a 7 per cent. grant would meet its needs and that that was what it expected.

Thirdly, I am delighted that the right hon. Gentleman has asked me to explain the different assumptions that are being made about the likely level of community charge in Scotland compared with England and Wales. The reason is a simple one, which relates entirely to the different levels of local authority spending. Despite high grants from the Scottish Office—probably a level of grant that compares extremely favourably with either England or Wales—the expenditure of Scottish local authorities per capita is £978 while in England, it is £773 and in Wales £776. That is for comparable services, eliminating services, such as water, that are carried out by local authorities in Scotland, but not in England. Therefore, for exactly comparable

[Mr. Rifkind]

services, there is expenditure per capita of £200 more in Scotland than in England or Wales. Therefore, I say to local authorities, "Physician, heal thyself."

Local Government Finance (Scotland)

Sir Nicholas Fairbairn (Perth and Kinross): I congratulate my right hon. and learned Friend on his excellent statement. I ask him to remind Scottish local authorities that it was purely for political reasons that they used the multiplier of two. When he comes to see what comparable categories emerge in the orders that he proposes, will he use as general a concept as possible so that it is not restricted to individual types, such as those that he mentioned, but in general gives equity to all who deserve it and should not be paying such a high charge?

Mr. Rifkind: I agree with my hon. and learned Friend that the purpose of the discretion that has been made available is to deal with what both sides of the House would recognise are the particularly difficult cases—for example, an elderly person who might be living with a son or daughter, keeping his home empty for the time being while deciding whether he wishes to return to it, of a person who might have bought a house for his retirement but is still living in tied accommodation, or other such categories. When dealing with such cases, it is important that the full standard charge is not insisted upon. Local authorities have said that they would wish to use the discretion if they were given it to help in such cases and we are happy to enable them to do so.

Mr. Dennis Canavan (Falkirk, West): If the Government are intent on introducing amending legislation on local government finance, will the Secretary of State also take the opportunity to introduce an amendment to stop the disgraceful practice whereby people are being hounded for the poll tax even after they are dead?

Mr. Rifkind: I ask the hon. Gentleman to address any such complaints to the local authority in which he lives. The local authority is not answerable to me for the way in which it chooses to go for any debts to which it may be entitled.

Mr. Allan Stewart (Eastwood): I warmly welcome what my right and learned Friend said about business rates, which are of great importance to jobs and the competitiveness of Scottish industry. Was not my right hon. and learned Friend's generous rate support grant for this year simply followed by excessive increases in expenditure by far too many Scottish local authorities? Does not the success of what he has said about RSG, and his welcome moves on the standard community charge, depend on the assumption that Scottish local authorities will act reasonably? If that assumption is not fulfilled, there will be outrage in Scotland.

Mr. Rifkind: My hon. Friend can take some comfort from this: given that the increase in revenue support grant is equivalent to the projected level of inflation and at a figure that the local authorities themselves said corresponded to their needs, and if, as a consequence of the overall position, there is higher expenditure and there are higher community charges than necessary, the finger of responsibility can be pointed in only one direction. I believe that that will concentrate the mind wonderfully.

Mr. Andrew Welsh (Angus, East): Surely, at 7 per cent., the settlement is below the rate of inflation and a per deal than the one obtained in England and Wales—especially at a time of high interest rates? It must mean a cut in local government services.

When making these changes, will the right hon. and learned Gentleman look into the problem of those with Alzheimer's disease and explain what is holding him back from doing something about the inherent unfairnesses in the legislation?

Mr. Rifkind: On the second point I cannot usefully add to what my hon. Friend the Minister of State has said on several previous occasions.

On the earlier point, the hon. Gentleman should appreciate that the rate of inflation that is relevant is not the current rate but the projected rate for the financial year in question. That is presumably why COSLA itself has said that 7 per cent. is appropriate.

Mr. Dick Douglas (Dunfermline, West): When removing the supposed anomaly in relation to the standard rate, will the Minister have a care? Apparently, it will apply prospectively in England and Wales but not retrospectively in Scotland, because people will have already paid on properties that the right hon. and learned Gentleman should be excluded.

In relation to the point raised by my hon. Friend the Member for Falkirk, West (Mr. Canavan), I have today received a letter saying that the local authority in Fife has gone for a four-day period. A man aged 55 died in Kincardine, and the authority has gone for £3·21. What feelings must be in the mind of the man's widow now that the local authority has imposed that on her? The Secretary of State must not tell us that the local authority is doing this willingly; it is doing it because it knows that the Accounts Commission would be on to it if it did not.

Mr. Rifkind: That is not true. I seem to recollect reading of a similar case in Grampian region in which, once the authority had identified the circumstances, it immediately declared them a de minimis case in which the sum would not be requested.

The hon. Gentleman knows perfectly well that local authorities can use their discretion to decide whether the circumstances are such that they will not seek payment. Naturally, we would all hope that local authorities will apply appropriate sensitivity to cases of personal tragedy of this sort—it is within their power to do so. The local authority in the Grampian region, in circumstances with which the hon. Gentleman is familiar, did just that. I do not know the circumstances of his particular case, but if the local authority believes that it is justified to do so, it has complete discretion to act in the way that the hon. Gentleman has suggested.

Mr Harry Ewing (Falkirk, East): Does not the Secretary of State understand the reason why £200 per head more is spent in Scotland than in England and Wales? It is because of his activities of the past few years in relation to local government services such as education, housing, roads and social work. We have more problems in Scotland with these local government services precisely because of the activities of the right hon. and learned Gentleman and other Scottish Office Ministers.

Why, having included a multiplier of two in the legislation for the poll tax, does the Secretary of State now

complain because local authorities are using that mobiler? He wants none of the blame for putting it in the legislation, but he now wants the credit for changing the legislation which he was responsible for imposing on local government in the first place.

As for the point raised by my hon. Friends the Members for Falkirk, West (Mr. Canavan) and for Dunfermline, West (Mr. Douglas)—the problem of the sending out of accounts to people who have died since the last payment of the poll tax—I want the Secretary of State now to give every regional and islands authority in Scotland, and its councillors, an absolute guarantee that if they do not charge this poll tax they will not be surcharged. The right hon. and learned Gentleman is obliged to provide such a guarantee.

Mr. Rifkind: On the hon. Gentleman's final point, questions of surcharge only arise—[Interruption.] I hope the hon. Gentleman will do me the courtesy of letting me answer his point. Such questions arise only when there is a recommendation from the Accounts Commission; but it goes without saying that if a local authority is faced with a personal tragedy, where the sums involved are very small, and it exercises its discretion not to seek payment of the account, I cannot conceive of any situation in which a Secretary of State would want to surcharge the councillors in question. I do not think that I can be more explicit than that in expressing my views.

The hon. Gentleman made comparisons with England and Wales. He tries very hard, but he knows perfectly well that the policies pursued by the Government apply to Scotland, England and Wales. Many Labour-controlled authorities in Wales appear to live with levels of expenditure not just marginally but dramatically—as much as £200 per capita—less than Labour-controlled authorities in Scotland. That cannot be explained on the basis of Government policy, which is consistent throughout the United Kingdom, although local authority expenditure is not consistent throughout the United Kingdom.

Mr. Nigel Griffiths (Edinburgh, South): Does the Secretary of State not realise that the statement is bitter news to thousands of carers—[Interruption.] Conservative Members may laugh but this year those people are being driven from their original homes because they have chosen to move in with and look after disabled and elderly relatives, often leaving country dwellings for which the rates were under £100. They are now having to find up to £500 and £600 this year. Why does the Secretary of State not offer them more help now? By the time the statement comes into effect, they will have sold the original properties and will have no way back.

Mr. Rifkind: I would not be able to accuse the hon. Gentleman of humbug if he had put that proposition to Lothian regional council when it was contemplating applying the full multiplier with the full support of the hon. Gentleman and his Labour party colleagues.

Mr. John McAllion (Dundee, East): If the Secretary of State thinks that 7 per cent. in Scotland is sufficient to cover the projected growth of inflation for next year, will he explain why it was necessary for his right hon. Friend to announce an 8.5 per cent. increase for England and Wales last week? Furthermore, will he explain why it is necessary to have a full year transitional safety net to

cushion the impact of the poll tax in England and Wales but not in Scotland? If he believes that the people of Scotland should remain part of a unitary United Kingdom, why does he persistently allow Scotland to be treated as an inferior, less-deserving and less-worthy part of the United Kingdom?

Mr. Rifkind: First, my right hon. Friend did not announce an 8.5 per cent. increase for England and Wales. Secondly, it is not only my view that 7 per cent. is sufficient; it is also the view of the Convention of Scottish Local Authorities. Thirdly, the hon. Gentleman appears to be completely ignorant of the fact that there is a safety net in Scotland, which is applied in much the same way as that for England and Wales.

Mrs. Margaret Ewing (Moray): While most of us in the House recognise that the Secretary of State has shown an element of flexibility on the community charge, perhaps his end-of-term report card should be stamped, "Could do better". Why has he not produced clearer definitions of the sole or main residence for individuals? That is particularly important in rural constituencies where people who live away from home for the purposes of work are being charged standard rate community charge in their digs while paying the personal community charge at the family home.

Secondly, in regard to poll tax accounts being issued to families of the recently deceased, will he advise the House what he regards as a small amount, as in my constituency, the sum has been as small as £1·34? Is it not the Government's responsibility to give clear guidance to our regional and islands authorities on the matter, because the reply that I received from his colleague the Minister of State, who was then responsible for the community charge, said that councils must take account of what the auditors say? If the auditors recommend that the poll tax on the recently deceased has to be collected, the councils are placed in a difficult position. It is therefore up to the Government to produce clear guidance stating that poll tax will not be charged for the month in which a person died.

Mr. Rifkind: Naturally, I will give some thought to whether guidance to local authorities would be helpful, but the hon. Lady will appreciate that it can be only guidance and the local authority must take its own decisions in the light of the circumstances. Individual local authorities have already shown a willingness to use common sense and their discretion in this matter, illustrating that that is perfectly available to them if they choose to use it.

The hon. Lady also asked about sole or main residence, but she will appreciate that, in particular cases, that is primarily a matter for the community charge registration officer. Today I have said that local authorities will have much greater local discretion to deal with particular classes of situation, which may be a way in which to meet the point raised by the hon. Lady.

Mr. John Home Robertson (East Lothian): The Secretary of State said that the Government might be prepared to do something about the imposition of the poll tax on people suffering from conditions such as Alzheimer's disease if someone else can come up with some suitable suggestions. May I gently remind the Secretary of State that he is, whether anyone likes it or not, the government of Scotland. He is responsible for the poll tax

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[Mr. John Home Robertson]

and he is responsible for the unfair application of the tax on such people. I am sure that all of us welcome the fact that the Government have acknowledged that the standard poll tax is unfair and unworkable, although we are now left with multiple discretion among local authorities and the Scottish Office, which could make things even worse. Does he accept that the basic iniquity still exists, because a family on a low income in a small house will still pay more than Her Majesty the Queen with a second home at Balmoral castle?

Mr. Rifkind: On Alzheimer's disease, may I gently remind the hon. Gentleman that those suffering from that disease were liable for the payment of domestic rates for many years without the hon. Gentleman feeling obliged to argue that that was iniquitous or undesirable. [Interruption.] No, they did not get exempted if they were the ratepayers of the property concerned. Many people with Alzheimer's disease were obliged to pay domestic rates for many years and the Labour party never seemed to think that that was a matter against which it should campaign. The Labour party could at least have the integrity not to suggest that, somehow such payment has only now become an issue because of the introduction of the community charge. We shall continue to consider the possibility of a proper system of assessment being devised. If that happens we will then be happy to respond, but until we are able to do so, obviously there is nothing that I can add.

Mr. Alistair Darling (Edinburgh, Central): Does not the Secretary of State accept that the amount of money distributed to each local authority is the major factor in determining how high or low the poll tax is? Is he proposing to follow the example of the previous Secretary of State for the Environment by fixing the amount of the settlement in each case depending on the likely political fortunes of the Conservative party or is he prepared to treat each local authority in the same way? Is he aware that had Lothian received the same safety-net arrangement as Strathclyde this year, the Lothian poll tax could have been between £60 and £80 lower than it is? Is he prepared to carry on rigging the figures in a desperate attempt to gain advantage in the regional elections next year in one of the few parts of the country where the Tories do not face an absolute rout?

Mr. Rifkind: Obviously, the hon. Gentleman could not find anything to say on the statement and therefore he wants to broaden the exchanges that we are having. He will know that it is a tradition in Scotland that matters of distribution are dealt with later in the year, after consultation with the Convention of Scottish Local Authorities. He will also know that, usually, the formula that is applied for the distribution is agreed with COSLA.

The hon. Gentleman seems to be blissfully unaware of the fact that the subsidy of certain Scottish local authorities continued for many years with the acquiescence and indeed, enthusiasm, of the hon. Gentleman and his hon. Friends. It is this Government who are, for the first time, eliminating that subsidy, but rather than doing it all at once we are phasing it out over several years. The hon. Gentleman was happy to live with a subsidy when there was one, but now complains because we are

phasing it out and says that it should be phased out at once. That shows that he changes his views as quick as he changes his mind.

Mr. Tom Clarke (Monklands, West): If the relationship between the Secretary of State and COSLA is as cosy as he seems to suggest why is it necessary for him to produce an obscure and selective comment from the Glasgow Herald to justify that assertion? Can he tell the House precisely what discussions he has had with COSLA and what it has said to him about his proposals? As part of that precision, when he talks about projections can he tell us the projected figure for inflation, because the House has not been told? What is the projected figure for wage settlements? We have not heard about that either. As the Secretary of State has referred to interest rates what projected figure does he have in mind for interest rates in respect of small businesses as well as local government? As we are anxious to hear what COSLA had to say and as COSLA could not possibly have known about the Government's response to the Griffiths report, is there an extra ha'penny in the statement to recognise the new responsibilities for community care?

Mr. Rifkind: I have already said that certain of the preparatory work that may need to be done will be taken into account in the RSG settlement.

Our relationship with COSLA could never be as cosy as it was when the hon. Gentleman was its distinguished president, in the Government's early years. Clearly, the hon. Gentleman's departure from his local government responsibilities has inevitably had its effect. He asked me what COSLA's representations were. When I last met COSLA, it suggested, not only to me but publicly, that the Government were going to give it a grant increase of only 1.7 per cent. It went on record as saying that it needed at least 7 per cent. if it was to meet the needs of its local authorities. That is exactly what it has got. The hon. Gentleman should be the first to welcome that.

Mr. Brian Wilson (Cunninghame, North): On the right hon. and learned Gentleman's latter comments on Alzheimer's disease, I remind him, although he surely needs no reminding, that the difference is that the poll tax is a personal charge, which, according to the Government's rhetoric, is accompanied by accountability by local government to the individual. I unreservedly welcome the relief that the right hon. and learned Gentleman's announcement will bring to those who care for the sick and elderly at home while the temporarily empty house is retained. The scandal is that it has taken three years of planning and four months of implementing the poll tax and will take another eight months of waiting for this cruelty to be addressed, under duress from the Opposition and local authorities.

Does the right hon, and learned Gentleman accept that the fundamental second home problem has still not been confronted by his statement because a district council will still be unable to differentiate between a second home single-end and a second home castle, and therein lies the endemic unfairness of the standard community charge?

Mr. Rifkind: The main reason why it has been necessary to respond in this way is that the local authorities throughout Scotland, with the honourable exceptions of Shetland Islands and Western Isles, have sought to impose the maximum standard charge, irrespective of the consequences to which the hon. Gentleman has referred. If

the local authorities had not done so, these problems would not have arisen. The hon. Gentleman should reflect on that point.

Scottish Enterprise

4.11 pm

The Secretary of State for Scotland (Mr. Malcolm Rifkind): With permission, Mr. Speaker, I should like to make a statement. Last December, I published the Scottish Enterprise White Paper on my proposals to integrate the functions of the Scottish Development Agency, the Highlands and Islands Development Board and the Training Agency in Scotland. I invited comments by 31 March 1989.

I have been delighted by the volume and constructiveness of the 420 responses and by the extent of support demonstrated. In reaching my decisions, I have sought to build on that support. There was overwhelming agreement for the principle of creating two new bodies, in which the functions of the Scottish Development Agency and the Highlands and Islands Development Board would be integrated with those of the Training Agency in Scotland.

Many welcomed the name "Scottish Enterprise", but some called for the retention of the names "Scottish Development Agency" and "Highlands and Islands Development Board", and there was strong insistence from the north, whatever title was chosen, to retain the word "Islands". We are creating a distinctive new structure which will be more than the sum of its parts and which requires a new identity. I have therefore concluded that the new bodies should be called Scottish Enterprise and Highlands and Islands Enterprise respectively. The SDA and HIDB logos are widely recognised, and I see merit in retaining them to provide an element of continuity, but that will be for the new bodies to decide, as will the way that they market themselves abroad.

There was virtual unanimity for the proposition that the network of local agencies, or enterprise companies, as we now intend to call them, should have a contractual relationship with Scottish Enterprise, in keeping with their private sector focus. The constitution of the companies means that there are important issues of public accountability, propriety, control of public expenditure and value for money to resolve, and I have asked my officials to seek ways of ensuring that public funds are properly safeguarded.

In the light of comments received, I am now proposing a network of 12 companies in the lowlands and eight in the highlands and islands. I have made available a map showing the proposed areas for each company, but where consortia feel that the map that I am proposing does not fit in with their ideas, I should, of course, be willing to consider specific proposals for variation. As regards functions, I can confirm that the full range of statutory powers that the SDA and HIDB now possess will be available for Scottish Enterprise and Highlands and Islands Enterprise, and I accept the recommendations that the latter should discharge the environmental role in the Highlands and Islands currently undertaken by the SDA.

I was impressed by the extent of support for devolving substantial powers relating to enterprise creation to the local enterprise companies from the outset, and against that background, my proposals now involve a major step in the direction of local delivery of economic as well as training functions from the start. We shall, of course, continue the SDA and HIDB policies of withdrawing in favour of private sector provision wherever that is practicable and sensible.

[Mr. Malcolm Rifkind]

I found it a great attraction as an initial step in the SDA's approach that the enteprise companies should operate within spending limits that would enable them to take responsibility for the great majority of projects, and that responsibility for major projects outside those limits should be retained at the centre. I intend to apply that principle to both Scottish Enterprise and Highlands and Islands Enterprise. I intend also that the extent of delegation to local enterprise companies should be increased progressively.

The central bodies will have a strong strategic role and will therefore set the policy framework and monitor the local companies; design, develop and secure the implementation of projects and programmes, particularly in industry and enterprise development with an applicability across their areas; approve major projects that fall out with the companies' competence; and handle certain functional activities including major investments, inward investment attracted by Locate in Scotland, marketing and the design and implementation of major physical programmes. They will ensure that the Government's Great Britain-wide training policies and priorities are pursued and Government guarantees fully satisfied. They will also ensure that programmes in support of enterprise delivered on behalf of the Department of Trade and Industry are being satisfactorily discharged and provide central support services.

Local enterprise companies will have the following functions, depending on their capability and the spending limits agreed. In the Scottish Enterprise area, large and strategic projects apart, they will have SDA functions in respect of the development of property, land reclamation and environmental improvement projects, advice and assistance to business, and urban renewal. In the Highlands and Islands area, the same approach will apply to the range of HIDB functions. In both areas they will carry out the range of training functions presently delivered by the Training Agency's area offices and seek to stimulate greater involvement by employers in training. They will also have the scope to devise specific initiatives to meet local needs.

There will be differences in approach between the Scottish Enterprise area and the Highlands and Islands Enterprise area, reflecting their different population, geographical and other characteristics, but there will be an underlying consistency. I have asked officials to work up proposals to ensure that there is a clear framework within which the local enterprise companies are to operate, and that the companies have maximum flexibility, compatible with public accountability, to tailor their activities to local circumstances.

In the light of the comments received on two of the programmes at the interface between industry and education, I have concluded that the Training Agency's technical and vocational education initiative—TVEI—should now move to the Industry Department for Scotland and that PICKUP, the professional, industrial and commercial updating programme administered by the Scottish Education Department, should transfer to Scottish Enterprise and Highlands and Islands Enterprise.

The resources for the new bodies will initially be broadly those that would have been made available in total to the SDA, HIDB and the Training Agency in Scotland.

Turning now to management, many have sug that an increase to 12 for the Scottish Enterprise board would offer considerably more scope, while retaining the efficiency advantages of a compact board. I propose a board of not less than nine and not more than 12 members inclusive of the chairman and the chief executive, who will be an ex officio member. I propose a similar approach to Highlands and Islands Enterprise but, in recognition of the fact that the number of those able to serve will be circumscribed by distance and sparsity of population, I propose a 7:12 formulation. There is broad support for our proposals that two thirds of the board should be drawn from the private sector and members of both boards will be chosen on a personal basis, for the contribution that each can make. We need the best people in their own right.

With regard to the boards of the local enterprise companies, we shall wish to see directors chosen for their individual contribution, reflecting the range of local interests. Two thirds will come from the private sector, and there will be a board of not fewer than nine or more than 12 in the Scottish Enterprise area and between seven and 12 in the Highlands and Islands.

However, the bigger the range of local interest that supports the company the better. I have been pleased by the enthusiasm expressed by the local authority sector, by education and training specialists, the voluntary sector and the trade unions for the objectives of Scottish Enterprise and their desire to be involved.

As regards staffing. It is important that staff are given a clear indication about their future. There are three aims to be fulfilled: Scottish Enterprise should have a single ethos and staffing structure, as should Highlands and Islands Enterprise; local enterprise companies should have as much freedom as possible to choose their own staff and the arrangements should meet the best interests of existing staff

I therefore propose that every member of staff employed by the Scottish Development Agency should be offered, three months before the establishment of Scottish Enterprise, employment on no worse terms with Scottish Enterprise, with scope for voluntary secondment to an enterprise company. I propose a similar approach for HIDB staff, As regards the training agency, every member of staff employed in Scotland should be offered, three months before the establishment of the new bodies, the choice either of employment on no worse terms with Scottish Enterprise or Highlands and Islands Enterprise as appropriate, with scope for voluntary secondment to an enterprise company, or alternatively of secondment to Scottish Enterprise or Highlands and Islands Enterprise, with up to three years to decide whether to transfer on the same basis permanently or to return to Civil Service. I am sure that the local enterprise companies will recognise the value of taking most of their staff on secondment terms from the skilled and experienced pool of existing staff, but they will also have scope to employ their own staff.

Finally, let me say how I now see the way ahead. I shall seek an early opportunity for legislation to bring Scottish Enterprise and Highlands and Islands Enterprise into being as soon as possible. As there is overwhelming enthusiasm for our suggestion that it might be possible to go ahead with some local enterprise companies in advance of legislation, within the next few weeks I shall be launching a prospectus which will invite the business community to form consortia to bid to become local

SCOTTISH OFFICE WHITEHALL, LONDON SWIA 2AU Le Misser

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vel 2 July 1989 Stephen Catling Esq Private Secretary to the Lord President Privy Council Office Whitehall LONDON SW1A 2AT SCOTTISH REVENUE SUPPORT GRANT SETTLEMENT 1990-91 Following Mr Ridley's statement on the English revenue support grant settlement, the corresponding Scottish announcement is expected to be made next Wednesday, 26 July. However, I now attach the text of our proposed announcement. This is different in form from the English and Welsh announcements, because of the continued existence in Scottish legislation, for this year only, of the concept of Aggregate Exchequer Grant. It is proposed that the announcement should also cover my Secretary of State's plans for next year in respect of business rates. These are as set out in the Chief Secretary's minute of 25 April 1989 to the Prime Minister, though as Treasury and DOE officials have been forewarned, my Secretary of State now proposes (within the total of AEG already agreed) to make slightly more progress in reducing business rates. This will be helpful to him politically, and will also provide a useful if modest extra squeeze on local authority spending. My Secretary of State will be glad to know whether colleagues are content with the proposed announcement. I should add that Mr Rifkind hopes to be able to add material to the statement on the standard community charge, assuming that agreement on the outstanding points can be reached in time. If so, I will circulate the new material as soon as possible. I am copying this letter to Paul Gray at No 10 and to the Private Secretaries to the Chief Secretary, Secretary of State for the Environment, Lord Privy Seal, Murdo Maclean (Chief Whip, Commons), Rhodri Walters (Chief Whip, Lords), Bernard Ingham (No 10) and Trevor Woolley (Cabinet Office). Tonginal DAVID CRAWLEY Private Secretary EML202M1

REVENUE SUPPORT GRANT SETTLEMENT 1990-91: DRAFT STATEMENT

With permission, Mr Speaker, I wish to make an announcement about grant for Scottish local authorities in respect of 1990-91.

In reaching my decision on grant, I have had in mind the views expressed to me by the Convention of Scottish Local Authorities on their estimates of what they regard as required spending levels next year. I have also had in mind the substantial increase in the planned volume of spending by Scottish authorities this year, and the scope that undoubtedly exists for economies and efficiency improvements. A further factor is my undertaking given some time ago that - subject to Parliamentary approval of the necesary legislative changes - I would make substantial initial progress next year in reducing the rate burden on Scottish businesses.

What I am announcing today is the total of Aggregate Exchequer Grant - that is, the total of specific grants and revenue support grant - which will be paid to Scottish local authorities for 1990-91.

I propose that Aggregate Exchequer Grant for 1990-91 should be set at £2739 million. This is £242 million or 9.7% higher than the corresponding figure for this year. This figure, however, includes extra grant to allow business rates to be substantially reduced in line with the Government's stated objective of eliminating the difference in non-domestic rates as between Scotland and England.

My new proposals on business rates, which I announced on 8 May, have been widely welcomed in Scotland, and we lost no time in presenting legislative proposals to the House on 14 June. I am happy to announce today that I propose that the rate bill for Scottish business next year should be reduced below what it would otherwise be by the sum of £80 million. The CBI have estimated the excess rate burden on Scottish business to be around £250 million, and we will therefore be closing that gap by almost a third in a single year. This represents very substantial progress. I know that this, together with the other steps that are being taken on harmonisation of valuation procedures north and south of the border, will be warmly welcomed by Scottish business and by all those for

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whom the private sector in Scotland provides employment. Local authorities will be compensated by increased grant of £67 million, which is included in the total figure of Aggregate Exchequer Grant which I have already given. As their contribution to this reduction in business rates, and in recognition of their welcome support for this policy, I am asking local authorities to recover the balance of £13 million by efficiency savings. This compares with total current expenditure for next year estimated by COSLA to be over £5,000 million. I am confident that it should be well within their capability to achieve these modest savings without threat to standards of service. I and my Department have already had useful discussions with COSLA on implementation of the new policy, details of which will be announced in the autumn.

The remainder of the total of Aggregate Exchequer Grant represents an increase of 7% on this year's figure, and taken together with business rate income, should enable local authorities, if they are prepared to take a grip on their spending, to set community charges not significantly higher on average than this year's levels. I hope that many authorities will already have recognised their excessive budgeting for this year and, in the knowledge of the reasonable grant settlement I am announcing today, will now plan for reasonable levels of spending and of community charge next year.

Detailed proposals for grant distribution will be put to the Convention of Scottish local authorities for consultation, in the usual way, in the autumn.

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FROM THE PRIVATE SECRETARY TO THE SECRETARY OF STATE FOR WALES

20 July 1989

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LOCAL GOVERNMENT FINANCE IN WALES

... I attach a final text on the statement which my Secretary of State proposes to make later today.

I am copying this letter and the statement to the Private Secretaries of members of E(LF) and to Murdo MacLean and Trevor Woolley.

DP E K DAVIES

Paul Gray Esq Private Secretary to the Prime Minister 10 Downing Street LONDON SW1A 2AA PARLIAMENTARY STATEMENT, 20 JULY 1989 - SECRETARY OF STATE LOCAL GOVERNMENT FINANCE IN WALES

- 1. With permission, Mr Speaker, I should like to make a statement about local government finance in Wales for 1990/91.
- 2. From April 1990, as the House will know, the new local government finance system will be in operation. Domestic rates will have been replaced by the community charge; there will be a national non-domestic rate with a uniform rate poundage throughout the Principality, and there will be a new grant system. In order to assist local authorities in making their plans for the first year of the new system, I am today announcing my proposals for the overall level of support towards local authority revenue expenditure in Wales from grants and non-domestic rates.
- 3. My proposals have to be seen in the context of local authority spending in 1989/90. For the current year Welsh councils have budgeted to spend £1,850m, some £42m or 2.3% above the Government's plans. This year-on-year increase in spending of 8%, whilst closer to plans than that of their English counterparts, is too high.

- 4. I have taken account of the local authority associations' representations on the pressures for spending in 1990/91; I discussed their views with them in the forum of the Welsh Consultative Council on Local Government Finance on 12 July. But I have also had regard to the need for local authorities to seek and achieve efficiency savings, taking steps to control staffing costs and restricting budget increases to affordable levels.
- 5. In the light of all these considerations I propose that for 1990/91 the total of standard spending under the new system this is the amount I consider appropriate for local authorities to spend in order to deliver a standard order of services should be set at £2,109m. This is an increase of £182m over the comparable figure for 1989/90, and represents an increase of £140m over authorities' budgeted expenditure for the current year.
- 6. I propose to set the level of Aggregate External Finance (which comprises three component parts: revenue support grant, the distributable amount of national non-domestic rates and certain specific grants towards current expenditure) at £1,733m. This is an increase of 8.6% over the equivalent figure for 1989/90, adjusted for changes in functions. In the autumn I will announce details of the division of Aggregate External Finance into its three component parts.

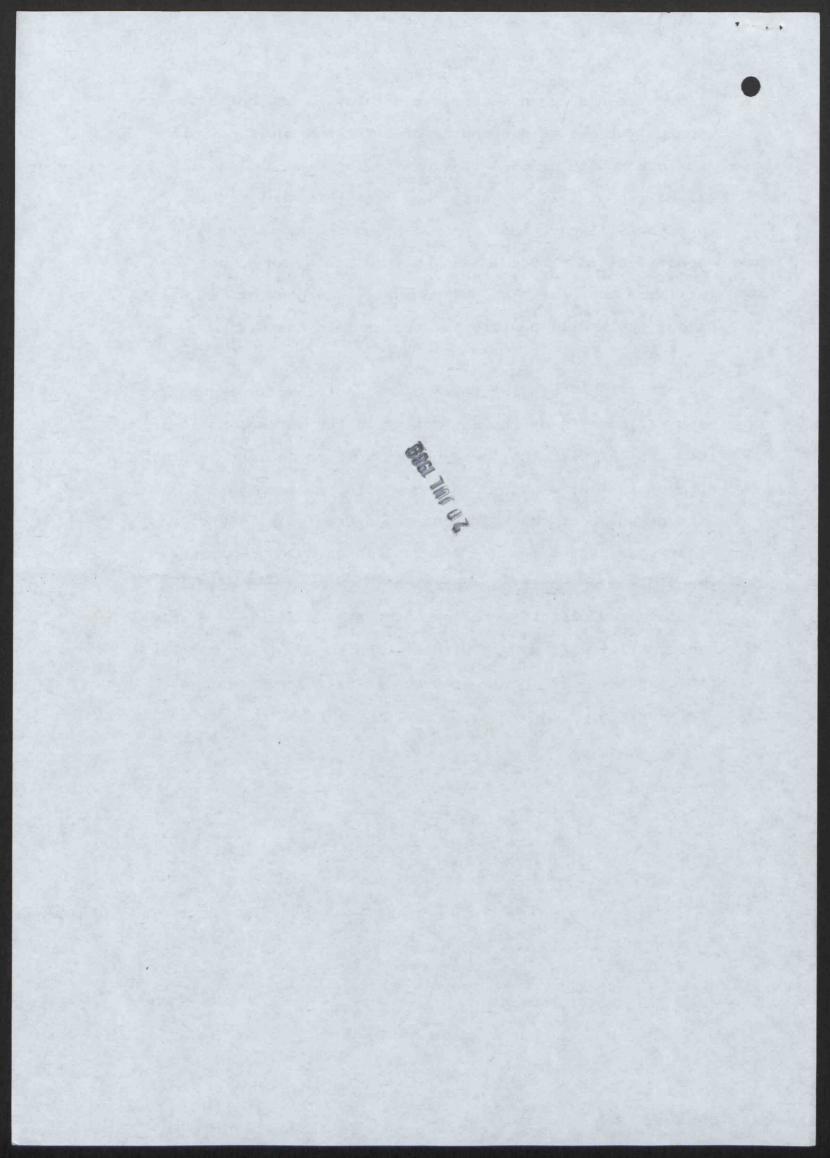
- 7. I turn now to the consequences of these proposals for the individual community chargepayer in Wales. The components of Aggregate External Finance, taken together, will represent some 82% of total standard spending. After taking account of community charge benefits, only 15% of local government spending will be financed by community charges. This broadly maintains the relative shares in the present financial year.
- 8. The community charge for standard spending in Wales will be £175, only £4 more than the average rate bill per adult in 1989/90. This reflects my commitment that no resources would be lost to Wales as a result of the change to the new system. Chargepayers will quickly understand the reasons for variations from this figure which, subject to the transitional arrangements I will describe in a moment, is achievable by each and every authority which spends in line with the Government's standard spending assessment.
- 9. I have considered again the extent to which the effects on chargepayers of the change to the new system should be phased in through an appropriate "safety-net". In the light of the favourable Settlement I am proposing, I have decided that it would not be right to freeze the position as it was in 1989/90 by using a full safety-net: this would be to delay the benefits of the greater accountability which the new system brings.

10. Instead, I propose to introduce a safety net which will move us substantially towards the new system in the first year. This means on the basis of present estimates that in 1990/91 in the Rhondda, for example, chargepayers would contribute some £50 less than the Welsh average of £175 towards their council's services. The arrangement will also benefit chargepayers in areas such as Newport and Cardiff who should contribute only around £20 to the cost of the safety net. These proposals strike the right balance between protection for those who in moving to the new system face the largest increases and reasonable contributions from those who stand to gain.

- 11. I will inform the House about the position of individual authorities following further consultation with the local authority associations about grant distribution arrangements including the precise details of the safety net. I agree with the local authority associations that it would be misleading to produce illustrative figures for 1990/91 in advance of that.
- 12. I turn now to the arrangements we have made to assist those on low incomes. Those on the lowest incomes in Wales who qualify for income support will be better off with the community charge than they were under the old rating system because income support payments will include an amount, which will be the same throughout Great Britain, to help pay the community charge. Due to the low levels of community charges in Wales people would actually be better off than if they got a 100% rebate.

13. For a couple on income support paying the community charge for standard spending of £175 each would get the maximum rebate of 80%, leaving them with a combined liability of £70. To help them meet this their income support will have been uprated by an annual amount equivalent to £119.60, leaving them £49.60 in pocket. We estimate that over 300,000 community chargepayers in Wales - about 14% - will qualify for the maximum assistance.

14. I will be bringing forward more detailed arrangements for all aspects of the Settlement in the autumn, following discussions with the local authority associations. But the proposals I have announced today offer chargepayers in Wales the prospect of community charges averaging £175 provided that their councils take responsible spending decisions. They offer authorities - particularly those who seek and achieve the efficiency gains which are available - a fair and realistic framework within which to set their budgets for 1990/91. If they budget sensibly, the rewards are self-evident.



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Treasury Chambers, Parliament Street, SWIP 3AG

The Rt Hon Malcolm Rifkind QC MP Secretary of State for Scotland Scottish Office Dover House Whitehall London SW1A 2AU

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SCOTTISH REVENUE SUPPORT GRANT SETTLEMENT 1990-91

Thank you for your letter of 14 July. WITH PG? | WIN REQUEST IF ACOUNTED

I can confirm that I am also content to accept the proposals for Aggregate Exchequer Grant (AEG) that our officials have put forward. This means that AEG in Scotland in 1990-91 will be £2,679 million. This is before any addition to AEG as a result of harmonising non-domestic rate poundages.

I note that your officials will be in touch with mine over the detailed terms of an announcement.

I am copying this letter to members of E(LF) and to $Sir\ Robin\ Butler.$

JOHN MAJOR

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CONFIDENTIAL > PA WELSH OFFICE GWYDYR HOUSE WHITEHALL LONDON SWIA 2ER Tel. 01-270 3000 (Switchboard) 01-270 0549 (Direct Line) FROM THE PRIVATE SECRETARY TO THE SECRETARY OF STATE FOR WALES See pagept 7-9.

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LOCAL GOVERNMENT FINANCE IN WALES

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Yours sincerely Keik

E K DAVIES

Paul Gray Esq Private Secretary to the Prime Minister 10 Downing Street LONDON SW1A 2AA

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- 4. I have taken account of the local authority associations' representations on the pressures for spending in 1990/91; I discussed their views with them in the forum of the Welsh Consultative Council on Local Government Finance on 12 July. But I have also had regard to the need for local authorities to seek and achieve efficiency savings, taking steps to control staffing costs and restricting budget increases to affordable levels.
- 5. In the light of all these considerations I propose that for 1990/91 the total of standard spending under the new system this is the amount I consider appropriate for local authorities to spend in order to deliver a standard order of services should be set at £2,109m. This is an increase of £182m over the comparable figure for 1989/90, and represents an increase of £140m over authorities' budgeted expenditure for the current year.
- 6. I propose to set the level of Aggregate External Finance (which comprises revenue support grant, the distributable amount of national non-domestic rates and certain specific grants towards current expenditure) at £1,733m. This is an increase of 8.6% over the equivalent figure for 1989/90, adjusted for changes in functions. In the autumn I will announce details of the division of Aggregate External Finance into its three component parts.

- 7. I turn now to the consequences of these proposals for the individual community chargepayer in Wales. The components of Aggregate External Finance, taken together, will represent some 82% of total standard spending, leaving only 18% to be found from community charges. This broadly maintains the relative shares in the present financial year. As a result, the community charge for standard spending in Wales will be £175, which reflects my commitment that no resources would be lost to Wales as a result of the change to the new system. Chargepayers will quickly understand the reasons for variations from this figure which, subject to the transitional arrangements I will describe in a moment, is achievable by each and every authority which spends in line with the Government's standard spending assessment.
- 8. I have considered again the extent to which the effects on chargepayers of the change to the new system should be phased in through an appropriate "safety-net". In the light of the favourable Settlement I am proposing, I have decided that it would not be right to fossilise the position as it was in 1989/90 by using a full safety-net: this would be to delay the benefits of the greater accountability which the new system brings.

9. Instead, I propose to introduce a safety net which will allow councils to move towards the new system in two steps. This means on the basis of present estimates that in 1990/91 in the Rhondda, for example, chargepayers would contribute some £50 less than the Welsh average of £175 towards their council's services. The arrangement will also benefit chargepayers in areas such as Newport and Cardiff who should contribute only around £20 to the cost of the safety net. These proposals strike the right balance between protection for those who in moving to the new system face the largest increases and reasonable contributions from those who stand to gain.

10. I will be bringing forward more detailed arrangements for all aspects of the Settlement in the autumn, following discussions with the local authority associations. But the proposals I have announced today offer chargepayers in Wales the prospect of community charges averaging £175 provided that their councils take responsible spending decisions. They offer authorities - particularly those who seek and achieve the efficiency gains which are available - a fair and realistic framework within which to set their budgets for 1990/91. If they budget sensibly, the rewards are self-evident; if they do not, it will be equally clear to their chargepayers that more needs to be done to achieve the prudent management of resources and value-for-money which should be the aim of every authority.

Paul Mis into the 2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000 PM's box. My ref: Your ref: 18/7 Paul Grey Esq Private Secretary to The Prime Minister 10 Downing Street LONDON 18 July 1989 SWIA 2AA LOCAL GOVERNMENT FINANCE I attach a revised version of the statement which my Secretary of State proposes to make tomorrow. This is subject to any

further revisions which Mr Ridley may wish to make over night.

I am copying this letter and the statement to Private Secretaries to members of E(LF) and to Trevor Woolley (Cabinet Office)

A D Ring

Private Secretary



10 DOWNING STREET

PRINE MINISTER

LOCK AUTHORITY ANNOUNCEMENT

You saw Nick Rithers hird dreft of honorrow's stelenet last right (Play A). You ray Whe to glave of he Colect verior just received (Play B) incorpording are best from John Naja.

Pac6 18/7

2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

17 July 1989

Dianloheagne

LOCAL GOVERNMENT FINANCE

I shall shortly be making a Statement about the main elements of my proposals for the Local Authority Grant Settlement for 1990/91. This will be the first Settlement under the new Revenue Support Grant system. I have taken the opportunity to reconsider some of the terms we use for parts of the system, to see if we could make them more comprehensible and less confusing.

At the recent meeting of the Consultative Council on Local Government Finance, I set out for the local authority representatives the new terminology I propose to use. I thought it would be helpful, also, to explain to you the new terms which I will be using from now on. They are as follows:-

Total Standard Spending: The amount of revenue expenditure which the Secretary of State considers it is appropriate for all local authorities in England to incur in the provision of services and in the financing of expenditure.

Standard Spending Assessment: The amount of revenue expenditure, net of specific grants, which it is appropriate for each authority to incur in providing a common level of service consistent with the aggregate figure of Total Standard Spending. The sum of all authorities Standard Spending Assessments is equal to Total Standard Spending less the total of specific grants.

Aggregate External Finance (AEF): The total of support for local authorities' revenue expenditure from central government grants and non-domestic rates. It includes revenue support grant and certain specific grants.

Standard Spending Grant: An informal alternative name for revenue support grant, which makes it clear that the grant is paid only in support of expenditure up to the level of the Standard Spending Assessment.

Community Charge for Standard Spending (CCSS): The community charge which each charging authority could set if all authorities in their area spend at the level of their Standard Spending Assessment.

NICHOLAS RIDLEY Amola Rosen

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It has now been agreed that I should announce our proposals for the 1990/91 grant settlement in an oral statement this Wednesday, 19

July. I attach a draft which sets out the decisions we reached in E(LF).

There are a number of minor outstanding details which I propose to handle in the following way. First, E(LF) invited me to consider with John Wakeham the questions of powers to pay the specific grant we envisage for low RV areas. We wanted to have sufficient scope to respond also to any further problems which may emerge. I have identified two possible legislative routes for achieving what is proposed. I am writing separately to John to seek his views before making a final decision. I have therefore drafted the statement to be open on the point of powers so that we can consider the technical merits of the different options carefully over the next few days.

We have agreed that the new specific grant to inner London Boroughs should be paid over five years. It is not necessary to announce decisions now on the phasing out of the main safety net and the special arrangement for low RV areas, and I will bring forward proposals in September for announcement in the autumn.

Finally, I propose to publish on the same day as the statement figures showing what the Community Charge would have been in 1989/90 had the new system been in force. These figures will be based on the rate poundages local authorities actually set in 1989/90 and on the existing system of Grant Related Expenditure Assessments, but they will illustrate how the safety net now proposed would have operated.



I am sending copies of this to members of E(LF) and to $Sir\ Robin$ Butler.



N R | 7 July 1989

LOCAL GOVERNMENT FINANCE

- 1. With permission, Mr Speaker, I should like to make a statement about the Local Authority Grant Settlement for 1990/91 for England.
- 2. As the House will know, next April sees the introduction of the new Local Government Finance System. The community charge will replace domestic rates, there will be a uniform national business rate, and there will be a new grant system. These reforms bring greater accountability to authorities' spending decisions.
 - 3. In order to give local authorities the maximum time to plan their budgets, I am today announcing the Government's proposals for Aggregate External Finance, that is the amount of support which will be available to local authorities in England from Government grants and business rates. I am also announcing my assessment of Total Standard Spending, and the Community Charge for Standard Spending.
 - 4. First, spending. In the current year, 1989/90, English local authorities have budgeted to spend about £30.3 billion. This is £1.2 billion more than the Government had provided for in the last RSG Settlement. It is £1.9 billion more than the total of Grant Related Expenditure Assessments, the Government's assessment of the amount which authorities needed to spend.

- Spending increased by 9% compared with 1988/89, which is more than the rate of inflation. Over the last four years local authority expenditure has increased by 13% in real terms. This is excessive.
- 5. Local authorities can make substantial savings, through increased efficiency, through contracting out, and in some cases by eliminating wasteful and unnecessary activities, and by controlling their pay/costs.
- 6. In assessing the amount of revenue spending which is appropriate for 1990/91, known as Total Standard Spending, I have taken account of what can reasonably be afforded, given the need for restraint in public expenditure and the Government's priorities for spending as between different programmes. I have also taken into account the amount authorities are spending now, and the Local Authority Associations' views about the pressures for increased spending next year. My RHF the Minister and I discussed this with them in the Consultative Council on Local Government Finance on 12 July.
- 7. I propose to base the grant distribution arrangements on the assessment that Total Standard Spending should be £32.8 billion. On a comparable basis, allowing for technical changes such as the ring-fencing of the Housing Revenue Account, this is equivalent to 11% more than the amount the Government assessed authorities needed to spend in the current year, and is £1.2 billion more than they have budgeted for this year.

- 8. In the Autumn we shall announce details about the amount of Standard Spending Grant, various other grants and the amount which is likely to be raised from business rates. I propose that the aggregate amount of support which will be available from these sources will be £22.9 billion. In addition, I intend to provide a further £200 million of support for two specific purposes which I shall describe shortly, making a total of £23.1 billion in support of revenue spending. This is £1.8 billion more than in the current year, an increase of 8.5 %.
- 9. This implies that if local authorities budget to spend in line with our assessment, about £9.9 billion will fall to be raised from community charges. That corresponds to a Community Charge for Standard Spending of about £275. This is the level of charge which, apart from the safety net, each charging authority could set if spending is in line with the Government's Standard Spending Assessment. Actual community charges will, of course, depend on local authorities' own spending decisions: if an authority chooses to spend less than the Government's standard assessment its community charge will be less, and vice versa.
- 10. The actual charge in each area in the first year will however depend on the transitional arrangements.
- 11. As the House will know, we have proposed that there should be a four year transitional safety net in order to phase in the impact of the new system. The objective is that people living in areas which have traditionally had low average rate bills will have a period in which to adjust to the greater demands on them.

- I believe it is right that those people should have some protection. But as originally proposed, that protection had to be paid for by the gainers postponing receipt of virtually all their gains.
- 12. I now think we can get a better balance between the interests of gainers and losers. It is wrong that areas which have suffered under the present unfair system of resource equalisation should have to wait a further year before seeing any relief. Equally, I think it fair that areas which stand ultimately to have higher average bills under the new system should be expected to make some adjustment from the first year.
- 13. I am therefore now proposing new arrangements so that some gains can come through immediately. To allow this, I propose that "losses" of up to £25 per adult should be allowed to feed through in the first year. This will allow those who gain from the reform of the finance system to see between 40% and 50% of their gain come through to them in the first year, although the precise figure will not be known until the autumn. In this way we can begin to move more quickly towards the position we shall have once the new arrangements are fully in force. As in my earlier proposal, the maximum contribution to the safety net will be £75 per adult.
- 14. I turn to my proposals for extra protection for certain areas.

- 15. There are some authorities where due to the historical accident of low rateable values the adjustment to the full Community Charge is generally greater proportionately than in other areas. The original safety net proposals would have prevented them from paying any increase in the first year beyond their existing rate bill per adult. I do not think we should frustrate their expectations because of my revised proposals for the safety net. I therefore intend to provide extra protection of up to £25 per adult for charging authorities in England where the average domestic rateable value per hereditament is £130 or less and where the introduction of the new system results in a loss. This means there will be no loss to the authorities from the safety net. Authorities with average domestic rateable values per hereditament between £130 and £150 will receive support on a tapering scale. This support will cost roughly £100 million. I will publish in the Official Report a list of authorities which may qualify under these criteria.
- 16. Secondly, my RHF The Secretary of State for Education and Science has today announced that the Government will be making available a transitional grant to inner London boroughs and to the City which will be taking over education responsibilities from ILEA on 1 April. This grant will be £100 million in 1990/91. It will take some time for the boroughs to eliminate wasteful expenditure inherited from ILEA. This grant will provide transitional protection for their chargepayers while the savings are realised. Both of these proposals will require minor legislative changes, which we will seek to enact in the Local Government and Housing Bill.

- 17. Compared to the original proposals for the safety net, these revised arrangements will enable much quicker progress towards the full introduction of the new local Government finance system. A large percentage of the gains will come through to gaining areas immediately. In inner London, where community charges threaten to be highest, the proposed specific grant will help authorities to reduce charges. There will be special protection for areas with low rateable values. And the maximum extra that local councils in any losing authority need impose on their local chargepayers works out at only 50p per week per adult.
- 18. I am placing in the Library today illustrative charges showing how a safety net on this basis would have operated in 1989/90 had the new system been in force then. These illustrative charges reflect authorities' own 1989/90 spending decisions, and show what the Community Charge might have been in each area.
- 19. I shall be discussing these proposals with the Local Authority Associations in September. I will bring forward full proposals for the Settlement in the Autumn, including details of the methodology which we propose to use to distribute standard spending grant between authorities.
- 20. Mr Speaker, under these proposals if local authorities control their spending and improve their efficiency, the average community charge need not be higher than about £275, and could be lower. We recognise the particular problems some authorities face through the change to the new system, and we are providing extra

CONFIDENTIAL help targeted on these areas. But it will be for local authorities to set their budgets, and for community chargepayers to judge whether the amount they are asked to pay is justified. FLG 17 July 1989

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LOCAL GOVERNMENT FINANCE

- 1. With permission, Mr Speaker, I should like to make a statement about the Local Authority Grant Settlement for 1990/91 for England.
- 2. As the House will know, next April sees the introduction of the new Local Government Finance System. The community charge will replace domestic rates, there will be a uniform national business rate, and there will be a new grant system. These reforms bring greater accountability to authorities' spending decisions.
- 3. In order to give local authorities the maximum time to plan their budgets, I am today announcing the Government's proposals for Aggregate External Finance, that is the amount of support which will be available to local authorities in England from Government grants and business rates. I am also announcing my assessment of Total Standard Spending, and the Community Charge for Standard Spending.

- 4. In the current year, 1989/90, English local authorities have budgeted for spending of about £30.3 billion. This is £1.2 billion more than the Government had provided for in the last RSG Settlement. It is £1.9 billion more than the total of Grant Related Expenditure Assessments, the Government's assessment of the amount which authorities needed to spend. Local authorities have budgeted to increase spending by 9% compared with 1988/89, which is more than the rate of inflation. Over the last four years local authority expenditure will have increased by 13% in real terms. This is excessive.
- 5. In assessing the amount of revenue spending which is appropriate for 1990/91, known as Total Standard Spending, I have taken account of what can reasonably be afforded. I have also taken into account the amount authorities are spending now, and the Local Authority Associations' views about the pressures for increased spending next year. My RHF the Minister and I discussed this with them in the Consultative Council on Local Government Finance on 12 July. I have had regard to the continued scope for local authorities to make substantial savings, through controlling their payroll costs, increased efficiency, competitive tendering, and in some cases by eliminating wasteful and unnecessary activities. I understand the value for money improvements now identified by the Audit Commission could be worth more than £900 million annually, and only £350 million of these have been achieved.

- 6. Under the new system, Total Standard Spending is my assessment of the amount appropriate for authorities to spend in providing services. I propose that this total should be £32.8 billion. On a comparable basis, allowing for technical changes such as the ring-fencing of the Housing Revenue Account, this is £1.2 billion more than authorities have budgeted to spend this year. It is a significant real increase on the amount the Government assessed authorities needed to spend this year.
- 7. I propose that the aggregate amount of support which will be available from Government grants and business rates will be £22.9 billion. In addition, I intend to provide a further £200 million of support for two specific purposes which I shall describe shortly, making a total for Aggregate External Finance of £23.1 billion in support of revenue spending. This is £1.8 billion more than in the current year, an increase of 8.5 %. I shall announce in the Autumn how the £23.1 billion is to be divided between Standard Spending Grant, the various specific grants, and the amount likely to be raised from business rates.
- 8. This implies that if local authorities budget to spend in line with our assessment, just under £10 billion will fall to be raised from community charges. That corresponds to a Community Charge for Standard Spending of about £275. This is broadly the same as the existing average rate bill per adult. £275 is the level of charge which, apart from the safety net, each charging

authority could set if spending is in line with the Government's Standard Spending Assessment. 9. The actual charge in each area in the first year will, however, depend on the transitional arrangements, and the level at which local authorities choose to spend. 10. As the House will know, we have proposed that there should be a four year transitional safety net in order to phase in the impact of the new system. The objective is that people living in areas which traditionally have had low rate bills will have a period in which to adjust to the greater demands on them. I believe it is right that those people should have some protection. But as originally proposed, that protection had to be paid for by the gainers postponing receipt of virtually all their gains.

11. I now think we can get a better balance between the interests of gainers and losers. It is wrong that areas which have suffered under the present unfair system of resource equalisation should have to wait a further year before seeing any relief. Equally, I think it fair that areas which stand ultimately to have higher average bills under the new system should be expected to make some adjustment from the first year.

12. I am therefore now proposing new arrangements. In those areas in which chargepayers can expect to see their bills falling, nearly half of the gain will come through immediately.

To allow this, I propose that losses of grant support equivalent to up to £25 per adult should be allowed to feed through in the first year. This will allow those who gain from the reform of the finance system to see between 40% and 50% of their gain come through to them in the first year, although the precise figure will not be known until the autumn. In this way we can begin to move more quickly towards the position we shall have once the new arrangements are fully in force. As in my earlier proposal, the maximum contribution to the safety net will be £75 per adult.

- 13. I turn to my proposals for extra protection for certain areas.
- 14. First, there are some authorities where, due to the historical accident of low rateable values, the adjustment to the full Community Charge is generally greater proportionately than in other areas. I therefore intend to provide extra protection of up to £25 per adult for charging authorities in England where the average domestic rateable value per hereditament is £130 or less and where the introduction of the new system results in a loss. This means that in these areas there will be no loss. Authorities with average domestic rateable values per hereditament between £130 and £150 will receive support on a tapering scale. This support will cost roughly £100 million. I will publish in the Official Report a list of authorities which may qualify under these criteria.

- 15. Second, my RHF The Secretary of State for Education and Science has today announced that the Government will be making available a transitional grant to inner London boroughs and to the City which will be taking over education responsibilities from ILEA on 1 April. The cost of this extra grant will be £100 million in 1990/91. It will take some time for the boroughs to eliminate wasteful expenditure inherited from ILEA. This grant will provide transitional protection for their chargepayers while the savings are realised. Both of these proposals will require minor legislative changes, which we will seek to enact in the Local Government and Housing Bill.
- 16. Compared to the original proposals for the safety net, these revised arrangements will enable much quicker progress towards the full introduction of the new local government finance system. A large percentage of the gains will come through to gaining areas immediately. In inner London, where community charges threaten to be highest, the proposed specific grant will help authorities to reduce charges. There will be special protection for areas with low rateable values. And the maximum extra that local councils in any losing authority need impose on their local chargepayers works out at only 50p per week per adult.
- 17. In response to a Parliamentary Question, I am placing in the Library today illustrative charges showing how a safety net on this basis would have operated in 1989/90 had the new system been in force now. These illustrative charges reflect authorities' own 1989/90 spending decisions, and show what the Community Charge

might have been in each area. I have also exemplified the effect of a system of capital value rates and local income tax. Copies of these tables are also available in the Vote Office.

- 18. I shall be discussing these proposals with the Local Authority Associations in September. I will bring forward full proposals for the Settlement in the Autumn, including details of the methodology which we propose to use to distribute standard spending grant between authorities.
- 19. Mr Speaker, under these proposals if local authorities control their spending and improve their efficiency, the average community charge need not be higher than about £275, and could be lower. We recognise the particular problems some authorities face through the change to the new system, and we are providing extra help targeted on these areas. But it will be for local authorities to set their budgets, and for community chargepayers to judge whether the amount they are asked to pay is justified.

AREAS POTENTIALLY BENEFITTING FROM EXTRA PROTECTION

e following is a list of authorities where the average domestic rateable vale per hereditament on 1 April 1989 was less than £150

Domestic rateable value per hereditament (£)

	(£)
Burnley	103
Pendle	105
Wear Valley	113
Hyndburn	113
Barrow in Furness	115
Teesdale	116
Calderdale	116
Easington	117
Kirklees	119
Barnsley	120
Copeland	121
Blackburn	122
Rossendale	123
Derwentside	125
Kingston upon Hull	127
Bradford	128
Torridge	129
Sedgefield	129
Allerdale	130
Eden	131
Bolsover	132
Wansbeck	133
Rotherham	135
Wakefield	135
Boothferry	136
Berwick-upon-Tweed	136
York	136
Gateshead	136
Sunderland	137
Ashfield	138
Sheffield	138
Carlisle	140
Doncaster	140
East Yorkshire	141
Craven	142
Rochdale	142
Hartlepool	143
South Tyneside Scarborough	143 144
North Devon	146
Penwith	147
Tameside	147
Kerrier	148
Oldham	148
Leeds	148
Lincoln	149
Mansfield	149

NB These authorities fall within the rateable value criterion for extra protection, but they will only receive help if they would otherwise have a 1990/91 community charge higher than their uprated average rate bill per adult

Paul Gray E

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2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

Paul Gray Esq Private Secretary to The Prime Minister 10 Downing Street LONDON SWIA 2AA

/ \ July 1989

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LOCAL GOVERNMENT FINANCE: THE JULY ANNOUNCEMENT

You asked for a note setting out my Secretary of State's views on the timing of the July announcement about the Local Authority Grant Settlement for 1990/91.

My Secretary of State's view is that the most appropriate timing for the announcement would be the week beginning Monday 24 July, which would allow a reasonable interval after his meeting this week with the local authority associations in the Consultative Council on Local Government Finance. Clearly, however, it would be unwise to leave the statement too close to the end of that week, since otherwise the Government would lay itself open to accusations of seeking to slip the announcement out just before the House rises, which of course would not be the intention. He therefore considers that the most sensible time to make the announcement would be in the early part of that week. He has discussed this informally with the Lord President, and they have agreed that Tuesday 25 July looks to be the most appropriate date for the announcement.

He would be grateful to know whether the Prime Minister is content for him to make the announcement on this timescale.

I am copying this to Steve Catling (Lord President's office) and to Murdo MacLean (Chief Whip's office).

R BRIGHT

Private Secretary

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Nom RRCG-13/-

at prac

Treasury Chambers, Parliament Street, SWIP 3.3

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

London SW1P 3EB Per Nick,

1989 GRANT SETTLEMENT

Thank you for sending me a copy of your minute of 5 July to the Prime Minister in which you recommended the use of the term "Standard Spending Grant" as an alternative to Revenue Support Grant for the purpose of speeches etc.

As you say, the statutory term remains Revenue Support Grant, which we will be using in the Autumn Statement and the Public Expenditure White Paper, as well as in the documents you mention. However, I am quite happy for you to use the term "Standard Spending Grant" in speeches and other presentations.

I am copying this letter to the Prime Minister, and to other members of E(LF).

JOHN MAJOR

-> RA

Fix to Pray
No 10

copies My Wilson Cabinet Office

> Mr Ingham No 10

Brief on new planning total as primised in Peter Wanten's letter of yesterday covering briefing for PES Cabinet.

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PRESS BRIEFING

BRIEFING ON NEW PLANNING TOTAL

White Paper published July 1988 (Cm 441) proposed a redefinition of the planning total. New definition excludes local authority spending, includes instead finance for local authorities provided or approved by central government (specific or supplementary grants for current or capital spending, Revenue Support grants, credit approvals, non-domestic rate payments).

2. Aim is to:

- identify more clearly differing responsibilities of central and local government for determining different elements of public expenditure
- buttress reforms of local government finance.
- come into line with way other countries plan public spending.

No change to GGE or to overall public spending policy or objectives. New planning total simply a better instrument for achieving those ultimate objectives. Does not mean a let-up on policies for local government spending.

Change welcomed by TCSC (1st Report, Session 1988-89)

1989 Survey to be conducted on basis of new definition; results to be reported in 1989 Autumn Statement and 1990 White Paper.

Defensive

Need smaller Reserves, so more room for programmes?

No. New planning total does not magically make more room within GGE. If smaller Reserves were needed within new planning total, would only be because we have to make allowance outside NPT but still within GGE for expenditure local councils finance for themselves

Change of definition means more room for fiddling figures? GGE figures are unchanged. So are GGE ratios. Most elements of the planning total also fundamentally same - central government's own expenditure and provision for public corporations.

SECRET COPY NO. 5 OF 5 COPIES

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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

29 June 1989

Der Roge.

ROLE AND STRUCTURE OF LOCAL GOVERNMENT

The Prime Minister held a meeting yesterday to discuss your Secretary of State's minute of 25 May. Also present were the Minister for Local Government, Sir Terry Heiser, Mr Wilson (Cabinet Office) and Mr Mills (Policy Unit). I would be grateful if this record could be seen only by Ministers and officials directly concerned with handling the subject of this letter.

Your Secretary of State said he did not want to propose major changes to the <u>functions</u> of local government. There had been major changes in recent years, and some changes were still in the pipeline, e.g. the restructuring of housing revenue accounts and the revised arrangements for community care. He was, however, keen to see a further extension of competition and contracting out. Nor did he want to propose any major changes to local government <u>finance</u>. The priority was to complete successfully the transition to the community charge.

There were, however, some changes to the structure of local government which were attractive. For the most part, the counties were viable in relation to the functions allocated to them and they commanded the loyalty of their populations. There were, however, some exceptions to this. The 1974 reforms had created a number of entities which had failed to attract local loyalties e.g. the counties of Avon, Humberside and Cleveland. The restoration of a number of county boroughs would be popular. He did not want to recreate all 78 but felt that a system allowing districts with a population of over 100,000 to seek county borough status would be popular. Rather than imposing such a solution it would be even better if county boroughs of this size were given the option of reclaiming their former status. This might open the way for about 20 county boroughs, all of which would still leave viable counties.

It would be necessary to ensure that there was not

The fact that many districts already acted as agents for the counties in the delivery of services

Much of the pressure for the abolition of counties came from the former county boroughs. This pressure would be largely nullified if the larger ones were able to revert to their former status.

Summing up this part of the discussion, the Prime Minister said she agreed with your Secretary of State's conclusions. The emphasis for the rest of the Parliament should be on completing the present series of major reforms. There were great attractions in aligning local authority boundaries so that they reflected people's perception of where they lived. This would provide an attractive alternative to Labour's plans for regions which would take local government further away from people.

The discussion then turned to parishes. The Minister for Local Government said that there were enormous disparities in the size of parishes from a population of a few hundreds to several thousands. Some quite large towns resented being dependent upon districts, the headquarters of which might, in rural areas, be many miles away. He would like to develop arrangements which allowed the larger parishes to take over responsibility for the delivery of some local services. This might be done by providing that these parishes could opt to take over the services or that the district could delegate them to them. The Prime Minister agreed that this would be a desirable development.

It was agreed that the proposals both for county boroughs and for parishes were best kept for the Manifesto rather than being acted upon in the present Parliament. No announcement should be made until nearer the election. Meanwhile your Secretary of State and the Minister for Local Government were asked to work up these proposals further.

There was no discussion of changes to constitutional arrangements.

The discussion then turned to the position in some of the inner city authorities. The Minister for Local Government said that many of them had passed through a phase of ideology and their difficulties reflected a sheer lack of competence. Senior posts were frequently unfilled, or were filled by people in an acting capacity only. Such authorities did not have the managerial capability to deliver effective services. He was particularly concerned at the conditions in some inner city housing estates. In some of them a majority of tenants were in arrears, though it was possible that they were still claiming housing benefit. (The Prime Minister asked that this

should be investigated further with the Secretary of State for Social Security.) A large proportion of the dwellings were occupied by squatters and the services provided by the local authority were minimal. The Government's proposals for Housing Action Trusts were designed to tackle these problems but while tenants were getting away with paying no rent they had no incentive to seek better landlords.

The Prime Minister expressed concern at this. Although the failure to collect rents could bring some authorities to the point of financial collapse, she was reluctant to impose commissioners. It was essential that people saw the consequences of the actions of the local authorities for which they had voted. Nevertheless, it was very worrying that many public services, e.g. Post Office and Social Services, were unable to operate freely in these estates. Ways needed to be found to restore community life in these areas.

I am copying this letter to Trevor Beattie (Minister for Local Government's office) and Richard Wilson (Cabinet Office).

Your sweets And Tunks

Andrew Turnbull

Roger Bright Esq Department of the Environment

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CCBINA.

PRIME MINISTER

ROLE OF LOCAL AUTHORITIES

You are to discuss with Mr Ridley his minute of 25 May - Flag A. Although he has called it the <u>role</u> of local authorities, it is principally about the <u>structure</u>. He does not seek to make any changes to the system of local government <u>finance</u> and, now that community care is close to being settled, he sees the main issues of <u>functions</u> as being settled too. His view was reflected in the Conservative Party Manifesto for local government elections - Flag B. Also present will be Mr Gummer, Sir Terry Heiser, Mr Wilson (Cabinet Office) and Mr Mills (Policy Unit).

Richard Wilson's note - Flag C - suggests a way of structuring the discussion. The main purpose of the meeting is to decide:

- i. whether you agree that only minimal changes to structure are called for;
- ii. whether any of these changes should be made in this Parliament or held over for the Manifesto for the next.

Whatever you decide will be in competition with Labour's plan for abolition of the counties and their replacement by regional assemblies. Their proposals are summarised in John Mills' note - Flag D.



ANDREW TURNBULL 27 June 1989

COBINE

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ANDREW TURNBULL

27 June 1989

STRUCTURE OF LOCAL GOVERNMENT

The fundamental issue is whether the Government should or should not be contemplating further <u>major</u> structural reform of local government in the lifetime of the next Parliament.

Our initial view is that there is no <u>obvious</u> case for major reform, and that Nicholas Ridley's 'steady as she goes' approach has much to commend it.

This view is strengthened by the Labour Party's proposals on this subject (see attachments). These envisage radical change based on regional assemblies and abolition of counties. If the Government is opposed to this kind of regionalism (which is mainly a sop to the North-East and North-West to compensate for Scottish and Welsh devolution) it makes no sense at all to call the existing county structure into question.

In any case, the impending announcement on Griffiths will be a signal that the Government has faith in the county structure of local government.

As for more minor change, Nicholas Ridley's ideas on a return to county boroughs and greater parish pump activity are well worth developing in more detail. They could have considerable political attractions in their own right, as well as being an antidote to Labour's top-heavy approach. Action at the parish level on the "local environment" eg control of litter and dogs is particularly worth further consideration.

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Labour's plans are full of conceptual and practical difficulties which do not seem to have been thought through at all. If Nicholas Ridley's approach is agreed, it is worth considering whether the Government should not seek to take the high ground in public debate on this well ahead of an election and before any head of steam in favour of ill-defined "regionalism" is allowed to build up.

This suggests a possible White Paper reflecting on all that has been done over the last decade to get the local authority house in order, with a defence of essentially the present structure but also looking towards the kind of changes like county boroughs which, as Nicholas Ridley characterises them, go with the grain.

There is otherwise a danger that regionalism will be promoted as a popular concept, which gets government 'closer to the people' (although in reality it would be further away), and thus forcing the Government and those broadly in favour of the status quo, on to the defensive.

JOHN MILLS

John Mills

LABOUR POLICY REVIEW:
SUMMARY OF PROPOSALS ON LOCAL GOVERNMENT REFORM

Basic philosophy: Decentralisation and devolution of power downwards. Extension of democracy through regionalism.

Scotland : Assembly with legislative and financial powers including power to vary income tax.

Wales : Elected body to cover Welsh Office functions and those of quangos etc.

Abolition of county and district councils. Replaced by 17-25 'most-purpose' authorities.

England: About 10 elected regional assemblies.

Boundaries of regions and form of elections for futher consideration.

Transfer to regions of 'Whitehall functions' (eg work of Departments' regional offices) and functions exercised by quangos etc. Responsibility for strategic health planning (RHAs abolished), water and sewage, and strategic transport planning).

Abolition of county councils and of counties as administrative units. Transfer of county functions - notably education and social services - to districts. At least some salaried, full-time district councillors.

Replacement of community charge by a property tax related to income of those living in the household.

LABOUR POUCY RENEW 1989: LOVAL GOVT.

out for most bills its powers of delay will be restricted to only allow e opportunity for revision before final consideration by the House commons. To improve its efficiency as a revising chamber we pose that the second chamber develop a Standing Committees (including Special Standing Committees) system for the detailed scrutily of bills and Special Select Committees for general examination of government policy

The new second chamber will be an essential element in the protection and promotion of fundamental rights. For it will, in effect, entrench our fundamental rights legislation. In the British system of government there is only one way of preventing a government with a substantial majority and supine back-benchers from transforming Parliament into an elective dictatorship. That is the creation of at least one House of Parliament which, because of its composition and construction, will not automatically accept

Cabinet directive

We propose that the second chamber should be the instrument which prevents the swift repeal of legislation on fundamental rights by any authoritarian government which might, in the future, be elected. We propose therefore that the new second chamber should have new delaying powers over measures affecting fundamental rights. It will possess the power to delay repeal of legislation affecting fundamental rights for the whole life of a Parliament thus providing an opportunity for the electorate to determine whether or not the government which proposes such measures should remain in office. The extra delaying power will apply to all items of legislation specifically designated as concerning fundamental rights and all legislation establishing the national and regional assemblies. The second chamber will also possess the absolute right of veto on any proposal to extend the life of Parliament beyond the constitutional maximum of five years

The Judicial Committee of the present House of Lords will continue to function as the sunreme court made up of senior judges appointed — not as now by a Cabinet Minister with clear political allegiance — but by an independent committee responsible to the

Minister for Legal Administration.

Protecting our freedoms

British citizens are today denied fundamental rights which are taken for granted in other democracies. The right of every individual to equal treatment under fair laws; the right to privacy; and the right to know — these will be established through new laws, and protected by the new constitutional powers of our second chamber.

Reforming the House of Commons

The creation of a new second chamber with powers to revise but not initiate legislation will emphasise the democratic authority of the

House of Commons.

We referred in our first Report to the need to ensure that all actions of Government are subject to political and parliamentary control, including those actions now governed by the arbitrary use of the Royal Prerogative to legitimise actions which would otherwise be contrary to law. We reaffirm our intention to review the Royal Prerogative and to identify particular areas of government activity which should be regulated by statute or excluded from its

The House of Commons must also become a more democratic and accessible institution. Our new Freedom of Information Act will have a significant impact on the ability of Members of Parliament to question and scrutinise all aspects of Government policy. Televising the House of Commons, to which our party has long been committed, will bring the House of Commons nearer to every citizen. If the House of Commons is to cope with initiating all legislation and dealing with increased European business after 1992, urgent steps will have to be taken to streamline procedures and provide the assistance that MP's will need.

We will recommend an all-party review of the documents

language and general procedure of the House which could reduce much of their present obscurity. In order to expedite the scrutiny of Public Bills, new Legislative Committees would be able to call witnesses and take expert advice. There will have to be strictly observed rules about the timetabling of legislation and we will seriously consider attaching a specific timetable to each piece of primary legislation.

Parliamentary scrutiny itself must also be extended in four

important ways.

The House of Commons must have the proper opportunity to amend the increasing amount of delegated legislation which comes

The vital work of the Departmental Select Committees must also be strengthened, by requiring them to investigate the public expenditure programmes of departments and by providing them with the necessary permanent research staff. We will also consider providing Select Committees with the opportunity to introduce legislation based upon their specific reports.

Parliamentary powers over public expenditure must be increased by extending the powers of the Public Accounts Committee so that all public expenditure, including the spending of

state funds by private organisations, is audited.

A Special Committee of the House should be created specifically to scrutinise the growing amount of European legislation.

The House of Commons must have the power to exercise

democratic control over key public appointments which are, at the moment, solely the prerogative of the Prime Minister and individual members of the Cabinet (e.g. the Chair of the BBC and the IBA.)

All these measures will increase the powers of the House of Commons. But more is needed. Compared with the resources and facilities available to Commonwealth and European Parliaments our House of Commons is grossly under-resourced. At a time when there is serious concern about the possible corruption of lobbying activities one answer would be to increase the research facilities and expertise available to the House of Commons as a whole so that independent advice and assistance can be obtained.

Facilities at the House of Commons need urgent improvement. There are still no creche or childcare facilities for Members or staff, and sitting hours make the combination of home life and political

duties extremely difficult.

State funding for political parties

Democracy also requires efficient, effective and well funded political parties at both national and local level. We will introduce a system of state financial aid for political parties as recommended by the Houghton Committee. The funding will take the form of annual grants from the Exchequer to national parties, based on the level of electoral support, and limited reimbursement of expenses incurred at local level. We will also impose limits on national spending by political parties comparable to limits at constitutency level.

Extending representation

The House of Commons is not representative of the society it is supposed to serve. It continues to be largely middle class, white and male-dominated. Whilst women continue to carry the major burden of unsupported child care and care for adult dependants, and remain segregated in low paid jobs they will neither have the time nor the financial independence to participate in public life.

State aid to the parties will help in the recruitment and training of women and ethnic minority candidates but further action is needed. The Labour Party is taking a number of initiatives to ensure greater participation and representation of women and black people at all levels of the party. We are particularly interested in examining the action taken by our sister party in West Germany the SPD, which has adopted a quota system. In addition, the present criteria for determining the boundaries of the Parliamentary constituencies lead to some obvious anomolies. We will therefore review these criteria to ensure that Parliamentary Boundary Commissioners reach a more equitable outcome.

Devolution of power and decentralisation of government

The case for modernisation and reform of the democractic process in this country - for both local and national government twofold. First, we will not be able to implement the programme of democratic, economic and human rights which this and other Policy Review reports have recommended unless our political institutions are competent to do so.

Second, in modernising local and central government, we are particularly conscious of the need to decentralise and devolve power downwards and outwards to people and to regions which have traditionally suffered from the attitude that Whitehall knows best That attitude has been intensified to an unprecedented degree since 1979 with the abolition of major councils, the removal of local

powers and functions, and the transfer of power from elected to unelected bodies.

Our party has, in conviction and practice, always believed in the diffusion of power. Our proposals for the devolution of power to Scotland, Wales and the regions of England reflect that belief and will help to build up the local foundations of a strong, efficient and fair democracy. Where possible decisions should be taken by the people whom those decisions affect. Our proposals for extending democracy are the beginnings of a process which must be developed and extended for the rest of this century and beyond.

The nations and regions of Britain

Scotland has its own political tradition, legal and educational system, its own cultural and national identity. Scotland must have, at the earliest possible opportunity, its own democratically elected Assembly with legislative and tax-raising powers. A Welsh Assembly and a network of regional assemblies in England will help to create new, more effective, more local government.

Scotland

In Scotland, very special considerations apply. A separate Scottish legislative system within Westminster already reflects a very distinct political tradition buttressed by Scotland's own legal system and sense of cultural and national identity. The Scottish Office, with its thousands of Civil Servants and devolved administration, is already in place. What is missing is any satisfactory measure of democratic control. We intend to provide it.

Labour is committed to establishing, at the earliest possible moment, a directly elected Scottish Assembly or Parliament, with substantial legislative powers. The starting point will be the present remit of the Secretary of State for Scotland, who does the job of eight or nine United Kingdom Departments. The Assembly will have a range of responsibilities which will enable it to reflect Scottish opinion and meet Scotland's needs. We shall end a system which has produced the injustice of the Poll Tax, the damaging attacks on Scottish education and has sought to undermine the essential principles of the Health Service. Most decisions affecting Scotland will be taken in Scotland.

We are determined that the new Scottish settlement will be firmly established in our system. Many will remember the lengthy debates about the problems of definition and the judicial review powers of the Privy Council during the passage of the Scotland Act in 1978. The fear was conflict and dispute between Parliaments in London and Edinburgh. In fact each will have a defined and distinct role with the one complementing the other. There must this time be no possibility of constitutional pressure on the election of a hostile Government. We are determined to entrench the powers of the Assembly, and it may be this is best done through the powers we will give to our proposed new second chamber which will replace the House of Lords.

The Assembly will have a significant and wide ranging economic role. The responsibilities will include the Electricity Industry, the Scottish Development Agency, the Highlands and Islands Development Board, industrial training and the operation of regional development policies, including the attraction of inward investment. The power will be there to influence investment decisions and to build up Scotland's economic base which has been so badly damaged by recent neglect. These responsibilities and the extended legislative powers are a considerable advance on what seemed appropriate ten years ago.

The Assembly will have a substantial budget reflecting its wide responsibilities and pressing needs. The Scottish Office alone will be allocated £9000 million this year. Spending power on that scale will in itself make the Assembly a considerable economic force. It will have the additional power to vary the level of expenditure by varying income tax rates in Scotland. We are examining the practicalities of different systems, including the gathering of direct taxation on a Scottish basis, with the 1978 system being reversed and Westminster's share being remitted after collection. The priority is to make sure the financial powers are effective and allow real room for discretion. If Scotland's elected representatives want higher public investment they must raise the cash and answer for what they do at the ballot box. It is an essential discipline for any democratic arm of government.

Changes in national government inevitably affect local government. The Assembly responsibilities are carved out from Westminster, and its very existence and wide remit makes a strong case for a move to one-tier all-purpose local authorities. The basis of this is a belief in strong local democracy and the need to re-establish the right of local communities to run their own affairs. There will have to be consultation about the basis on which services can best be delivered and the size and responsibility of authorities.

Our plans for the Assembly are considered and detailed. Our approach, however, is not inflexible. Labour will consult and listen to public opinion in Scotland. The aim is to build a broad coalition of support in the community and that is why the party in Scotland is taking a leading role in the Constitutional Convention. This has brought together a broad section of Scottish opinion in the drive for necessary constitutional change. No one should underestimate the difficulties, but it would have been irresponsible and narrowly partisan to reject the opportunity for constructive discussion and, hopefully, effective cooperation in a common cause. The Convention is at an early stage but its progress and conclusions will influence the way in which the broad thrust of policy develops.

The Assembly is part of a wider campaign to disperse power and break down the centralised authority which has been so blatantly abused in recent years. It is a specific Scottish solution to a particular Scottish problem, but complements the move to regional Assemblies in England and the plan for Wales. The common theme is a determination to build in the kind of checks and balances which will prevent a return to the bitter experience of the Thatcher years. An imaginative, effective response to Scotland's needs will strengthen the United Kingdom.

Wales

The Labour Party in Wales is undertaking comprehensive consultations about the form and financing of the devolution of democratic power to the country. The favoured option which has emerged from the first phase of consultation is the abolition of county and district councils and the establishment of between 17 and 25 most-purpose authorities, together with an elected body for Wales responsible for Welsh Office functions and the work of nominated bodies.

The interim report of that review has been published for consideration by this year's Wales Conference and the process will be concluded next year. At that time the party in Wales will consider its final proposals for inclusion in Labour policy.

Regional Government in England

For over a decade the party has been considering the case for regional authorities in England. Britain now stands alone in Western Europe as the only large country which does not have any system of regional government.

We believe the arguments for new elected regional assemblies have become increasingly powerful over a decade which has seen the power of central government intensify and the disparities and inequalities between the regions grow wider. Our success in managing regional economies, which vary considerably from one part of the country to the other, and in providing regional services. which should all aim for the highest quality standard, will depend on a new strategic power to bring management, intelligence and resources together at a regional level.

The new regional authorities we propose will be a means of decentralising power from central government, but they will also be

a means of extending power at regional level.

The vast bulk of local government services — services such as education and social services — which account for the largest proportion of spending will transfer to the district authorities. We intend that, wherever possible decisions will be taken by the people whom those decisions affect. The spending programmes of the districts will be controlled by the districts themselves.

The new regional authorities will be a means of decentralising power from central government by the transfer of functions downward from Whitehall. But they will also absorb, under democratic control, the functions exercised by non-elected boards

and quangos.

The regional authorities will be established with certain core responsibilities which can be added to and extended as appropriate. These will include functions such as providing intelligence about regional labour market needs, now exercised by Whitehall, or not exercised at all, which will stimulate the regeneration of local economies.

The regional assemblies will assume responsibility for the joint planning role of the Regional Health Authorities, which will be

abolished. They will also take over water and sewage responsibility, and strategic planning from the dissolved counties. Regional ponsibilities of central government departments will go to the ions, as will some aspects of higher education.

Our proposals will ensure that each region has a direct input into the national public expenditure planning process. Our aim is to

iron out, over time, major regional imbalances.

Fairness and justice will be at the heart of Labour's alternative to the inequality and injustice of the poll tax. Our proposals, set ou in last year's NEC statement "Local Services, Local Choices, Local Taxes" are currently being developed in detail. These will link a new property tax with the income of those living in the household. We will ensure that our alternative is clearly based on the ability to pay. We would also restore business rates as a local tax

Local authorities and the regional tier would both be funded through our new system of local government taxation. We do not believe it would be sensible to split the tax by giving the regional tier the more buoyant element based on income as this would undermine our proposals for the key roles to be played by both

regional and local government.

Having looked at possible regional boundaries we believe it is possible to construct about 10 regions in England — with an average population of just under 5 million people — which make geographic and economic sense and reflect regional identities where these exist. Decisions on these boundaries will not be reached until we have had extensive consultation. The creation of regional government in Italy, France and Spain suggests that regional consciousness develops as its value is perceived and as it secures local interest. Our policy of "regionalising" central government and devolving power to regional assemblies would, we believe, itself confirm and accelerate the development of a regional identity.

The form of election to the regional assemblies is a matter for

further consideration.

Local government reform

Local government provides the opportunity to express the aspirations and values of the community it serves and to develop practical policies based on local knowledge and needs. The government has chosen to ignore the fact that we all depend on our local councils for the majority of essential services.

Since the war, the Conservative Party has been responsible for every reorganisation of local government. Each "reform" has been flawed. We believe, for the reasons set out in our 1987 consultative document that the present structure is inherently unstable,

inefficient and cannot last.

In 1987 we stated that our preferred approach would be to create most-purpose local authorities, based wherever appropriate on existing districts, with responsibility for education, social services and most other county council functions. The counties as administrative units, would then be dissolved and only functions which could not sensibly be exercised by districts, such as strategic transport planning, would transfer to a new regional tier.

The responses to our consultation paper and the separate submissions we received as part of the policy review support that model. Significantly, our proposals have won support from other quarters outside the party. The Conservative-controlled Association of District Councils has also called for most-purpose authorities.

But the case for reviving local government goes beyond structural reorganisation. The attacks on local government have struck at the heart of local democracy. Electoral registers are contracting everywhere as some of the poorest people in the community desperately seek to avoid the poll tax. Academic research for the Widdicombe inquiry reveals an institution in - poor turnout at elections, little interest or understanding of what the local council does, elected representatives who do not always reflect the wider community.

Our objective is to breathe new life into local government by giving it wider powers and greater relevance to people's lives. This is developed in our report, Consumers and the Community.

In line with the proposals in our 1987 document we will ensure that there is provision for at least some salaried full time councillors.

The future for Northern Ireland

The long term solution to the conflict in Northern Ireland lies in the establishment of a united Ireland. We firmly reject the use of violence from whatever quarter it comes. A united Ireland can only be achieved through consensual, peaceful and democratic means. Our aim is to achieve a durable political solution, based on compromise and reconciliation between the traditions and communities in Ireland. We will therefore work to reach agreement

with all concerned in Northern Ireland and with the elected

government of the Republic of Ireland.

We accept that, at present, the majority of the electorate of Northern Ireland wish to remain within the UK. We support the commitment contained in the Anglo-Irish Agreement that "any change in the status of Northern Ireland would only come about with the consent of a majority of the people of Northern Ireland."

However, this should not be allowed to constitute a veto on political progress. We believe that there are many necessary policies which do not involve an unwanted transfer of sovereignty. It will be on this basis that we will seek to build consent for a united Ireland.

A dual strategy is required. On the one hand. Northern Ireland itself must be reformed. On the other, greater cooperation with the

Republic of Ireland is required.

These two elements would be mutually reinforcing. Good relations between the two parts of Ireland and an end to violence

within Northern Ireland are inextricably interlinked.
Within Northern Ireland, the material and political causes of sectarianism must be eradicated. A Labour government would set to work to put an end to the deprivation, injustice and fear which so

disfigures Northern Ireland.

Northern Ireland is the most depuived region of the UK. It suffers from higher unemployment and lower wages than any other part of the UK. Whilst the economic policies which we would apply to the UK as a whole would help to alleviate the problems of Northern Ireland, special treatment must be given. Particular effort must be devoted to securing European Community support for job creation, vocational training and infrastructural investment.

Nevertheless, it is not sufficient to establish a prosperous economy: a fair one is also required. Equality of opportunity in employment is desperately required. Legislation will be strengthened in order to help eradicate religious and sexual

discrimination.

Despite progress, housing provision is still inadequate.
Comprehensive education is required to reduce gross educational inequalities. Adequate state support for integrated education should be made available and every encouragement given to its development.

The unequal funding of state and maintained schools must also be redressed, whilst support for the cultural traditions of both communities must reflect our commitment to equality and respect

for the two communities in Northern Ireland.

We will also extend laws on women's rights to Northern Ireland. The erosion of civil liberties has been particularly damaging. We recognise that paramilitary violence has inspired many of these violations, but the indefinite suspension of human rights cannot

facilitate the cause of peace.

To this end the Prevention of Terrorism Act will be repealed, whilst the Emergency Provisions Act will be amended and eventually repealed. Diplock Court cases will be heard by three judges. We will also work towards the restoration of jury trial for all offences. Strip searching will be ended, as will the use of plasti bullets. Inquest procedures and the legal definition of the use of permissible force will be reviewed. A Labour government will us all legal means necessary to defeat the terrorists and bring them to justice and ensure that, in carrying out their responsibilities, the security forces act clearly within the law.

We believe that it is necessary to restore responsibility to the elected representatives of Northern Ireland. We will work with the political parties in Northern Ireland to establish a devolved powersharing administration in Belfast. We also applaud the efforts of the trade unions and other organisations in Northern Ireland, who are working to undermine sectarianism and develop a truly non-

sectarian community.

Co-operation in Ireland

The second element of the strategy is to create closer co-operation between the two parts of Ireland.

Existing institutions, such as the Anglo-Irish Agreement, will be used to extend cooperation into a wide range of policy areas. These would include security, the economy, tourism, agriculture, energy, transport, education and social security. Joint planning in these policy areas is both necessary and desirable.

Such harmonisation is necessary because of the challenge to both parts of Ireland posed by the approach of 1992. Joint approaches by the two Governments to Brussels will be much more successful in obtaining funding from the European Community, particularly in relation to the border areas. The Single Market will make the border less relevant and the benefits of cooperation between the two parts of the island more apparent. Coupled with the policies designed to improve conditions within Northern Ireland, we believe that it will be possible, step by step, to build the consent needed to achieve unity in Ireland.

impact of high community charges will not have hit voters' pockets by the May local elections. They will simply push blame on to the Government.

There is in particular a real danger that, if the average charge moves above £300, opponents will be able to characterise the whole community charge as inflationary. This will be the more damaging since so many people stand to gain from it. (The 1986 Green Paper said that 85% of pensioner households would benefit.) The agreed methodology for including community charge in the RPI unfortunately excludes the impact on pensioners and the effect of rebates. Both of these offset measured 'inflation'.

So it is absolutely crucial to keep the average charge down to £300, and less if at all possible.

Safety Net

It will not be possible to reach a final decision at this meeting. At first sight Nick Ridley's latest proposal looks more balanced and defensible. All losers lose something at the outset. But small gainers gain less than under the original proposals. Big gainers, mostly in the South-East, get their gains quicker. Opponents will try and dub this a North-South issue. The reality is a tangled web across the whole country, whatever option is chosen.

The latest proposal gives greater benefit to, for example

- inner London
- <u>some</u> outer London boroughs (e.g. Barnet, Harrow, Richmond)
- Stockport (327 against 347 for Manchester, assuming a 7% spending increase)
- West Midlands
- Home Counties.

But a bit less benefit to:

- Lancashire
- Lincolnshire
- West Country
- North Yorkshire
- Outer London (on average).

More figures are needed to show precise effects at different spending levels.

Two points of concern:

- it is proposed that the £26 safety net contribution be itemised on bills. But this could upset gainers, whose support is crucial to the success of the whole business. It is worth asking if the presentation of the safety-net needs to be so blunt.
- assuming a 7% increase in spending, and assuming that this is roughly a real terms standstill, Table 4 suggests that it is going to be really difficult to sustain the Government's original pledge that, with no real change in spending, the charge would be the same in real terms as the average 1989/90 rate bill. There is some vagueness about this pledge but, as Nick Ridley points out, its general import was clear, and the end result must have very careful regard to it. This will need looking at again when further figures are produced.

John Mills)

21 June 1989

DA1 ADH

PRIME MINISTER

MEETING OF E(LF): 22 JUNE

There have been a number of further developments in the last couple of days. But I suggest that the handling of tomorrow's meeting remains essentially as set out in my earlier note of 19 June immediately below this one. In brief:

- split the discussion into two parts, first the overall figures for total standard spending and Aggregate External Finance; and second the safety net.
- on the overall figures, aim to reach agreement on the Ridley/Major package;
- on the safety net, have a Second Reading Debate and then commission further work for the next meeting. Do not refer (even to Nick Ridley) to the further work that John Major is privately carrying out.

The full set of papers for the meeting now is:

Flag A - Nick Ridley's first paper, E(LF)(89)3. You saw an earlier draft of this. I suggest you ignore all the material in this paper on the safety net, ie paragraphs 14-23 and the confusing Tables 2 and 3 at the back. All this material is overtaken by the next paper.

Flag B - A further paper by Nick Ridley, E(LF)(89)4, which sets out a number of further variants on the safety net. It also includes a much easier set of illustrations at the back - Table 4 - providing an easy comparison of all the options.

Flag C - A note by Kenneth Baker, E(LF)(89)2, summarising service departments' assessment of needs to spend.

Flag D - Handling briefing by the Cabinet Office.

Flag E - Briefing from John Mills in the Policy Unit.

For your private information, I understand that John Major does think it would be possible to come up with a supplementary safety net package on the lines Richard Wilson and I discussed with him the other day. This would involve extra Exchequer finance (which he puts at £75 million) targeted on areas of low rateable value in Lancashire and Yorkshire. He will also be prepared to agree some further supplement to an ILEA grant. We have yet to see any figures. But I would guess that this supplementary package superimposed on the Column 8 variant of the safety net in the Flag B paper could produce a good outcome.

PACE.

PAUL GRAY 21 June 1989 MR GRAY
for 116

P 03480

REVENUE SUPPORT GRANT SETTLEMENT 1990/91

I attach a brief for tomorrow's meeting of E(LF).

- 2. The Prime Minister may also wish to know the latest position on the ideas which we discussed with the Chief Secretary on Monday.
- 3. The Treasury have now devised an option which would improve the position of the 27 local authorities with the lowest rateable values. This would include areas such as Pendle, Rosendale, Hyndburn, Calderdale and York. The Chief Secretary says that the targeting, although not perfect, is not bad. These authorities would be protected from any increase in community charge in 1990-91, on the assumption that the general safety net would allow losses of up to £25 per adult to feed through in other areas.
- 4. This new device could take the form either of a modification to the general safety net or of a new specific grant. The latter would require legislation but the Chief Secretary considers that this would not necessarily be a disadvantage since it would enable them to make sure that it was proof against judicial review.
- 5. Whichever approach was adopted, it would be financed by new money over and above the £23 billion agreed for AEF. The Chief Secretary expects the cost probably to be around £75 million per annum. In addition he would envisage putting another £25 million per annum into the new specific grant for education in inner London, making a total of new money of around £100 million per

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annum. It would of course be possible to put more money into the approach if this is what Ministers wanted.

- 7. One aspect for decision would be the length of time for which the protection would last. The Chief Secretary believes that it could not be withdrawn after one year: there would probably need to be a period of, say, three years in which the authorities in question had a chance to adjust before the process of transition to the full community charge took place.
- 7. The Chief Secretary is anxious that none of this should be referred to at tomorrow's meeting of E(LF) and that the discussion then should be entirely on the basis that the safety net will be self-financing. Mr Ridley is not at present aware of the proposal. The work has been confined to a small group in the Treasury.
- 8. The Chief Secretary suggested that the next step might be a private meeting with the Prime Minister, the Chancellor, Mr Ridley, perhaps Mr Parkinson and himself to agree the proposal and the amount of money to be allocated to it. He would then come back to E(LF) on 6 July and put it formally to colleagues.

BW.

R T J WILSON
21 June 1989

PRIME MINISTER P 03478

REVENUE SUPPORT GRANT SETTLEMENT 1990-91 [E(LF)(89)2, 3 & 4]

DECISIONS

Mr Ridley has now circulated two papers. The first, which you have already seen, sets out the package on the grant settlement for 1990-91 which he has agreed with the Chief Secretary, together with some ideas for revising the safety net. The second, which is a new paper, sets out some further ideas on the safety net. In addition there is a paper by Mr Baker which adds up what each main service Department thinks local authorities will need to spend in 1990-91.

- 2. You may wish to divide the discussion into two parts:
 - i. the grant settlement. A formal decision is needed that Mr Ridley should announce in July that the total of standard spending (TSS) for 1990-91 will be set at £32.8 billion and that Aggregate Exchequer Finance (AEF) will be £23 billion. The main service Ministers can be expected to argue for a much higher level of standard spending, reflecting what they believe will need to be spent on their services;
 - ii. the safety net and the specific grant for education in Inner London. You do not need to take decisions on these issues at this meeting. You may wish instead to have a general discussion of what the objectives should be and the relative merits of the options and then invite Mr Ridley to do further work.
- 3. A further meeting of E(LF) has been fixed for Thursday 6

 July. This could be used to carry forward the discussion about
 the safety net and any other outstanding issues.

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BACKGROUND

4. Mr Ridley's first paper (E(LF)(89)3) sets out the outcome of the 1989-90 settlement. Despite a generous settlement last year local authorities have budgeted to increase their current expenditure by 9.1% compared to 1988-89. The resulting spending figures are 4.1% or fl200m above the level for which the Government provided in the settlement for the current year.

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MAIN ISSUES

Mr Ridley's proposals

- 5. Mr Ridley's proposals are:
 - i. total standard spending of £32.8bn. This accepts 198990 budgets as the starting point but allows an increase of
 only 3.3% in current expenditure, a squeeze of at least 0.7%
 or £200m in real terms. But the increase over the total of
 GREs for 1989-90 would be about 10.5% This should ensure
 that most authorities which have budgeted to spend at or
 below GRE this year could spend at or below their standard
 spending assesment in 1990/91;
 - ii. Aggregate Exchequer Finance of £23.0bn, an increase of £1.6 billion or 7.5% over 1989-90. £1 billion of this will come from the automatic growth in the NNDR. Exchequer grants will rise by 5% or £0.6bn.

The Chief Secretary will take the line that his initial inclination was to go for a tighter settlement; that he is prepared to agree Mr Ridley's proposals in the interests of reaching agreemt; but that it is an absolute maximum beyond which he is not prepared to go. Neither he nor Mr Ridley will refer to any of the discussions which have taken place.

6. This package would mean a community charge for standard spending of £275, about the same as average <u>actual</u> rates per CONFIDENTIAL

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£1\frac{1}{2}bn 8%.

adult in 1989-90. Mr Ridley believes that authorities may actually spend around £33.9bn, a 7% increase on 1989-90. This would mean average actual charges of £301 which would add about 0.4 percent to the RPI in April 1990 (about the same amount as was added to the RPI by this year's rate increases).

Service Departments' estimates of "need"

- 7. Mr Baker's paper covers an assessment by each service Department of what they believe authorities will "need" to spend in 1990-91. These assessments take 1989-90 budgets as the starting point, add 4% (f1.194bn) for inflation at the estimated level of the GDP deflator, f247m for demographic and other pressures, f589m for "additional burdens" and f843m for other cost factors (mainly higher pay settlements), and deduct f266m for efficiency savings. The resulting figure for total standard spending is f34.4bn, f1.6bn above Mr Ridley's proposal and f500m above his estimate of what local authorities may actually spend. It would represent an 8.5% (f2.7bn) increase on 1989-90 budgets, and implies that standard spending assessments would on average be about 16% above 1989-90 GREs.
- 8. It is not clear whether all the service Ministers will in fact argue for total standard spending at this very high level. But they can be expected to back a substantially higher figure than Mr Ridley proposes, using the following arguments:
 - i. that it is only <u>realistic</u> to start from budgets, and to recognise the additional pressures imposed by new Government policies and pay settlements endorsed or influenced by the Government (eg for the police and teachers);
 - ii. that the new system will have <u>credibility</u> only if standard spending assessments are at a level which responsible authorities will feel meets the pressures they face;

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- iii. that realistic and credible standard spending assessments will be necessary for their services if they are to persuade authorities to expand and develop their services in line with Government policies on education, community care, highways and law and order.
- 9. In introducing his proposals Mr Ridley will probably make the point that they are not an opening position in a negotiation but a firm set of proposals which he wishes to announce. You may wish to underline this point and draw on the following arguments:
 - i. Mr Baker's bottom-up approach would <u>validate</u> 1989-90 budgets, including the £1.2 billion overspend compared with the settlement;
 - ii. standard spending assessments would increase by 16% compared to 1989-90 GREs. This would give entirely the wrong signal to authorities about the Government's policy for public expenditure. Responsible authorities who aim to spend at or below GRE/SSA would see it as a green light for a large increase in expenditure;
 - iii. it would encourage authorities to expand provision in the areas where service Ministers exhort them to do so without seeking offsetting savings elsewhere in their budgets;
 - iv. with £23 billion of AEF, the community charge for spending at need would be £317. The service Ministers may argue for higher AEF to finance the spending which they believe to be necessary. This would reduce the CCSS, but might lead to even higher spending.
- 10. You may wish to steer the Sub-Committee towards accepting the package agreed between Mr Ridley and Mr Major, making sure CONFIDENTIAL

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that Ministers without a major service interest have a chance to contribute to the discussion: for instance, the Secretaries of State for Employment, Energy and the Lord President.

THE SAFETY NET

- 11. All Mr Ridley's options on the safety net are on self-financing: that is, the cost of protecting some authorities from losses would be met by reducing the gains of other authorities. For the purposes of this discussion you may wish to endorse this approach. [NOT TO BE READ OUT: Mr Major is working separately on additional proposals which would involve extra Exchequer finance. But he would wish to agree the details separately with you, the Chancellor and Mr Ridley before disclosing the proposal at the next meeting of E(LF). He hopes very much therefore that no reference to the possibility will be made at this meeting.]
- 12. The purpose of the safety net is to limit changes in the average domestic tax bill as between different local authority areas. The Government's publicly stated position is that the safety net will prevent all changes in average bills in real terms as between 1989-90 and 1990-91, except that no area will be expected to pay more than f75 per adult to the safety net (that is, gains about f75 will be allowed to feed through). The Government has also said that the safety net will be phased out over 4 years. The legislation provides that there will be one-and only one transitional report, which will need to set out all the details of the safety net for 1990/91 and subsequent years including its distributional impact.
- 13. Mr Ridley's second paper (E(LF)(89)4) sets out 6 options for the safety net. Their effects on community charges in each area for total spending at the level of TSS are shown in table 4 attached to that paper:
 - i. column 3 shows the present safety net. There is full protection for losers, financed by preventing all gains up CONFIDENTIAL

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to £74 per adult from coming through: in other words the small gainers pay for the protection for losers;

- ii. column 4 shows a variant of the present net under which losses of up to £25 per adult are allowed. This reduces the contribution from gainers to a maximum of £39 per adult;
- iii. column 5 also allows losses of up to £25. But this is financed by the <u>largest</u> gainers: gains up to £25 feed through, but larger gainers keep only 16% of their gains over £25;
- iv. <u>column 6</u> prevents all losses. This protection is financed by reducing <u>all</u> gains by 81%. Gainers keep only 19% of their gains;
- v. <u>column 7</u> is similar, but allows £25 of losses to feed through. Gainers contribute 57% of their gains to finance protection from losses above this level and keep 43% of their gains;
- vi. column 8 allows losses up to £26 to come through. All other areas, losers well as gainers, pay a flat rate contribution of up to £26 to finance this protection.
- 14. Mr Ridley now prefers the <u>column 8</u> approach: protection for losses over £26 per adult, financed by a flat rate contribution of up to £26 per adult from all other areas. He argues that this would be simple to understand and present, and that it would avoid the problem of large contributions from areas with high gains, like Westminster, Kensington and most of Buckinghamshire.
- 15. Mr Ridley also proposes a <u>new specific grant</u> of £100m in 1990-91 (financed from within AEF, and to be phased out in subsequent years) for <u>education costs in inner London</u>. The aim CONFIDENTIAL

would be to help the boroughs to meet ILEA's overspending in the transitional period before they can make savings. He proposes that this grant should be paid <u>after</u> the safety net. Since the grant would exceed the £26 per adult of losses which would be allowed to feed through, this proposal would turn all the inner boroughs into gainers in 1990-91 irrespective of their long-term position.

- 16. The decision between the various options for the safety net will depend on what you want the safety net to achieve. In particular:
 - i. the basis on which the safety net should operate. All the present options are based on a comparison between average rate bills per adult in 1989-90 (plus 4%) and the 1990-91 community charge. The alternative would be to limit the highest community charges in absolute terms. This is the approach which was adopted in Scotland this year. The logic is that the average rate bill under the old system is irrelevant to many people, eg people who pay no rates: a first-time payer in highly rated Buckinghamshire may find it as hard to meet a high charge as one in low-rated Lancashire. Do you want Mr Ridley at least to explore alternative options on the Scottish model?
 - ii. the right limit on losses. Another question is whether it is right to prevent all losses feeding through (as under columns 3 and 6) or whether it would be acceptable for some losses to take effect in 1990-91 (as under columns 4, 5, 7 and 8);
 - iii. how should protection for losers be financed? The options include removing all gains up to a certain limit (columns 3 and 4), removing a common percentage of gains, perhaps above some limit (columns 5, 6 and 7), and a flat rate contribution from all gainers (and losers up to eg £26 CONFIDENTIAL

per head) (column 8);

- iv. what is acceptable for the highest gainers (eg Westminster, Kensington, much of Buckinghamshire)? At present they are expecting to pay no more than £75 per adult to the net: indeed they are campaigning against paying even at that level. Only columns 3, 4 and 8 would limit their losses at or below this figure. The other options involve losses of up to £165 for Westminster;
- v. what do you wish to achieve in inner London? Mr Ridley's proposed specific grant, paid after safety net protection, would turn all the inner boroughs into gainers despite the fact that 7 out of 12 will be losers in the long run (even if they get education spending down to the SSA level). For example, the average tax bill in Greenwich would fall from £285 in 1989/90 to £221-247 in 1990/91, although in the long run it is expected to rise to £579. This seems perverse: it could be avoided by paying specific grant before the safety net is calculated. You might want to ask Mr Ridley to look again at the interaction between his proposed specific grant and the safety net.
- 17. You will probably want to conclude the discussion by inviting Mr Ridley to bring forward a smaller range of options for the next meeting on 6 July.

HANDLING

18. You may wish to begin by asking for agreement to the grant settlement which is to be announced in July. You could ask the Secretary of State for the Environment to introduce his paper. You might then alternate the main service Ministers (the Secretaries of State for Education, Transport and Health, and the Home Secretary) with other Ministers without a service interest: in particular, the Chancellor, the Chief Secretary, Treasury, the Secretary of State for Employment, the Lord President, the CONFIDENTIAL

Secretary of State for Energy, the Secretary of State for Social Security and other members of the Sub-Committee.

19. You will then want a general discussion of the transitional arrangements, starting with the <u>Secretary of State for the Environment</u> and the <u>Chief Secretary</u>, <u>Treasury</u> before inviting other contributions. The <u>Secretary of State for Education</u> will wish to comment on the proposed specific grant for education in inner London (which he should welcome).

DW.

R T J WILSON 21 June 1989

RA

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT 1989

You talked through some of the issues this morning with Richard Wilson and John Mills.

In the light of that talk, I have now authorised DOE to circulate their paper for Thursday's meeting of E(LF). I have told DOE that you remain concerned about the safety net package, but did not indicate to them the way you were envisaging tackling this.

I thought I should, however, go further to alert John Major to what you had in mind. So, Richard Wilson and I have had a talk with him. We explained your worries about the need to deal effectively with the problem areas, eg in inner London and Lancashire, and raised the possibility of privately holding back a small amount of extra Government grant which would be announced much later.

John Major does, I think, recognise your concerns. He too is worried about Lancashire (Tony Favell is his PPS). But he is concerned about trying to handle this by holding money back until late in the day, and questions the politics of being seen to concede a change in the settlement in the face of pressure. And, as Richard Wilson hinted this morning, there is a legal difficulty; Nick Ridley is required under the new system to make a once for all report to Parliament on the distributional impact of the transitional arrangements and the safety net, and were he to go back on this late in the day, legislation would be required.

So John Major's feeling is that, if something more is to be done on the safety net, it is best done early. He is now commissioning urgent work in the Treasury on the options, and looking particularly at the possibility of a <u>supplementary</u> safety net, particularly targeted on areas of existing low rateable value (which are said to be concentrated in

- 2 -

Lancashire and Yorkshire). Whereas the basic safety net, as in the Ridley/Major paper, is <u>self-financing</u>, this supplementary arrangement might be financed by extra specific <u>Exchequer grant</u>. I think John Major could also be persuaded to add a bit more to the special <u>ILEA grant outside</u> the safety net.

If this further work comes up with something, John Major may send you a <u>private</u> note before Thursday's meeting.

In any event, all this now points to your handling Thursday's meeting as follows:

- start by focusing on the overall aggregate for total standard spending and Aggregate External Finance. The service Ministers will all press for more. But you may wish strongly to support the revised Ridley/Major package in the paper.
- only when that is settled, move on to the safety net. On this have a "second reading" debate and sum up by commissioning further work. You should not in the meeting specifically refer to the possibility of extra grant.
- you might then have a private meeting with Nick Ridley and John Major to discuss a revised safety net package. And when they report back to the next meeting of E(LF), the aim should be to reach agreement on an amended package, incorporating a bit more Exchequer grant to deal with the particular problems of Lancashire and London.

PRCG.

PAUL GRAY

19 June 1989

PRIME MINISTER P 03474

LOCAL GOVERNMENT FINANCE 1990-91 Letter from Secretary of State for the Environment of 16 June

- 1. Mr Ridley has reached agreement with Mr Major on a package covering this year's grant settlement and a new safety net for the community charge which, subject to your views, he would like to put to E(LF) next Thursday.
- 2. There are three central issues on which you may wish to concentrate:
 - i. the grant settlement. This is based on the two central options options B and C-agreed at your preliminary meeting, but is slightly more generous. In particular it includes £200 million more grant from central Government, in part to assist Inner London Boroughs take over ILEA responsibilities. But the settlement is still considered by the two departments to be tough. You will wish to decide whether you are content.

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that all losers should bear the first £25 of their losses; that all gainers should keep the first £20 of their gains plus 25 per cent of any gains above that; and that all losses over £25 should be financed by the remaining 75 per cent of gains above £20. This is substantially different from the safety net agreed earlier. You will wish to decide whether you are content or whether more work should be done on the implications of the new

formula. Decisions are not scheduled until the autumn but the Treasury want it to be agreed now, as part of the grant settlement, that whatever form the safety net takes, it will be self-financing.

iii. handling of E(LF). Most members of E(LF) will be coming to these issues completely fresh, with the service Ministers looking for a very much higher settlement, at least on the total of standard spending. Mr Ridley and Mr Major suggest that the best course is simply to table the package on which they have agreed and press the Committee to accept it. There would be nothing up their sleeves. You will wish to consider the tactics.

3. The immediate issue is whether you are content for Mr Ridley to put round his paper in its present form. If you are content with the proposals on the grant settlement and tactics, you may wish to agree that he should. The difficult issue of the safety net may take more time to settle and the meeting on Thursday could be used to have a first discussion of the the new formula. In agreeing to circulation of Mr Ridley's paper, you might wish to make it clear to him and Mr Major that you wanted to go through the implications of the new formula before deciding on it.

MAIN ISSUES

The grant settlement

4. At your meeting on 25 May it was decided that Mr Ridley, in consultation with Mr Major, should bring forward papers for E(LF) on the basis of two options, options B and C. The settlement which they have now agreed fulfils this but is slightly more generous. The figures are as follows.

		ion C	Now proposed
32.4	3	2.7	32.8
22.7	2	2.8	23 —
12.2	1	2.3	12.5
9.7		9.8	9.8
270		273	275
		to 306	280 to 301
	9.7 270 to 3	22.7 — 2. 12.2 1. 9.7 270 to 310 285	22.7 — 22.8 — 12.2 12.3 9.7 9.8 270 273

- 5. This settlement has only been reached after a lot of discussion and with concessions on both sides. Mr Ridley in particular regards it as tough, much more so than in recent years, but is prepared to stick with it. The main points which you may wish to note are as follows.
 - i. the total standard spending level (previously known as the "need to spend") is £32.8 billion, a 3.3 per cent increase on current spending in local authority budgets for 1989-90. This is £100 million more than the old Option C for technical reasons to do with financing items. It is the figure which will particularly interest the service Ministers because it will have to be divided up into the various service components in the autumn. They are considering whether to circulate a joint paper for next week's meeting which will reportedly show that a total standard spending level of £34.5 billion is needed to accommodate their bids.
 - ii. Aggregate Exchequer Finance (AEF) is £23 billion CONFIDENTIAL

rather than the £22.8 billion in the old Option C. The increase of £200 million would cover the technical financing changes and an extra £100 million to assist Inner London Boroughs taking over ILEA responsibilities.

iii. The Community Charge for Standard Spending (CCSS, previously the Community Charge for Spending at Need, CCSN) derived from these totals comes out at £275 per head. If agreed, this will be announced in July. Mr Ridley's paper shows however that if the actual budgets of local authorities next year were 7 per cent above their levels for this year, the average actual charge would be £301 per head.

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iv. The effect of the community charge on the RPI could be statistically significant. We have not consulted departments but our own calculations suggest that an average actual charge of £301 compared with this year's average rate of £274 per adult could make a difference of around 0.4 per cent to the RPI; and there would also be an effect on index-linked public expenditure.

The safety net

- 6. Introduction of the Community Charge will lead to shifts in the burden of domestic taxation at two levels:
 - i. within each local authority area there will be shifts between individuals, with ratepayers tending to gain and non-householders tending to lose. Ministers have decided that these shifts should take place fully right from the start, without any transition;
 - ii. as between different areas the removal of domestic CONFIDENTIAL

resource equalisation and the pooling of non-domestic rates will lead to large shifts in the overall tax burden on their residents taken together. Areas with high rateable values and low spending levels will tend to gain ("gainers"); those with low rateable values and high spending will tend to lose ("losers"). In addition there is the special case of London which, although it has high rateable values, has received favourable treatment through the London resource discount in the past.

7. Without any safety net the shifts in the burden of domestic taxation between the rates system and the community charge, based on 1988-89 figures, would be:

South East	gain of £494m
West Midlands	gain of £144m
East Anglia	gain of £ 35m
South West	gain of £ 18m
East Midlands	loss of £ 25m
North West	loss of £ 57m
Northern region	loss of £139m
Yorkshire and Humberside	loss of £231m
London	loss of £241m

8. The present safety net, agreed by Ministers in 1987, is designed to prevent any of the shifts taking place in the first year of the community charge. The intention is that if authorities hold their spending broadly steady, the community charge in 1990-91 will be about the same in real terms as the average rate bill per adult in 1989-90. But Ministers agreed that no area should be expected to contribute more than £75 per head to the safety net. This will mean that only gains of more than £75 per head would be allowed to come through in the first year. (Mr Ridley explicitly told the House on Second Reading of the Local Government Finance Bill: "We shall limit contributions

to the safety net to £75 per adult.")

- 9. The latest proposal put forward by Mr Ridley and Mr Major appears to turn this inside out. Instead of only the <u>large</u> gains coming through in the first year, with smaller gains under £75 being used to finance the losses in that year, the new system would allow through the <u>small</u> gains in that year, with 75 per cent of gains over £20 being used to finance all losses of over £25. This raises important points which need to be explored.
 - i. The practical effect. Some areas would be a lot worse off under this approach. For instance, the community charge for Westminster without a safety net on the basis of standard spending would be £340 compared with an average rates bill of £587. Under the present safety net the community charge would be increased by £74 to £414 per head. Under the proposed new safety net the community charge would be increased by £140 to £480.
 - ii. Rationale. Mr Ridley would need to explain to Parliament the reason for the change in approach. He would be able to point to all the authorities where small gains would be allowed to come through earlier. But the areas with large gains would be likely to object, as would areas with small losses.
- 10. The formula was only worked out between the two Ministers last night. You may feel that it needs some more exploration, together with illustration of other options, before decisions are taken. The details do not need to be settled finally before the autumn, provided that they are consistent with the grant settlement announced in July. In practice the main immediate issue is whether the safety net should be self-financing, without the need for additional Exchequer grant. This is what concerns the Treasury. Subject to that there is time for further work.



HANDLING

- 11. Mr Ridley and Mr Major propose that the paper for E(LF) should simply put forward the grant settlement which they have agreed, without other options, and ask colleagues to endorse it. They would have nothing up their sleeves to concede in the face of pressure. You will wish to decide whether this is the right approach. The alternative would be to invent options which neither of them is now pressing for and stage a mock negotiation.
- 12. The case for a higher level of standard spending will be argued primarily by the service Ministers: the Secretaries of State for Education and Science, Transport, Health and the Home Secretary, with support from the Secretaries of State for Wales and Scotland. The Chancellor of the Exchequer will attend to support Mr Major and Mr Ridley. Other members of the Committee who may also do so include the Secretaries of State for Energy and for Employment, and the Lord President. The Secretary of State for Social Security, the Lord Privy Seal and the Chancellor of the Duchy of Lancaster have no major departmental interest.



R T J WILSON Cabinet Office 16 June 1989



2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

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16 June 1989

Dear Paul

LOCAL AUTHORITY GRANT SETTLEMENT 1989

Since the Prime Minister's meeting on 25 May, my Secretary of State has been considering further with the Chief Secretary the best form of a possible grant settlement which could be put to colleagues for the E(LF) discussion next Thursday.

- 2. One new factor which Mr Ridley has been considering with Mr Major is the position of London, and in particular the inner London boroughs which are taking over education from ILEA. The boroughs will be inheriting ILEA's high spending levels, and inevitably it will take them a year or two to trim this down to more reasonable levels even those boroughs which have the will to do so. School closures will be needed in many areas, and that would take some time to carry through.
- 3. Following some analysis of this post-ILEA problem by officials Mr Ridley and Mr Major are persuaded there is some force in these arguments, and that it would be helpful to provide a special specific grant for the inner London boroughs phased out over three to four years to ease the problem of transition and managing the scaling down of excessive spending. They envisage a grant of £100 million in the first year which would need to be top-sliced from the total of Exchequer grant. A small amendment would be needed to the present power to pay grant to the inner London boroughs to prepare for taking over education. This could be added to the current Local Government and Housing Bill in the Lords.
- 4. Taking this into account they then had another look at the main aggregates which have to be determined:
 - The total standard spending level (the new phrase which they propose to replace the term "need to spend"), and
 - the level of Aggregate External Finance (AEF).

- 5. On the standard spending level some additional technical adjustments to the base line have had to be made for financing items since the Prime Minister's meeting. The Secretary of State now therefore thinks it reasonable to fix this figure at £32.8 billion, £100 million more than the Option C previously discussed; John Major has reluctantly agreed.
- 6. On the level of Aggregate External Finance in order to provide head room for the proposed ILEA grant, and taking account of the technical financing changes they now think it reasonable to go to £23 billion, £200 million more than previous Option C. This would give a community charge for standard spending (CCSS) of £275.
- 7. The most important point which they have then been looking at further is the safety net. The existing safety net proposals envisage that in the first year authorities which stand to lose grant in the longer term should receive broadly sufficient extra safety net grant to ensure that their average community charge for spending at their 1989/90 level in real terms should not have to go up from the average 1989/90 rate bill per head by more than 4% if they spend at the standard level. In order to finance that protection, authorities standing to gain grant and thus have lower community charges in the longer term, would have to contribute up to a maximum of £75 per head to pay for the safety net.
- 8. It is becoming increasingly clear to my Ministers however from the pressures building up that this blocking of "legitimate" gains will be deeply unpopular, particularly among some of the Government's own supporters, and that many charge payers in gaining areas will be highly indignant at having to pay up to an extra £75 per head to keep down charges in other areas many of which are spending excessively. My Secretary of State and the Chief Secretary have therefore been considering whether there is any way in which more of the gains could be allowed to come through more quickly.
- 9. They do not want to depart from the self financing principle for the safety net which is built into the legislation, i.e. that any protection for losers must be paid for by restricting first year gains. But they do think they could give a much better first year deal to many of the gainers by allowing a small part of the losses to come through in the first year. One possibility would be a revised safety net scheme on the following lines:
 - (i) Losses up to £25 per head to be allowed to come through in the first year, with any larger losses being off-set by safety net grant. This degree of protection would cost £620 million (as against (£950 m) for full safety net) and would benefit 102 authorities.

- (ii) This safety net is to be paid for by allowing authorities to keep gains up to £20 and 25% of any gains above that in the first year. This would mean 168 authorities contributing to the safety net.
- 10. Under this arrangement the 54 authorities which stand to lose less than £25 per head, and the 42 authorities which stand to gain less than £20 per head would not be involved in the safety net at all, either as contributors or beneficiaries. This is a very considerable advantage in terms of simplifying the presentation, but particularly in eliminating the need to show safety net adjustments in the community charge bills for those authorities. The maximum loss of £25 per head is fairly modest, and likely to be lost in all the other consequences of the change from rates to community charge. And spreading the gains so as to give all gainers any gain up to £20 per head in full, and then a percentage of their long term gains above £20 seems to give a fairer distribution than the earlier proposals. It would however reduce the first year gains of the largest gainers such as Westminster and some of the Buckinghamshire authorities very considerably.
 - 11. There could be other variants here which will need to be considered further, within the general constraints of the total of grant here proposed and the self financing principle for the safety net.
 - 12. My Secretary of State is very conscious that the aggregate figures he is now preparing are higher than the range indicated by the Prime Minister at the earlier meeting. He and the Chief Secretary have however examined them very carefully, and they feel confident that with the Prime Minister's support it should be possible to defend this package against the further pressures that other spending colleagues may bring to bear next Thursday as indicated by the paper they are circulating separately. It is on that basis that Mr Ridley seeks the Prime Minister's agreement to his putting these revised proposals to colleagues.
 - 13. I attach a draft E(LF) paper setting out these proposals which we would circulate on Monday for next Thursday's meeting if the Prime Minister is content.

- 14. Exemplifications are also attached, and E(LF) will no doubt want to look at these very carefully. In Mr Ridley's view the proposals he is now making are by no means excessively generous. The Exchequer grants total will only go up by 5% from this year, below the rate of inflation. Such a settlement is likely to result in actual community charges which will average around £300 per head assuming they spend only 7% above 1989/90 budgets and will be considerably more in some places. Such a settlement will be seen as a tough one and is likely to come under considerable attack when it is published in July. The Secretary of State sees this however as the price that must be paid to ensure that the accountability pressures of the community charge begin to operate on local authority spending decisions right from the start next year.
- 15. On the safety net my Secretary of State has not been able to see the latest exemplifications which have been prepared today, and will want to consider fine tuning this part of the proposals, particularly about the treatment of gainers, over the weekend.
- 16. I am copying this letter to the Chief Secretary's Private Secretary and to Richard Wilson.

ROGER BRIGHT

Paul Gray Esq Private Secretary 10 Downing Street London SW1 Local Gar Kester 1+36

PRIME MINISTER

LOCAL GOVERNMENT FINANCE - BRIEFING WITH RICHARD WILSON

On Thursday next week you have the first of the full E(LF) discussions about the 1990/91 local government finance statement. But as preparation for that you have a half hour briefing session with Richard Wilson on Monday morning.

The papers below are:

Flag A briefing note from Richard Wilson setting out the key issues that you may like to go through on Monday.

Flag B letter from Nicholas Ridley's office, attaching a draft paper for Thursday's E(LF) meeting, and seeking your agreement to circulate that paper on Monday.

Flag C the earlier briefing note Richard Wilson prepared.

(You only need to refer back to this if you want to refresh your memory on the mechanics and terminology of the new system.)

As you will see from the papers there has been a lot of activity over the last couple of days, with meetings between Nicholas Ridley and John Major. Richard Wilson and I have been kept closely in touch with these discussions, and I agree with Richard that the points set out in his note at Flag A are the key ones to work through.

The only <u>immediate decision</u> you need to take is whether to agree that the <u>draft E(LF)</u> paper should be circulated on Monday:

(i) would you prefer to wait until Monday's 1130 talk with Richard Wilson before agreeing to its circulation?

(ii) content now to agree its circulation?

(PAUL GRAY) 16 June 1989



WELSH OFFICE **GWYDYR HOUSE**

WHITEHALL LONDON SW1A 2ER Tel. 01-270 3000 (Switchboard) 01-270 (Direct Line)

From The Secretary of State for Wales

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Peter Walker MBE MP

CT/4436/89

4 June 1989

Dear Secretary of State

LOCAL GOVERNMENT AND HOUSING BILL

peop pt 36 I have seen a copy of Malcolm Rifkind's letter to you of 24 May in which he proposes amendments relating to the calculation of discount entitlement under the Right to Buy.

I agree that Malcolm's proposed amendments are consistent with our policy of removing barriers which may discourage tenants from exercising the Right to Buy and I am content that he proceeds as proposed. I understand that, subject to the views of colleagues, you intend to consult with a view to bringing forward amendments with a similar effect for England and Wales legislation. I would like to consult separately in Wales and should be grateful if your officials could keep mine fully informed of developments on this matter.

I am copying this to members of E(LF) and L Committees and to Sir Robin Butler.

yours sincerely Keith Javies

Approved by the Secretary of State and signed in his absence

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

Cocor Gori: Relations pt 37



With Cia

10 DOWNING STREET

LONDON SWIA 2AA

ceB6

From the Private Secretary

13 June 1989

Further to my telephone call, I am writing to confirm that there will be a meeting here at No.10 on the structure of local government at 1545 on Wednesday 28 June. The meeting should last 45 minutes.

BM

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I am copying this letter to Trevor Beattie (Minister for Local Government's office, DOE) and Mike Bailey (Sir Terence Heiser's office, DOE).

Amanda Ponsonby

Miss Michelle Cameron, Department of the Environment.

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2 MARSHAM STREET LONDON SWIP 3EB 01-276 3000

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP Scottish Office Dover House Whitehall LONDON SWl

/) June 1989

Dear Southy of State

LOCAL GOVERNMENT AND HOUSING BILL

Thank you for your letter of 24 May.

I have no objection to your tabling the amendments you propose; as you say they are consistent with our objective of removing unnecessary barriers to the right to buy. As the provisions relating to children and other relatives succeeding to a tenancy in the legislation for England and Wales are similar in effect, I propose, subject to the views of colleagues, to consult with a view to bringing forward amendments with a similar effect at a later stage of the Bill. I should therefore be grateful if your officials could keep in close touch with mine about the detail of your amendments.

I am copying this to members of E(LF) and L Committees and to Sir Robin Butler.

This Sicees

NICHOLAS RIDLEY

(approved by the Sectory 1) State and signed in him absence).

LOCAL GOUT: Cerations PT37.



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PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT 1989

I gather from Andrew that in your meeting with Robin Butler this morning you raised the possibility of a briefing session prior to the forthcoming series of E(LF) meetings.

You have already had a preliminary talk to Nick Ridley, John Major and Cecil Parkinson. But the main programme starts with a meeting of E(LF) on 22 June.

If you would like it, we can try to arrange a half hour briefing session with Richard Wilson some time in the next ten days. But as you know, the diary pressures are formidable. You might therefore prefer over the weekend to have another glance at an earlier background note Richard Wilson prepared, which I don't think you had a chance to study in detail at the time. This is attached at Flag A; the main part I would draw to your attention is the annex which compares the structure of the old and new Local Government Finance Systems.

Having looked through it, you might also want to have another look at the note Nick Ridley prepared before the last meeting (Flag B).

1. Do you feel this gives you enough background in advance of the main E(LF) papers that will be coming forward in a week or so?

or

2. Would you still like me to try to find a half hour slot
to talk to Richard Wilson?

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Mrk Medig

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9 June, 1989.

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PART 36 ends:-

PG to DOE. 26.5.89

PART 39 begins:-

PG to PM. 9.6.89

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