

Ref: A0256

Prime Minister

1

CONFIDENTIAL

If you agree, draft  
minutes for your  
signature is at

PRIME MINISTER

*Approved*

Flag C

Rate Support Grant 1980-81

*initiated  
18/9*

This note is about arrangements for Cabinet approval of the Rate Support Grant for next year. The question of Unitary versus Selective Grant is a longer-term one, which is shortly to be considered by the Home Affairs Committee.

2. The Secretary of State for the Environment has already written to the Chief Secretary (6th September) setting out his main proposals. This letter was not copied to you originally, and I attach a copy.

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3. The Rate Support Grant for this year has to be settled within the present statutory framework, and this provides for a 'statutory meeting' between Ministers and the Local Authorities which is timed for 20th November. (The parallel meeting in Scotland would be two or three days earlier.) These dates can be adjusted, but only with considerable difficulty and some public interest. A period of about three weeks has to be left between Ministerial decisions and the statutory meeting, to allow the detailed calculations to be made and proposals for individual authorities worked out. The complication, this year, is that the negotiations will also have to cover the question of pay and cash limits on which I have, of course, seen your comment contained in Mr. Lankester's letter of 17th September.

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4. Apart from cash limits, the main issues this year seem to be the volume of relevant expenditure (on which Ministers have already taken Cabinet decisions); the RSG percentage; and the distribution formula. Ministers have already made it clear that they want to see a shift away from the Metropolitan authorities and towards the Shire counties. The whole question is very complicated and politically sensitive. I'm sure the Secretary of State for the Environment is right in suggesting that they should be processed first by a smaller group of Ministers, informally or formally. In my view we could best do this through a MISC group, which would make formal recommendations to Cabinet.

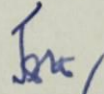
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5. I suggest that the Home Secretary might be a good neutral chairman for the group. (He has a small amount of local authority expenditure of his own, but his main interest is in the Police service, which is separately financed.) The three local authority Ministers (Environment, Scotland and Wales) must clearly be members. So must those Ministers who sponsor the major local authority services: Education; Social Services; Transport; and - on a small scale - Trade. There should obviously be a Treasury Minister - the Chief Secretary or (since he handles the day-to-day local authority finance questions) the Financial Secretary: I think it would be appropriate for the Chief Secretary to take this particular group. You might also like to consider whether to add another economic Minister, perhaps the Secretary of State for Industry.

The draft  
minutes  
assume  
he is in.  
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6. The Group should start work immediately after the Party Conference (the preparatory work will not permit an earlier start) and might report its recommendations to Cabinet either on 25th October or (or probably) 1st November. This would fit in well with the Chancellor's present intention to bring a paper about Pay and Cash Limits to Cabinet on 25th October, when we also expect to have the second meeting on the Public Expenditure bilaterals.

7. If you agree, you might like to ask the Home Secretary to take the chair of such a group, copying your note to the other Ministers named above. I attach a draft.

  
(John Hunt)

18th September 1979