CONFIDENTIAL

*see new Sir K Joseph's minute (attached)

Prime Minister B

(1)

For E on Wednesday, unless colleagues agree* to this approach in correspondence.

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

19 May 1982

I also understand that the Chief Secretary wants this discussed at E.

RSG HOLDBACK

At the E Committee meeting on 17 May I was asked to circulate further figures showing the effects of imposing an additional across-the-board block grant holdback on local authorities.

Accept recommendation at X, or wait for E discussion?

I was asked to exemplify alternative holdbacks of £200m or £300m with a steeper slope or taper than the figures I circulated last week. I now attach tables on this basis.

Yes MCS 21/5

Column 1 of the tables shows the planned overspend of each authority against the target we set it. (Col 8 shows an alternative measure of overspend against the higher of its target or GRE; in view of the exemption from grant holdback which we gave to authorities spending below GRE, this alternative could be described as the effective target for low-spending authorities). Column 2 shows the initial distribution of block grant, and Column 3 shows the effect of the differential holdback of £312m which has already been announced, and which we are all agreed should go ahead. A dash in this column indicates that the authority concerned will not suffer any differential holdback because it has met its target, or is planning to spend below GRE. This fulfils the repeated assurances I have given that authorities which comply with our targets or GRE will not be penalised. Among the counties for example the differential scheme will only hit notoriously high spending authorities. The majority, including all our supporters, will be protected from any holdback under this scheme by the GRE exemption.

Cols 4-7 are the new figures showing the effects of a further across-the-board holdback of £200m or £300m with either a steeper slope or a steeper taper. These columns show clearly that on each of the variants every authority in the country would be affected. It would not be possible to protect those who had met their targets or GRE. To take one example, Buckinghamshire, is planning to spend below its GRE, and will suffer no penalty under the differential holdback scheme (Col 3). But under Cols 4-7 it would lose between £1.4m and £2.9m. The largest losses among the counties would be among the high-resource home counties such as Essex, Hertfordshire, Kent, Surrey, Hampshire, all of which have been exempted from any loss under the differential scheme in Col 3.

In London the Col 3 differential scheme for the most part penalises the high spenders, and protects the more efficient. But again Cols 4-7 would impose losses on authorities which have met target or GRE such as Barnet, Bromley, Croydon, Kingston, Redbridge, and Sutton, besides imposing an additional £30m loss on the GLC.

In the metropolitan areas the Home Secretary has drawn attention to the acute problems which the metropolitan counties have with police expenditure which accounts for some 35% of their expenditure. They cannot cut back as far as our targets, and therefore already face severe penalties under the differential Col 3 scheme. Any of the schemes under Col 4-7 would add more than 50% to their losses as a class.

It was suggested on 17 May that we might produce a more equitable result by imposing an across-the-board holdback this year, but compensate those who met our targets by a corresponding bonus achieved through multipliers in next year's RSG settlement. I have looked further into this. Of course it would be possible to calculate the notional loss to those authorities that are spending below their targets or GREs from an across-the-board holdback this year, as a measure of how much they should be compensated next year. Arithmetically therefore the scheme

is workable. However there are a number of very strong objections, most of which I put before colleagues at our last meeting.

By far the most important, however much I may regret it, is that I have had to give assurances in order to secure the passage of the current Local Government Finance Bill that we will not differentiate between authorities during the course of a year in the light of their spending in relation to the targets to any greater extent than announced at the time of the RSG Settlement. The most specific commitment was given by Tom King with the agreement of the Chief Secretary on 2 February as follows: "In regard to 1982/3 I can give a specific assurance to the Committee that we do not intend to operate a differential holdback scheme in England of any greater severity than that already announced ... there will be no "super holdback" scheme in 1982/3."

The modification that I have been asked to examine of a general holdback this year with compensation next year for conforming authorities is in effect a super holdback scheme spread over 2 years. So is the alternative of penalising in 1983-4 those who overspend in 1982-3. Both are transparent devices and would be seen as such. Neither is compatible with what we have said.

I am doubtful whether they would even be legal. At the time of writing this letter I have asked for the matter to be referred to the Attorney General since the law is far from clear. There is no doubt that there will be legal challenge, and the outcome is far from certain.

In this context we should remember that the Local Government Finance Bill upon which we depend to implement holdback is still before the House of Lords and I have no doubt there would be repercussions and further amendments there if we tried to act in the way suggested. Irwin Bellwin is already facing a difficult task in defending the holdback powers in Clause 4 of the Bill when they are taken in Lords Committee on 24 May; and a further across-the-board scheme could make the position very difficult to hold.

Conclusion

The results of an additional across-the-board holdback (either on the basis of the new figures or last week's ones) would probably be ineffective in reducing expenditure in the current year. It would be open to legal challenge if it forces some authorities into temporary borrowing, and possibly disruptive of our basic differential holdback scheme. But above all it would be so inequitable in imposing grant reductions on those who have achieved expenditure cuts as well as those who have not, that I do not believe we could carry the proposals through the House. The suggestion made in E for overcoming this last problem would be a transparent device, quite contrary to the spirit of the assurances we have given in Parliament and to the local authorities and very possibly open to successful legal challenge.

I therefore continue to recommend that we should not go beyond the already announced differential holdback scheme for the current year. We shall then need to consider the precise forms of the RSG settlement for 1983/4 in the light of this decision.

Colleagues may wish to consider the issues further with the new figures. I hope that it will be possible to resolve this issue quickly in correspondence, if possible before the next stage of proceedings on the Local Government Finance Bill on 24 May. Meanwhile I have made a

holding statement at the Consultative Council today indicating that we shall be going ahead with the differential holdback scheme, and reserving our position about any further measures. (I attach for information a copy of my statement.)

I am copying this letter to the members of E, the Attorney General, other colleagues present at our meeting on 18 May, and Sir Robert Armstrong.

MH

3F

Effect of further options for across the board holdback

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differential holdback Col 3	Further holdback with £200m holdback: Increase slopes Col 4	Further holdback with £200m holdback: Increase taper Col 5	Further holdback with £300m holdback: Increase slopes Col 6	Further holdback with £300m holdback: Increase taper Col 7	Overspend effective target Col 8
TOTAL England	£1,451.305m	£8,673.846m	£311.912m	£200.002m	£200.008m	£300.010m	£300.005m	£688.863m
Non-met districts	£49.933m	£626.768m	£14.136m	£9.744m	£17.091m	£17.924m	£25.273m	£-84.924m
Non-met counties	£573.174m	£4,080.836m	£114.507m	£64.229m	£63.784m	£117.361m	£116.928m	£102.833m
Metropolitan districts	£216.487m	£2,110.486m	£68.354m	£35.571m	£30.971m	£54.162m	£49.565m	£115.256m
Metropolitan counties	£136.731m	£519.111m	£38.783m	£21.975m	£19.786m	£26.276m	£24.088m	£136.590m
Non-met total	£623.107m	£4,707.604m	£128.643m	£73.972m	£80.875m	£135.285m	£142.200m	£17.959m
Metropolian total	£353.218m	£2,629.597m	£107.138m	£57.546m	£50.757m	£80.437m	£73.653m	£251.846m
City & Westminster	£5.888m	£-63.612m	-	-	-	-	-	£2.423m
Rest of Inner London	£54.091m	£396.285m	£14.235m	£16.715m	£17.481m	£18.568m	£19.334m	£53.562m
Inner London inc ILEA	£153.032m	£332.673m	£14.235m	£16.715m	£17.481m	£18.568m	£19.334m	£149.038m
Outer London	£83.486m	£790.726m	£32.444m	£20.189m	£18.155m	£28.635m	£26.602m	£67.924m
GLC & Met Police	£238.399m	£212.516m	£29.452m	£31.577m	£32.734m	£37.077m	£38.205m	£202.126m
London total	£474.917m	£1,335.916m	£76.132m	£68.481m	£68.370m	£84.279m	£84.141m	£419.088m
Partnership authorities	£103.355m	£881.807m	£33.357m	£29.872m	£28.717m	£36.695m	£35.542m	£92.220m
Programme authorities	£98.878m	£740.673m	£23.122m	£12.920m	£11.431m	£18.611m	£17.123m	£60.947m
Partnership & programme	£202.233m	£1,622.480m	£56.479m	£42.792m	£40.148m	£55.306m	£52.665m	£153.167m

Effect of further options for across the board holdback

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differential holdback Col 3	Further holdback with £200m holdback: Increase slopes Col 4	Further holdback with £200m holdback: Increase taper Col 5	Further holdback with £300m holdback: Increase slopes Col 6	Further holdback with £300m holdback: Increase taper Col 7	Overspend effective target Col 8
ISLES OF SCILLY	£0.063m	£0.730m	-	£0.003m	£0.006m	£0.008m	£0.011m	£-0.030m
SHIRE COUNTIES								
Avon	£33.566m	£137.074m	£15.005m	£3.308m	£1.989m	£4.972m	£3.653m	£24.342m
Bedfordshire	£19.701m	£63.714m	£10.537m	£2.782m	£1.550m	£3.950m	£2.718m	£18.594m
Berkshire	£24.798m	£57.017m	£12.171m	£2.591m	£2.066m	£4.319m	£3.795m	£8.437m
Buckinghamshire	£13.781m	£58.704m	-	£1.433m	£1.600m	£2.771m	£2.938m	£-0.056m
Cambridgeshire	£11.207m	£75.299m	-	£1.067m	£1.406m	£2.244m	£2.583m	£-2.804m
Cheshire	£28.761m	£138.067m	£17.052m	£3.923m	£2.260m	£5.814m	£4.151m	£26.761m
Cleveland	£18.486m	£110.591m	£9.683m	£2.541m	£1.406m	£3.615m	£2.480m	£18.486m
Cornwall	£5.870m	£70.667m	-	£0.342m	£0.780m	£0.995m	£1.433m	£-6.629m
Cumbria	£6.771m	£95.372m	£3.938m	£0.947m	£0.778m	£1.598m	£1.429m	£5.132m
Derbyshire	£24.527m	£154.944m	£7.530m	£2.016m	£1.732m	£3.466m	£3.182m	£8.219m
Devon	£13.313m	£142.889m	-	£0.963m	£1.907m	£2.558m	£3.503m	£-12.942m
Dorset	£-1.135m	£66.273m	-	£1.233m	£1.394m	£2.399m	£2.560m	£-1.135m
Durham	£6.539m	£124.050m	£4.622m	£1.323m	£0.905m	£2.080m	£1.662m	£6.539m
East Sussex	£4.401m	£66.806m	-	£1.427m	£1.590m	£2.757m	£2.920m	£-0.023m
Essex	£34.903m	£151.665m	-	£3.390m	£3.892m	£6.646m	£7.149m	£-1.376m
Gloucestershire	£7.111m	£71.233m	-	£0.945m	£1.087m	£1.855m	£1.997m	£-0.499m
Hampshire	£20.085m	£187.912m	-	£3.162m	£3.519m	£6.106m	£6.464m	-
Hereford and Worcester	£12.562m	£87.058m	-	£1.287m	£1.434m	£2.487m	£2.634m	£-0.020m
Hertfordshire	£5.394m	£84.016m	-	£2.562m	£2.852m	£4.948m	£5.238m	-
Humberside	£34.444m	£175.944m	£11.922m	£2.562m	£1.580m	£3.884m	£2.902m	£21.148m
Isle of Wight	£2.647m	£19.898m	-	£0.204m	£0.227m	£0.394m	£0.418m	£-0.002m
Kent	£15.046m	£212.903m	-	£1.463m	£3.143m	£4.092m	£5.773m	£-21.789m
Lancashire	£23.677m	£271.935m	-	£2.079m	£2.315m	£4.016m	£4.253m	£-0.033m
Leicestershire	£27.789m	£132.177m	-	£1.708m	£1.905m	£3.302m	£3.500m	£-0.055m
Lincolnshire	£10.209m	£96.004m	-	£0.879m	£1.013m	£1.727m	£1.861m	£-0.567m
Norfolk	£10.006m	£94.567m	-	£1.063m	£1.482m	£2.303m	£2.721m	£-4.307m
Northamptonshire	£18.928m	£83.572m	-	£1.080m	£1.208m	£2.091m	£2.219m	£-0.081m
Northumberland	£3.305m	£55.884m	£2.652m	£0.657m	£0.542m	£1.111m	£0.996m	£3.126m
North Yorkshire	£7.827m	£111.727m	-	£1.134m	£1.262m	£2.189m	£2.318m	-
Nottinghamshire	£39.768m	£176.590m	£15.214m	£3.437m	£2.017m	£5.124m	£3.704m	£27.002m
Oxfordshire	£3.855m	£55.482m	-	£1.207m	£1.371m	£2.354m	£2.518m	£-0.341m
Shropshire	£8.591m	£65.603m	-	£0.536m	£0.741m	£1.156m	£1.361m	£-2.228m
Somerset	£7.773m	£65.886m	-	£0.753m	£0.857m	£1.469m	£1.573m	£-0.287m
Staffordshire	£16.534m	£164.397m	£4.180m	£2.145m	£2.098m	£3.900m	£3.853m	£4.284m
Suffolk	£12.638m	£79.884m	-	£1.182m	£1.316m	£2.283m	£2.418m	£-0.015m
Surrey	£9.566m	£67.041m	-	£2.080m	£2.768m	£4.396m	£5.085m	£-5.030m
Warwickshire	£10.824m	£62.429m	-	£1.027m	£1.143m	£1.983m	£2.099m	-
West Sussex	£9.958m	£58.713m	-	£1.089m	£1.643m	£2.464m	£3.018m	£-5.266m
Wiltshire	£9.147m	£86.847m	-	£0.698m	£1.008m	£1.541m	£1.851m	£-3.701m

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GREATER LONDON								
City of London	£2.423m	£-40.809m	-	-	-	-	-	£2.423m
Camden	£0.497m	£12.039m	-	-	-	-	-	£0.497m
Greenwich	£4.450m	£30.313m	£1.208m	£1.299m	£1.354m	£1.433m	£1.488m	£4.450m
Hackney	£13.811m	£44.987m	£1.360m	£2.015m	£2.188m	£2.166m	£2.338m	£13.811m
Hammersmith and Fulham	£7.912m	£35.449m	£1.246m	£1.232m	£1.267m	£1.370m	£1.405m	£7.912m
Islington	£4.957m	£31.757m	£1.954m	£2.300m	£2.428m	£2.517m	£2.645m	£4.957m
Kensington and Chelsea	£2.051m	£16.665m	£2.160m	£0.563m	£0.348m	£0.854m	£0.639m	£1.522m
Lambeth	£6.160m	£57.553m	£2.175m	£2.583m	£2.731m	£2.825m	£2.972m	£6.160m
Lewisham	£3.524m	£47.144m	£1.268m	£1.633m	£1.744m	£1.773m	£1.884m	£3.524m
Southwark	£2.692m	£45.712m	£1.360m	£2.290m	£2.394m	£2.521m	£2.626m	£2.692m
Tower Hamlets	£7.462m	£27.069m	£1.195m	£2.516m	£2.816m	£2.649m	£2.949m	£7.462m
Wandsworth	£0.574m	£47.596m	£0.307m	£0.283m	£0.211m	£0.460m	£0.388m	£0.574m
Westminster	£3.465m	£-22.803m	-	-	-	-	-	-
Barking and Dagenham	£0.879m	£24.875m	£0.765m	£0.901m	£0.666m	£1.172m	£0.937m	£0.879m
Barnet	£1.846m	£36.954m	-	£0.665m	£0.744m	£1.287m	£1.366m	£-0.036m
Bexley	£3.632m	£42.881m	£2.827m	£0.793m	£0.462m	£1.112m	£0.782m	£3.632m
Brent	£15.387m	£61.725m	£4.838m	£2.563m	£2.254m	£3.099m	£2.791m	£15.387m
Bromley	£-0.355m	£43.928m	-	£0.445m	£0.607m	£0.953m	£1.116m	£-1.468m
Croydon	£-0.038m	£46.749m	-	£0.086m	£0.806m	£0.761m	£1.480m	£-7.728m
Ealing	£2.968m	£55.062m	£1.178m	£0.719m	£0.691m	£1.297m	£1.270m	£1.221m
Enfield	£2.654m	£40.815m	£2.757m	£0.824m	£0.607m	£1.332m	£1.114m	£2.654m
Haringey	£15.779m	£61.136m	£3.334m	£2.698m	£2.671m	£3.067m	£3.041m	£15.779m
Harrow	£5.896m	£30.692m	£3.237m	£1.043m	£0.702m	£1.402m	£1.061m	£5.896m
Havering	-	£40.636m	-	£0.704m	£0.474m	£1.100m	£0.870m	-
Hillingdon	£2.145m	£23.350m	£2.581m	£1.494m	£0.948m	£2.045m	£1.500m	£2.145m
Hounslow	£5.306m	£25.039m	£4.539m	£1.685m	£1.252m	£2.189m	£1.755m	£5.306m
Kingston-upon-Thames	£-1.320m	£17.135m	-	£0.315m	£0.327m	£0.589m	£0.600m	£-1.320m
Merton	£0.037m	£26.496m	£0.036m	£0.391m	£0.364m	£0.696m	£0.668m	£0.037m
Newham	£12.557m	£71.205m	£3.371m	£1.690m	£1.456m	£2.064m	£1.829m	£12.557m
Redbridge	£2.007m	£38.248m	-	£0.407m	£0.454m	£0.787m	£0.833m	£-0.004m
Richmond-upon-Thames	£0.034m	£20.113m	£0.038m	£0.395m	£0.353m	£0.690m	£0.648m	£0.034m
Sutton	£1.113m	£25.237m	-	£0.318m	£0.354m	£0.614m	£0.650m	£-0.006m
Waltham Forest	£12.961m	£58.450m	£2.943m	£2.053m	£1.964m	£2.380m	£2.291m	£12.961m
GLC	£238.399m	£72.930m	£29.453m	£29.322m	£30.186m	£32.588m	£33.453m	£202.126m
ILEA	£93.053m	-	-	-	-	-	-	£93.053m
Metropolitan Police	-	£139.586m	£-0.001m	£2.255m	£2.548m	£4.489m	£4.752m	-

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GREATER MANCHESTER								
Bolton	£5.144m	£52.182m	-	£0.342m	£0.449m	£0.717m	£0.824m	£-1.150m
Bury	£4.880m	£31.604m	£2.306m	£0.536m	£0.306m	£0.792m	£0.561m	£4.880m
Manchester	£2.891m	£102.680m	£2.181m	£4.536m	£3.969m	£5.499m	£4.932m	£2.891m
Oldham	£3.699m	£49.760m	-	£0.331m	£0.368m	£0.639m	£0.676m	-
Rochdale	£9.272m	£50.382m	£2.469m	£0.934m	£0.702m	£1.208m	£0.976m	£9.272m
Salford	£2.524m	£54.708m	£1.814m	£0.653m	£0.417m	£1.002m	£0.766m	£2.524m
Stockport	£3.017m	£40.045m	-	£0.453m	£0.611m	£0.965m	£1.123m	£-1.473m
Tameside	£5.543m	£47.212m	£2.609m	£0.641m	£0.346m	£0.930m	£0.635m	£5.543m
Trafford	£1.618m	£24.109m	-	£0.321m	£0.609m	£0.831m	£1.120m	£-2.670m
Wigan	£7.335m	£63.409m	£3.751m	£0.849m	£0.497m	£1.264m	£0.913m	£7.335m
MERSEYSIDE								
Knowsley	£3.255m	£39.082m	£1.639m	£0.435m	£0.347m	£0.726m	£0.637m	£2.042m
Liverpool	£13.328m	£120.607m	£7.865m	£2.254m	£1.369m	£3.126m	£2.242m	£13.328m
St Helens	£2.355m	£35.742m	£2.018m	£0.561m	£0.365m	£0.866m	£0.670m	£2.355m
Sefton	£0.904m	£46.166m	-	£0.078m	£0.577m	£0.560m	£1.059m	£-7.391m
Wirral	£2.461m	£55.862m	£0.235m	£0.621m	£0.674m	£1.184m	£1.238m	£0.249m
SOUTH YORKSHIRE								
Barnsley	£3.356m	£48.659m	£2.088m	£0.610m	£0.350m	£0.859m	£0.599m	£3.356m
Doncaster	£3.277m	£58.040m	£2.381m	£0.988m	£0.583m	£1.382m	£0.977m	£3.277m
Rotherham	-	£52.060m	-	£0.518m	£0.357m	£0.817m	£0.656m	-
Sheffield	£17.866m	£94.454m	£7.884m	£3.835m	£3.263m	£4.709m	£4.138m	£17.866m
TYNE AND WEAR								
Gateshead	£6.857m	£43.557m	£2.556m	£0.778m	£0.499m	£1.061m	£0.783m	£6.857m
Newcastle upon Tyne	£11.251m	£42.216m	£5.047m	£3.008m	£2.753m	£3.568m	£3.313m	£11.251m
North Tyneside	£8.467m	£39.034m	£2.491m	£1.097m	£0.893m	£1.373m	£1.170m	£8.467m
South Tyneside	£1.668m	£39.255m	£1.034m	£0.433m	£0.241m	£0.634m	£0.443m	£1.668m
Sunderland	£6.231m	£64.104m	£3.307m	£0.826m	£0.438m	£1.192m	£0.805m	£6.231m
WEST MIDLANDS								
Birmingham	£10.891m	£162.298m	-	£2.317m	£2.600m	£4.492m	£4.775m	£-0.244m
Coventry	£6.662m	£58.862m	£0.925m	£0.698m	£0.706m	£1.289m	£1.297m	£0.980m
Dudley	£3.679m	£31.456m	-	£0.166m	£0.691m	£0.744m	£1.268m	£-6.308m
Sandwell	£3.629m	£44.422m	£1.882m	£0.847m	£0.794m	£1.512m	£1.459m	£1.655m
Solihull	£2.405m	£26.705m	-	£0.148m	£0.472m	£0.543m	£0.868m	£-3.750m
Walsall	£11.646m	£41.404m	£4.744m	£1.229m	£0.669m	£1.755m	£1.195m	£8.870m
Wolverhampton	£3.184m	£43.694m	-	£0.602m	£0.670m	£1.163m	£1.231m	-
WEST YORKSHIRE								
Bradford	£18.081m	£109.125m	£5.231m	£1.181m	£0.693m	£1.761m	£1.273m	£12.039m
Calderdale	£5.321m	£43.295m	£1.898m	£0.458m	£0.252m	£0.668m	£0.462m	£5.321m
Kirklees	£7.304m	£82.954m	-	£0.465m	£0.518m	£0.899m	£0.951m	-
Leeds	£16.499m	£118.092m	-	£1.254m	£1.395m	£2.421m	£2.563m	-
Wakefield	£-0.012m	£53.248m	-	£0.571m	£0.527m	£1.012m	£0.968m	£-0.012m

Effect of further options for across the board holdback

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differential holdback Col 3	Further holdback with £200m holdback: Increase slopes Col 4	Further holdback with £200m holdback: Increase taper Col 5	Further holdback with £300m holdback: Increase slopes Col 6	Further holdback with £300m holdback: Increase taper Col 7	Overspend effective target Col 8
METROPOLITAN COUNTIES								
Greater Manchester	£21.223m	£112.423m	£9.047m	£3.877m	£3.117m	£4.880m	£4.120m	£21.223m
Merseyside	£26.052m	£75.043m	£5.266m	£3.696m	£3.541m	£4.280m	£4.125m	£26.052m
South Yorkshire	£14.246m	£72.227m	£3.685m	£4.804m	£5.139m	£5.212m	£5.548m	£14.246m
Tyne and Wear	£13.929m	£76.887m	£3.528m	£2.434m	£2.321m	£2.825m	£2.713m	£13.929m
West Midlands	£33.094m	£81.285m	£11.372m	£4.088m	£2.975m	£5.349m	£4.237m	£32.953m
West Yorkshire	£28.187m	£101.245m	£5.886m	£3.076m	£2.692m	£3.729m	£3.345m	£28.187m

STATEMENT BY SECRETARY OF STATE FOR THE ENVIRONMENT TO CONSULTATIVE COUNCIL ON LOCAL GOVERNMENT FINANCE

1. Local authorities' budgets for 1982-83 show that they are planning to spend £1.4bn, or nearly 8%, more than was provided for in the Rate Support Grant Settlement. There is planned overspending on all services and by all classes of authority.

2. The Government cannot ignore this. I therefore propose to implement the scheme for grant abatement in respect of overspending local authorities, which I announced on 21 December 1981, as soon as the statutory provisions in the Local Government Finance (No.2) Bill receive Royal Assent. On the basis of the 1982-83 budgets this means that overspending authorities are likely to lose some £315m grant. Details of the proposals will be sent to local authorities as soon as possible. I also propose to withhold about £200m grant under the same legislation in respect of local authorities' overspending in 1981-82. These two proposals will mean a withholding of over £500m of grant in 1982-83.

3. I am also considering whether to make a further reduction in grant across the board. I shall announce my decision on this shortly.

4. I hope that all local authorities will review their spending plans during the year in the light of the proposed holdback of grant, in order to minimise their grant loss and to protect their ratepayers from further substantial rate rises next year.

5. The Public Expenditure White Paper (Cmnd 8494) set out the Government's plans for local government expenditure in 1983-84. They will be reviewed over the next few months as part of the normal consultative process with the local authority associations, and the Government hope to announce their conclusions during the summer.

G

for E folder

Prime Minister Local Govt

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

25 May 1982

Dear Michael

Further to my Secretary of State's minute of 19 May, we have now received the Attorney General's advice on the suggestion that arose in E last week that it might be possible to impose additional differential grant holdback on authorities overspending targets in the current year if we deferred the implementation of the penalties into 1983/4.

Two questions about this suggestion were put to the Attorney as follows:

1. whether the power is exercisable for the purpose specified in paragraph (cc) by reference to guidance issued for the year previous to that in respect of which it is exercised; and

2. as to the propriety of exercising it in the main Report for the year 1983-4 by reference to the guidance issued in relation to the year 1982-3.

His advice on these 2 questions is attached. In view of this clear advice my Secretary of State considers that any scheme of additional but deferred penalties on the lines suggested at E must be ruled out.

I am copying this to the Private Secretaries to all members of E Committee, Sir Robert Armstrong, and to John Sparrow.

Yours ever
David

D A EDMONDS
Private Secretary

Michael Scholar Esq - No 10

CONFIDENTIAL

Prime Minister

There is also a new Environment letter (of 25 May) about the legality of deferring holdback to 1983-84. Flag G

MCS 25/5

P.0756

PRIME MINISTER

Local Authority Current Expenditure 1982-83 and 1983-84

(E(82)43 to 46. Minutes of 14 and 19 May from the Secretary of State for the Environment, and of 24 May from the Minister for Local Government and Environmental Services)

BACKGROUND

Flag A When the Committee considered this subject on 17 May (E(82)13th meeting) they left open the question of whether, in addition to the "differential" action already approved, there should be any general holdback of grant to English and Scottish local authorities. The final extent of holdback in Wales would have to be settled in the light of decisions in England and Scotland.

2. In order to assist a decision on general holdback the Committee asked for the following further work to be done by the Secretary of State for the Environment:

i. exemplifications of general holdback to English local authorities in 1982-83 of £200 million and £300 million using formulae designed to penalise the overspenders most;

ii. consideration of whether action might be taken in the 1983-84 settlement which would reflect the position of local authorities in 1982-83 ie by penalising those who overspent in 1982-83, or, if general action had to be taken in 1982-83 which penalised some relatively low-spending local authorities, by treating those particular local authorities more favourably in 1983-84.

Flag B 3. The Secretary of State for the Environment has discharged these remits in his minute of 19 May. He argues again, as he did at the Committee's meeting on 17 May, that the Government should not go beyond the "differential" holdback already announced, on the grounds that:

CONFIDENTIAL

i. the exemplifications attached to his minute show that general holdback of £200 million and £300 million, even on the formulae illustrated ("increased slope" or "increased taper") would still significantly penalise some of the relatively low-spending local authorities, notably those spending below their assessments for grant-related expenditure (GRE);

ii. the proposals to take action in the 1983-84 settlement which would reflect the position of local authorities in 1982-83 would be transparent devices for operating further "differential" as opposed to general holdback in 1982-83; as such they would be inconsistent with the Government's undertakings in the Committee Stage of the Local Government Finance (No 2) Bill and possibly also subject to legal challenge.

4. When the Chief Secretary, Treasury saw this minute he was disposed to accept the Secretary of State for the Environment's view that it would be undesirable to penalise authorities spending below GRE. He therefore asked for illustration of a general holdback scheme which would take nothing from authorities spending below GRE. The minute to you of 24 May from the Minister for Local Government and Environmental Services is in response to this request. Mr King illustrates two ways of securing holdback of £120 million which would take nothing from authorities spending below GRE. He argues however that this scheme would provoke opposition from a different quarter - those authorities who are spending above GRE but have met the Government's targets. He argues that, although such a scheme would be technically a general holdback scheme, it would in practice be highly differential in its effects and would seem contrary to the spirit of the undertakings given during the Committee Stage of the Local Government Finance (No 2) Bill that differential penalties would not be increased during a year.

Flag C -

5. There have been minutes from the Secretary of State for Education and Science and the Lord Privy Seal of 21 May and from the Home Secretary of 24 May supporting the Secretary of State for the Environment's view that there should not be further grant penalties in the current year.

Flag D
Flag E
Flag F

MAIN ISSUES

6. You will want to discourage the Committee from getting into the technicalities which are intolerably complex and stick to the main issues for decision, ie:

i. whether there should be any general holdback in 1982-83 in England;

ii. what should be done in Scotland and Wales in the light of that decision;

iii. when should the Government's intentions be made known publicly.

Any general holdback in England?

7. There is a basic conflict between the Government's wish to bring greater pressure to bear on high spending local authorities and the fact that it is in practice impossible or at least very difficult to do this without either penalising relatively low-spending authorities (usually the Government's own supporters) or going back on the undertaking to Parliament that there would be no further "differential" holdback in 1982-83. At the last meeting of the Committee most Ministers felt that the Parliamentary and political arguments favoured no further action. It remains to be seen whether they consider that action on the lines of the variant circulated by Mr King at the Chief Secretary's request would be tolerable.

8. The Chief Secretary is likely to favour action on the lines illustrated in Mr King's minute (probably the "zero threshold" variant exemplified in Column 4 of Annex B to that minute) on the following grounds:

a. It meets the Government's main concern that local authorities spending below GRE should not be penalised.

b. Although it is differential in its effect, it is technically a general holdback scheme using the normal block grant mechanisms and does not conflict with the Government's undertakings to Parliament.

9. The Secretary of State for the Environment is likely to reply citing the objections already set out in Mr King's minute, ie that a scheme of this kind would provoke strong opposition from a different set of local authorities (listed at Annex A), including some of the Government's own supporters and that it would be seen as a breach of faith. He will probably say that the saving of grant would be small (only £120 million on top of the £312 million already to be clawed back differentially in 1982/83) and the effect on controlling local

authority expenditure would be minimal. The benefit in terms of the Government's objectives for local authority expenditure would not therefore justify the major political row.

10. The Committee will need to make a political judgement between these two opposing points of view. If the Committee are unable to accept the approach illustrated in Mr King's minute, the Chief Secretary may suggest that there could be other variants which would be more acceptable. One outcome of the meeting could therefore be to commission more exemplifications. It seems unlikely however that any solution can be found which would get round the basic difficulty outlined in paragraph 7 above. Unless Ministers are prepared to face up to a considerable Parliamentary row, including difficulties with some of their own supporters, it would be better to make it clear quickly that there will be no further grant holdback.

Scotland and Wales

11. When decisions have been taken about general holdback in England, there remains the question of what action should be taken in Scotland and Wales. The Committee need not discuss those issues further but might leave the action to be taken in Scotland and Wales to be settled by the respective Secretaries of State and the Chief Secretary, Treasury on a basis which would be defensible in relation to the outcome for England, reporting their conclusions to the Committee in due course.

Timing of announcement

12. The Secretary of State for the Environment has asked that the Government's intentions about 1982-83 should be made known as soon as possible, both because of his holding statement to the Consultative Council on Local Government Finance on 19 May and because of the Government's difficulties with the Local Government Finance (No 2) Bill in the House of Lords.

HANDLING

13. You will wish to invite views first from the Secretary of State for the Environment and the Chief Secretary, Treasury who are likely to be the main

contributors. The Secretaries of State for Scotland and Wales may also wish to comment and several Ministers (for example the Home Secretary, the Secretary of State for Education and Science, the Lord Privy Seal and the Chancellor of the Duchy of Lancaster) may wish to speak about the broader political issues.

CONCLUSIONS

14. You will wish to reach conclusions on the following points:

i. whether there should be any general holdback of grant in England and, if so, on what basis;

ii. if the Committee cannot reach conclusions on i., what further work should be put in hand;

iii. whether, in the light of the decisions on i., the Secretaries of State for Scotland and Wales and the Chief Secretary, Treasury should be invited to settle the extent of grant holdback for Scottish and Welsh local authorities, on a basis which would be defensible in relation to the outcome for England;

iv. when and how the Government's decisions should be made known.

PLG

P L GREGSON

25 May 1982

01-405 7641 Ext. 3040
Communications on this subject should be addressed to
THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMB
LAW OFFICERS' DEPARTM
ROYAL COURTS OF JUSTIC
LONDON, W.C.2.

Our Ref: 400/81/141

24 May 1982

H R Newey, Esq
Legal Department
Department of the Environment
Room P3/118
2 Marsham Street
LONDON SW1P 3EB

LOCAL GOVERNMENT FINANCE (NO 2) BILL - PROPOSED HOLD-BACK OF GRANT IN 1982-83 AND 1983-84

The Attorney General has considered your letter of 20 May and advised as follows:-

1. Question (1)

Whilst it is arguable that because the wording of section 59 does not expressly prohibit the making of adjustments in grant for one year by reference to compliance with guidance given for the previous year, such an exercise is permissible. In the Attorney General's view it is not:-

(a) Such an interpretation would give the Secretary of State almost unlimited power. It would enable him, for example, to exercise the power by reference to guidance given 5 or 10 years earlier. The Act must contemplate that the adjustments made under section 59(6)(cc) be linked to the guidance there referred to, otherwise local authorities would have no criterion by which to set their own budgets.

(b) As stated in paragraph 10 of the letter, unless there was an oversight in the drafting of Clause 4(7), Parliament by enacting that clause contemplates that the power under section 59(6)(cc) is to be exercised by reference only to guidance for the year in which the power is exercised.

(c) Section 59 is clearly framed so as to limit the Secretary of State's powers to vary the amount of Block Grant payable (see section 59(5)). The courts are likely to be sympathetic to an argument that the power under section 59(6)(cc) is designed to be used in compliance with guidance issued in advance, and that it is illegal and/or unreasonable to use it in a manner which materially reduces an entitlement to grant without proper warning or consultation.

/(d)

01-405 7641 Ext.

Communications on this subject should be addressed to
THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

(d) The trend is clearly towards a "purposive" interpretation of statutes and such an interpretation will favour the arguments set out above. The Attorney General believes that the courts would accede to a challenge (which would surely be inevitable) based on these arguments.

2. Question (2)

The Attorney General considers that the proposal is only saved by a technicality namely that the differential part of the "super hold-back" takes effect in 1983/84, from being a clear breach of Mr Tom King's undertaking of 2 February 1982.

G ROSCOE

Prime Minister

RSG HOLDBACK IN 1982/83

1. Further to Michael Heseltine's minute of 19 May the Chief Secretary has asked me to circulate some further exemplifications of different ways in which additional holdback of grant for 1982/83 might be imposed.

2. The Chief Secretary has suggested that the objective should be to impose the additional holdback in such a way as to exempt all authorities spending below GRE. The new exemplifications have been constructed on this basis. They would take nothing from authorities spending below GRE, but would take increasing amounts from those spending above GRE.

3. The technical note beneath explains the main effects of the two alternative forms of additional holdback now exemplified. Both versions would only impose about £120m of additional holdback.

4. The distribution of this additional holdback might be more attractive to our supporters in that it would let off all those below GRE. But it would be open to two very serious objections:

i. There are 36 authorities who although they are spending above GRE have met our targets for the year-on-year reduction that we set them. They have been promised that if they met their targets we would exempt them from further differential penalty. Since this proposal has such a strongly differential element its imposition would be seen as a clear breach of faith.

ii. Overspend against our targets is spread across all classes of authority. On average those below GRE have exceeded their targets just as much as those above. To concentrate all the penalties on those who are above GRE will be seen

as unfair and discriminatory. It will also be seen as contrary to the spirit of the assurance I gave in February during the Committee Stage of the Local Government Finance Bill that differential holdback penalties would not be increased during a year.

5. I am copying this minute to the members of E Committee, George Younger, Nicholas Edwards, Norman Fowler, the Attorney General, the Lord Advocate and Sir Robert Armstrong.

Leslie Hicks
(Private Secretary)
for TOM KING
(Approved by the Minister
and signed in his absence)
24th May 1982

ANNEX A

AUTHORITIES ABOVE GRE MEETING EXPENDITURE TARGETS

i) Major Spending Authorities

Havering
Rotherham
Wakefield

ii) Non Metropolitan Districts

Peterborough
Congleton
Halton
Stockton-on-Tees
Allerdale
Barrow in furness
High Peak
Derwentside
Sedgefield
Wear Valley
Eastbourne
Basingstoke and Deane
Fareham
Rushmoor
Southampton
Wychavon
Hertsmere
Three Rivers
Boothferry
South Wight
Canterbury
Dartford
Sevenoaks
Shepway
Tonbridge and Malling
Northampton
Harrogate
Richmondshire
Bassetlaw
Nottingham
Rushcliffe
The Wrekin
Epsom and Ewell

HOLDBACK: EXEMPLIFICATION OF "TREASURY OPTIONS"

(Annex B)

1. The attached table/ shows the effect of two further options as requested by the Chief Secretary.

2. Both options start from a schedule fixed at the level of the close-ended schedule after taking account of BG3 grant claims. The option headed "Zero threshold" has a taper of 25% on that schedule, starting at GRE. Total holdback under this option is about £120m falling entirely on authorities spending above GRE. Holdback is an equal poundage within each class for authorities spending above the 10% threshold.

3. The second option headed "Double kink" is similar to the previous option but with a slope of 0.65 between GRE and the 10% threshold and a slope of 0.825 (37.5% taper) above that threshold. This is less severe than the zero threshold option on those spending between GRE and threshold and more severe on those above threshold above holdback increases with overspending. Total holdback under this option is £121m.

4. The main effects of these two options are summarized below:-

(1) Further holdback, under either of these options, is borne by authorities who have budgetted to spend above GRE. Since most of these authorities (except in the case of non met. districts) are already subject to differential holdback, the effect of these options is to increase the amount of differential holdback. Thus in the case of non met. counties, the 12 authorities already subject to differential holdback lose a further £35m under the first of these schemes.

(2) Authorities overspending their targets who are below GRE

are treated more favourably than authorities above GRE who used targets. Such authorities are Rotherham, Wakefield and Havering, and 33 non-met districts listed at Annex A.

(3) The form of holdback increases the benefit of the GRE exemption and would be seen as a further step towards using GRE as the target. It would further weaken the credibility of the 1982/83 targets and would make it more difficult to maintain targets which were different from GRE's in 1983/84. It would reinforce the view that performance in relation to GRE was more important than performance in relation to target.

(4) The 'double kink' option is more favourable to non met. counties and metropolitan districts, but worse for London than the zero threshold option. This is because its effects are less severe in authorities between GRE and threshold, but more severe on those above the threshold. Thus Tower Hamlets which has budgeted to spend 70% above GRE (but 14% above target) loses £2.9m in further holdback under the double kink option compared with £0.5m with the zero threshold option. Manchester loses more under either of these options of further holdback than under the original holdback scheme and its total holdback under the double kink option is more than twice its overspend.

(5) Both options undermine the concept of leaving a 10% threshold above GRE before the poundage schedule becomes steeper. This margin was deliberately left in after discussion with the local authority associations because of the inevitable element of approximation in the calculation of grant-related expenditure. To abolish the margin at this stage would give undue credence to GREs as the proper and exact measure of what local authorities ought to be spending.

ANNEX B

Effect of holdback with fixed schedule below GRE

thority	Overspend on target Col 1	Grant before holdback Col 2	Differ-ential holdback Col 3	Further holdback with: Zero threshold Col 4	Double kink Col 5	Overspend effective target Col 6
TAL England	£1,451.305m	£8,673.846m	£311.912m	£120.546m	£120.774m	£688.863m
n-met districts	£49.933m	£626.768m	£14.136m	£8.503m	£10.148m	£-84.924m
n-met counties	£573.174m	£4,080.836m	£114.507m	£33.750m	£11.525m	£102.883m
etropolitan districts	£216.487m	£2,110.486m	£68.354m	£29.663m	£18.637m	£115.256m
tropolitan counties	£136.731m	£519.111m	£38.783m	£15.454m	£19.797m	£136.590m
on-met total	£623.107m	£4,707.604m	£128.643m	£42.253m	£21.673m	£17.959m
etropolian total	£353.218m	£2,629.597m	£107.138m	£45.117m	£38.434m	£251.846m
ity & Westminster	£5.888m	£-63.612m	-	-	-	£2.423m
est of Inner London	£54.091m	£396.285m	£14.235m	£6.009m	£17.269m	£53.562m
nner London inc ILEA	£153.032m	£332.673m	£14.235m	£6.009m	£17.269m	£149.038m
uter London	£83.486m	£790.726m	£32.444m	£15.432m	£13.204m	£67.924m
LC & Met Police	£238.399m	£212.516m	£29.452m	£11.735m	£30.195m	£202.126m
ondon total	£474.917m	£1,335.916m	£76.132m	£33.176m	£60.668m	£419.088m
artnership authorities	£103.355m	£881.807m	£33.357m	£16.284m	£25.989m	£92.220m
rogramme authorities	£98.878m	£740.673m	£23.122m	£9.037m	£7.641m	£60.947m
artnership & programme	£202.233m	£1,622.480m	£56.479m	£25.321m	£33.630m	£153.167m

Effect of holdback with fixed schedule below GRE

thority	Overspend on target Col 1	Grant before holdback Col 2	Differ-ential holdback Col 3	Further holdback with: Zero threshold Col 4	Further holdback with: Double kink Col 5	Overspend effective target Col 6
LES OF SCILLY	£0.063m	£0.730m	-	-	-	£-0.030m
HIRE COUNTIES						
Avon	£33.566m	£137.074m	£15.005m	£4.563m	£1.521m	£24.342m
Bedfordshire	£19.701m	£63.714m	£10.537m	£4.199m	£1.553m	£18.594m
Berkshire	£24.798m	£57.017m	£12.171m	£2.204m	£0.735m	£8.437m
Buckinghamshire	£13.781m	£58.704m	-	-	-	£-0.056m
Cambridgeshire	£11.207m	£75.299m	-	-	-	£-2.804m
Cheshire	£28.761m	£138.067m	£17.052m	£5.677m	£1.892m	£26.761m
Cleveland	£18.486m	£110.591m	£9.683m	£3.858m	£1.408m	£18.486m
Cornwall	£5.870m	£70.667m	-	-	-	£-6.629m
Cumbria	£6.771m	£95.372m	£3.938m	£0.744m	£0.248m	£5.132m
Derbyshire	£24.527m	£154.944m	£7.530m	£1.380m	£0.460m	£8.219m
Devon	£13.313m	£142.889m	-	-	-	£-12.942m
Dorset	£-1.135m	£66.273m	-	-	-	£-1.135m
Durham	£6.539m	£124.050m	£4.622m	£1.531m	£0.510m	£6.539m
East Sussex	£4.401m	£66.806m	-	-	-	£-0.023m
Essex	£34.903m	£151.665m	-	-	-	£-1.376m
Gloucestershire	£7.111m	£71.233m	-	-	-	£-0.499m
Hampshire	£20.085m	£187.912m	-	-	-	-
Hereford and Worcester	£12.562m	£87.058m	-	-	-	£-0.020m
Hertfordshire	£5.394m	£84.016m	-	-	-	-
Humberside	£34.444m	£175.944m	£11.922m	£3.427m	£1.142m	£21.148m
Isle of Wight	£2.647m	£19.898m	-	-	-	£-0.002m
Kent	£15.046m	£212.903m	-	-	-	£-21.789m
Lancashire	£23.677m	£271.935m	-	-	-	£-0.033m
Leicestershire	£27.789m	£132.177m	-	-	-	£-0.055m
Lincolnshire	£10.209m	£96.004m	-	-	-	£-0.567m
Norfolk	£10.006m	£94.567m	-	-	-	£-4.307m
Northamptonshire	£18.928m	£83.572m	-	-	-	£-0.081m
Northumberland	£3.305m	£55.884m	£2.652m	£0.509m	£0.170m	£3.126m
North Yorkshire	£7.827m	£111.727m	-	-	-	-
Nottinghamshire	£39.768m	£176.590m	£15.214m	£4.877m	£1.626m	£27.002m
Oxfordshire	£3.855m	£55.482m	-	-	-	£-0.341m
Shropshire	£8.591m	£65.603m	-	-	-	£-2.228m
Somerset	£7.773m	£65.886m	-	-	-	£-0.287m
Staffordshire	£16.534m	£164.397m	£4.180m	£0.781m	£0.260m	£4.284m
Suffolk	£12.638m	£79.884m	-	-	-	£-0.015m
Surrey	£9.566m	£67.041m	-	-	-	£-5.030m
Warwickshire	£10.824m	£62.429m	-	-	-	-
West Sussex	£9.958m	£58.713m	-	-	-	£-5.266m
Wiltshire	£9.147m	£86.847m	-	-	-	£-3.701m

Effect of holdback with fixed schedule below GRE

thority	Overspend on target Col 1	Grant before holdback Col 2	Differential holdback Col 3	Further holdback with: Zero threshold Col 4	Further holdback with: Double kink Col 5	Overspend effective target Col 6
REATER LONDON						
City of London	£2.423m	£-40.809m	-	-	-	£2.423m
Camden	£0.497m	£12.039m	-	-	-	£0.497m
Greenwich	£4.450m	£30.313m	£1.208m	£0.481m	£1.354m	£4.450m
Hackney	£13.811m	£44.987m	£1.360m	£0.542m	£2.188m	£13.811m
Hammersmith and Fulham	£7.912m	£35.449m	£1.246m	£0.497m	£1.267m	£7.912m
Islington	£4.957m	£31.757m	£1.954m	£0.779m	£2.428m	£4.957m
Kensington and Chelsea	£2.051m	£16.665m	£2.160m	£0.752m	£0.251m	£1.522m
Lambeth	£6.160m	£57.553m	£2.175m	£0.867m	£2.732m	£6.160m
Lewisham	£3.524m	£47.144m	£1.268m	£0.505m	£1.744m	£3.524m
Southwark	£2.692m	£45.712m	£1.360m	£0.830m	£2.395m	£2.692m
Tower Hamlets	£7.462m	£27.069m	£1.195m	£0.476m	£2.817m	£7.462m
Wandsworth	£0.574m	£47.596m	£0.307m	£0.280m	£0.093m	£0.574m
Westminster	£3.465m	£-22.803m	-	-	-	-
Barking and Dagenham	£0.879m	£24.875m	£0.765m	£0.974m	£0.667m	£0.879m
Barnet	£1.846m	£36.954m	-	-	-	£-0.036m
Bexley	£3.632m	£42.881m	£2.827m	£1.147m	£0.463m	£3.632m
Brent	£15.387m	£61.725m	£4.838m	£1.928m	£2.255m	£15.387m
Bromley	£-0.355m	£43.928m	-	-	-	£-1.468m
Croydon	£-0.038m	£46.749m	-	-	-	£-7.728m
Ealing	£2.968m	£55.062m	£1.178m	£0.292m	£0.097m	£1.221m
Enfield	£2.654m	£40.815m	£2.757m	£0.838m	£0.279m	£2.654m
Haringey	£15.779m	£61.136m	£3.334m	£1.329m	£2.672m	£15.779m
Harrow	£5.896m	£30.692m	£3.237m	£1.290m	£0.703m	£5.896m
Havering	-	£40.636m	-	£0.834m	£0.278m	-
Hillingdon	£2.145m	£23.350m	£2.581m	£1.982m	£0.949m	£2.145m
Hounslow	£5.306m	£25.039m	£4.539m	£1.809m	£1.253m	£5.306m
Kingston-upon-Thames	£-1.320m	£17.135m	-	£0.065m	£0.022m	£-1.320m
Merton	£0.037m	£26.496m	£0.036m	£0.195m	£0.065m	£0.037m
Newham	£12.557m	£71.205m	£3.371m	£1.343m	£1.456m	£12.557m
Redbridge	£2.007m	£38.248m	-	-	-	£-0.004m
Richmond-upon-Thames	£0.034m	£20.113m	£0.038m	£0.234m	£0.078m	£0.034m
Sutton	£1.113m	£25.237m	-	-	-	£-0.006m
Waltham Forest	£12.961m	£58.450m	£2.943m	£1.173m	£1.965m	£12.961m
GLC	£238.399m	£72.930m	£29.453m	£11.735m	£30.195m	£202.126m
ILEA	£93.053m	-	-	-	-	£93.053m
Metropolitan Police	-	£139.586m	£-0.001m	-	-	-

Effect of holdback with fixed schedule below GRE

hority	Overspend on target Col 1	Grant before holdback Col 2	Differ-ential holdback Col 3	Further holdback with: Zero threshold Col 4	Further holdback with: Double kink Col 5	Overspend effective target Col 6
EATER MANCHESTER						
olton	£5.144m	£52.182m	-	-	-	£-1.150m
Bury	£4.880m	£31.604m	£2.306m	£0.784m	£0.261m	£4.880m
Manchester	£2.891m	£102.680m	£2.181m	£3.462m	£3.971m	£2.891m
Oldham	£3.699m	£49.760m	-	-	-	-
Rochdale	£9.272m	£50.382m	£2.469m	£0.984m	£0.703m	£9.272m
Salford	£2.524m	£54.708m	£1.814m	£0.835m	£0.278m	£2.524m
Stockport	£3.017m	£40.045m	-	-	-	£-1.473m
Tameside	£5.543m	£47.212m	£2.609m	£0.991m	£0.330m	£5.543m
Trafford	£1.618m	£24.109m	-	-	-	£-2.670m
Wigan	£7.335m	£63.409m	£3.751m	£1.206m	£0.402m	£7.335m
RSEYSIDE						
Knowsley	£3.255m	£39.082m	£1.639m	£0.372m	£0.124m	£2.042m
Liverpool	£13.328m	£120.607m	£7.865m	£3.134m	£1.371m	£13.328m
St Helens	£2.355m	£35.742m	£2.018m	£0.700m	£0.233m	£2.355m
Sefton	£0.904m	£46.166m	-	-	-	£-7.391m
Wirral	£2.461m	£55.862m	£0.235m	£0.046m	£0.015m	£0.249m
UTH YORKSHIRE						
Barnsley	£3.356m	£48.659m	£2.088m	£0.896m	£0.351m	£3.356m
Doncaster	£3.277m	£58.040m	£2.381m	£1.414m	£0.584m	£3.277m
Rotherham	-	£52.060m	-	£0.590m	£0.197m	-
Sheffield	£17.866m	£94.454m	£7.884m	£3.141m	£3.265m	£17.866m
YNE AND WEAR						
Gateshead	£6.857m	£43.557m	£2.556m	£1.019m	£0.500m	£6.857m
Newcastle upon Tyne	£11.251m	£42.216m	£5.047m	£2.011m	£2.754m	£11.251m
North Tyneside	£8.467m	£39.034m	£2.491m	£0.993m	£0.894m	£8.467m
South Tyneside	£1.668m	£39.255m	£1.034m	£0.648m	£0.216m	£1.668m
Sunderland	£6.231m	£64.104m	£3.307m	£1.296m	£0.432m	£6.231m
EST MIDLANDS						
Birmingham	£10.891m	£162.298m	-	-	-	£-0.244m
Coventry	£6.662m	£58.862m	£0.925m	£0.190m	£0.063m	£0.980m
Dudley	£3.679m	£31.456m	-	-	-	£-6.308m
Sandwell	£3.629m	£44.422m	£1.882m	£0.400m	£0.133m	£1.655m
Solihull	£2.405m	£26.705m	-	-	-	£-3.750m
Walsall	£11.646m	£41.404m	£4.744m	£1.890m	£0.671m	£8.870m
Wolverhampton	£3.184m	£43.694m	-	-	-	-
EST YORKSHIRE						
Bradford	£18.081m	£109.125m	£5.231m	£1.674m	£0.558m	£12.039m
Calderdale	£5.321m	£43.295m	£1.898m	£0.696m	£0.232m	£5.321m
Kirklees	£7.304m	£82.954m	-	-	-	-
Leeds	£16.499m	£118.092m	-	-	-	-
Wakefield	£-0.012m	£53.248m	-	£0.291m	£0.097m	£-0.012m

Effect of holdback with fixed schedule below GRE

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differential holdback Col 3	Further holdback with Zero threshold Col 4	Further holdback with Double kink Col 5	Overspend effective target Col 6
METROPOLITAN COUNTIES						
Greater Manchester	£21.223m	£112.423m	£9.047m	£3.605m	£3.119m	£21.223m
Merseyside	£26.052m	£75.043m	£5.266m	£2.098m	£3.543m	£26.052m
South Yorkshire	£14.246m	£72.227m	£3.685m	£1.468m	£5.140m	£14.246m
Tyne and Wear	£13.929m	£76.887m	£3.528m	£1.406m	£2.322m	£13.929m
West Midlands	£33.094m	£81.285m	£11.372m	£4.531m	£2.978m	£32.953m
West Yorkshire	£28.187m	£101.245m	£5.886m	£2.345m	£2.694m	£28.187m

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Prime Minister

MCS 25/5

QUEEN ANNE'S GATE LONDON SW1H 9AT

24 May 1982

cc J.V

Dear Michael

LOCAL AUTHORITY CURRENT EXPENDITURE 1982-83

with MCS

I have seen the figures you circulated on 19 May to show how further hold-back of grant might be distributed. I remain of the view that any further hold-back threatens damaging effects on the police and other protective services. The figures show that even at the lower levels of hold-back there would be an impact not just on the metropolitan counties, to whom I referred at E, but on the shire counties. I therefore agree with you that both because of the damage further hold-back could do and for the other reasons you adduce we should, however reluctantly, give up the idea of further grant penalties in the current year. I am sending copies of this to recipients of copies of your minute of 19 May.

Yours ever
Willie

The Rt. Hon. Michael Heseltine, MP.

E

Prime Minister (2)

MCS 21/5

cc JV

FROM THE LEADER OF THE HOUSE

HOUSE OF LORDS

21 May 1982

Dear Michael,

RSG HOLDBACK

I have seen a copy of your minute to the Prime Minister of 19 May.

I would like to emphasise the point which you made about the remaining stages of the Local Government Finance (No 2) Bill in the Lords. Bearing in mind the sort of timetable for the Bill which we are trying to achieve, I think it vital that no further measures should be announced before the Bill receives Royal Assent. Subject to other business, we hope to take Report stage in the middle of June with Third Reading towards the end of June. Royal Assent would follow as quickly as possible. But I am bound to say that if any announcement was made immediately after Royal Assent, the Government would certainly come in for a good deal of criticism on the grounds that it had been deliberately withheld until after the passage of the Bill.

As you rightly say, we have already had a good deal of trouble on Clause 4 and have had to recommit the Bill to allow Government amendments to be tabled in Committee and I would hope colleagues will bear in mind the very real current difficulties in the Lords.

I am sending copies of this letter to the Prime Minister and to the other recipients of your minute.

Yours ever

Peter

BARONESS YOUNG

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

Prime Minister
cc FV

PRIME MINISTER

RSG HOLDBACK

I have seen the Environment Secretary's minute to you of 19 May.

2. As I said in my letter of 23 April, I share the Chief Secretary's anxiety about overspending and would have wished to find an effective response. But I fear that the Environment Secretary's minute shows that any further reductions in grant would be inconsistent with the undertakings that we have given and with the politics of the situation, and would be ineffective in the sense that they would not secure reductions in expenditure where they are most needed. A straightforward across-the-board reduction of £200m or £300m, even with a steeper slope or taper, would fall with wholly disproportionate effect on those local authorities planning to spend within their GRE. It would also be hard to justify in the light of the Environment Secretary's undertaking on Second Reading on 18 January that he would protect from the effect of a general reduction in grant "authorities achieving their individual targets or spending below their GRE assessment figures". Likewise compensation next year for authorities in this category, even if legal, would be a clear breach of the Minister for Local Government's assurance of 2 February.

3. Reluctantly, therefore, I agree with the Environment Secretary that we should not go beyond the already announced differential holdback scheme for the current year. The sooner we announce this the better, not only because of the Local Government Finance Bill but also because the local authority associations pressed us hard for a decision in the Consultative Council on 19 May.

4. I am sending copies of this minute to those who had the Environment Secretary's minute.

KJ

21 May 1982