

CONFIDENTIAL



Prime Minister

dc JV
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The very existence of GRE seems to have become an embarrassment.

PRIME MINISTER

Endorse the decision that there should be no exemption from holdback for Authorities

MINISTERIAL GROUP ON RATE SUPPORT GRANT (MISC 21)

Spending more than

The first two meetings of the Ministerial Group on Rate Support Grant (MISC 21) took place under my chairmanship on 21 and 26 October. One of the main topics we discussed was the basis on which the Secretary of State for the Environment should consult the local authorities about schemes of grant abatement: in particular, whether those authorities spending more than their expenditure target but less than their grant-related expenditure assessment (GRE) should be exempt from abatement of grant ('holdback'). In view of the political implications I thought it right to report our conclusions to you.

target but
less than
GRE?

Misc 27/10

The Ministerial Committee on Economic Strategy (E) agreed in July that the expenditure targets for low-spending English local authorities in 1983-84 should be based on the budgets of those authorities in 1982-83. In some cases, the target so calculated will be less than the GRE, which is regarded as assessing the need of each local authority to incur current expenditure, given the range of services which it provides, the size and age structure of its population, and so on. Many of the authorities in this position are controlled by our own supporters. Under pressure from them we conceded that the scheme of holdback for 1982-83 should not penalise authorities spending more than their target but less than their GRE.

Yes
not

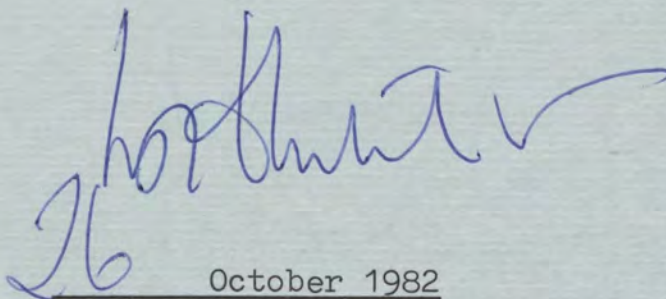
The Secretary of State for the Environment is required by statute to consult the local authorities about holdback methods. As foreshadowed in the memorandum which he put to E Committee in July (E(82)59) he proposes to consult them on the basis that in 1983-84 there will be no exemption from holdback for those authorities spending more than target but less than GRE. He and most other members of the Group take the view that local authorities in this position will typically have targets for 1983-84 some five per cent higher in cash terms than their expenditure in 1982-83 and that, with declining inflation, this will allow a perfectly adequate real level of expenditure; that to concede exemption from holdback for authorities spending less than GRE would result in additional public expenditure (the difference between target and GRE for the authorities involved is £380 million, though in practice the additional expenditure would no doubt be less than this); and that to concede at this stage exemption for authorities spending less than GRE would be regarded as an indication of a weakening in our determination to curb local authority current expenditure.

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Some members of the Group took the view that we should come under such heavy pressure from our supporters and others to exempt authorities spending less than GRE from holdback that we should have to give way sooner or later; that it would be hard to justify penalising authorities spending less than the Government's own assessment of need, as shown by the GRE; and that it would be better to make the concession at the outset rather than stir up unnecessary trouble by consulting local authorities on a basis which, in the event, we could not sustain. Against this, however, it was pointed out that the Secretary of State for Wales had already consulted local authorities on the basis of no exemption, without provoking undue difficulty. Moreover, there are a good many local authorities, especially among the district councils, who are holding expenditure to target even if it is less than GRE, and resent the fact that, at present, those spending more than target but less than GRE receive favourable treatment.

Despite the certainty of protests from many of our supporters, the Group concluded that it was right to consult the local authorities on the basis of no exemption from holdback for authorities spending less than GRE; and the Secretary of State for the Environment will proceed accordingly. It will, of course, still be possible to include such an exemption in the scheme of holdback eventually adopted if it seems right to do so in the light of the consultations; the other features of the holdback scheme, and the severity with which it treats different levels of expenditure, will also be relevant. These matters will be for Ministers collectively to decide on the basis of recommendations from MISC 21.

I am sending copies of this minute to the other members of MISC 21, to the Chief Whip, and to Sir Robert Armstrong.


26 October 1982



Local Gov

Relations

FILE

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cc: DES ✓ CDL ✓ da
WO ✓ SO ✓
C80 ✓ D/Ind ✓
KOD ✓ CWO ✓
DHSS ✓ CO ✓
DOE (2)
D/Trans ✓ bc: JV ✓



10 DOWNING STREET

From the Private Secretary

28 October 1982

Dear John,

MINISTERIAL GROUP ON RATE SUPPORT GRANT (MISC 21)

The Prime Minister endorses the decision of MISC 21 recorded in the Home Secretary's minute of 28 October, that there should be no exemption from holdback for local authorities spending more than their expenditure targets but less than their grant-related expenditure assessments.

I am sending a copy of this letter to the Private Secretaries to the other members of MISC 21, Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Halliday, Esq.,
Home Office.

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da



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

ms 22/10

CONFIDENTIAL

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

19 October 1982

mt

Dear Michael,

RATE SUPPORT GRANT SETTLEMENT 1983-84 - HOLDBACK

I have followed with interest your recent exchanges with Leon Brittan about grant holdback in England in 1983-84, and I have now seen the proposals set out in MISC 21(82)1 which we are to discuss on Thursday.

I shall as usual discuss Scottish arrangements separately with Leon Brittan, keeping you and Nick Edwards in touch with my proposals. But I have a strong interest in your proposals because they are likely to set the tone of the relationship between the Government and local authorities as a whole in 1983-84. In addition the decision on holdback in England will exercise some influence on the corresponding decision for Scotland although the Scottish figure cannot be calculated as a simple proportion of the English figure. The administrative and political feasibility of achieving any particular total in Scotland must be considered on merits.

Paragraph 25 of your paper indicates that you expect severe criticism from local government and from our supporters as well as from our opponents. I agree that the proposals for holdback in 1983-84 are likely to encounter considerable difficulties and will need to be carefully judged. In making the judgement I believe it is important that we should take into account the best estimate that can be made in advance of the total withholding likely to result from the various options since the effect on total grant will feature prominently in public discussion. I therefore hope that at the outset of Thursday's discussion you will be able to give the Committee some estimate of the effect of each option on expenditure levels and of the resultant grant withholding.

I am sending copies of this letter to the members of E Committee and of MISC 21.

*Yours ever,
George*

Local Govt, Central/Local Relations
10-4

12 OCT 1982

