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FROM THE PRIVATE SECRETARY  
TO THE SECRETARY OF STATE  
FOR WALES

20 December 1982

Dear Mr Gieve

RATE SUPPORT GRANT SETTLEMENT 1983/84: WALES

... I attach a final version of the oral statement my Secretary of State is to make in the House today about the 1983/84 Rate Support Grant Settlement for Wales.

/ I am copying this to the Private Secretaries to the Prime Minister, Home Secretary, the Secretaries of State for the Environment, Scotland, Transport, Education, Health and Social Services, Employment and Trade, the Lord President, the Chancellor of the Duchy of Lancaster, the Chief Whips (Lords and Commons), the Chief Press Officer at No 10 and to Sir Robert Armstrong.

Yours sincerely

*Clare*

P.P. A E PEAT

John Gieve Esq  
Private Secretary  
The Rt Hon Leon Brittan QC MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1



PARLIAMENTARY STATEMENT - 20 DECEMBER 1982

WELSH RATE SUPPORT GRANT SETTLEMENT: 1983-84

Mr Speaker with permission I wish to make a statement on the Welsh Rate Support Grant Settlement for 1983-84.

I am today announcing to the Welsh Consultative Council on Local Government Finance the details of the 1983-84 RSG Settlement. I have arranged for copies of the final text of my statement to the Consultative Council to be placed in the Library of the House. I am also laying before the House today the Welsh Rate Support Grant Report for 1983-84.

I have also laid Supplementary Reports for 1981-82 and 1982-83. These adjust the amount of block grant payable to reflect adjustments in relevant expenditure and consequently changes in GRE and grant. They also effect the grant reductions announced in July in respect of the current and total expenditure overspends in the two years.

The main features of the Settlement for 1983-84, which broadly confirm the intentions I announced in July, are as follows:

The total of relevant expenditure provision accepted for grants is approximately £1,385 million. This comprises £1,205 million for current expenditure and £180 million for non-current items.

Aggregate Exchequer Grant will be £975 million, comprising

£114.7 million for specific grants  
£31 million for Transport Supplementary Grant  
£1.8 million for National Parks Supplementary Grant  
£827.5 million for the Rate Support Grants.



Domestic Rate Relief is unchanged at 18½p in the pound. This costs £25 million leaving £802.5 million for distribution as block grant.

The Settlement is a very fair one. Current expenditure provision is increased by £79 million or about 7%. Put another way it is equivalent to about 5% more current expenditure than in 'authorities' revised budgets for the current year.

Since July interest rates have fallen markedly and inflation has fallen faster than anticipated and is now forecast to be 5% next year. However I have not reduced the amounts previously announced which makes it easier for local authorities to keep their expenditure within the Settlement provision.

Aggregate Exchequer grant is £975 million, an increase of £32 million or about 3½%. I am satisfied that if authorities expenditure is kept within provision, on average there need be hardly any increase in rates next year.

An important objective of the settlement is to influence Welsh local authorities to keep their expenditure at a level the country can afford; and to help achieve that objective I have toughened the block grant mechanisms.

This mechanism will be of benefit to rate payers where authorities spend close to GRE; but authorities must recognise that increases in expenditure above the cash increases provided by the settlement, will lead to additional burdens on their ratepayers.



I have also set individual authority expenditure targets. Targets complement the block grant mechanisms and are helpful in letting authorities know exactly where they stand. This allows me to withhold grant in a discriminate manner. I do not wish to withhold grant but if it becomes necessary to do so the grant withheld at the individual authority level should be directly related to an authority's expenditure performance. The target methodology I have used ensures this.

The targets I have set can be achieved by all authorities. Every authority's target allows a cash increase in its current expenditure. After making allowance for the reduction in authorities' national insurance surcharge next year and a modest amount of budget drift, the minimum current expenditure cash increase is 3% and the maximum 7%.

Should grant withholding be necessary, the grant withheld will not exceed the amount of the overall net expenditure excess. There is an upper limit on the amount of grant holdback for any particular authority and also a maximum rate poundage for grant withholding for different levels of overspending.

The overriding need is for continued restraint in local authority expenditure. Some progress has been made but more is needed. The Settlement is a very fair one. We have increased the expenditure provision and aggregate exchequer grant. The expenditure targets set are all capable of being achieved.



There is no reason why local authorities should not keep their expenditure within the Settlement provision. In that case there need be virtually no rate increases next year. Indeed if authorities apply part of the substantial increase in their balances which has occurred this year, there could be significant rate reductions.

This would be of enormous benefit to all ratepayers and especially to industry and commerce.

The opportunity is there: I look to Welsh local authorities to seize it.

## Rate Support Grant (Wales)

4.43 pm

**The Secretary of State for Wales (Mr. Nicholas Edwards):** With permission, Mr. Speaker, I wish to make a statement on the Welsh rate support grant settlement for 1983-84.

I am today announcing to the Welsh consultative council on local government finance the details of the 1983-84 RSG settlement. I have arranged for copies of the final text of my statement to the consultative council to be placed in the Library of the House. I am also laying before the House today the Welsh rate support grant report for 1983-84.

I have also laid supplementary reports for 1981-82 and 1982-83. These adjust the amount of block grant payable to reflect adjustments in relevant expenditure and, consequently, changes in GRE and grant. They also affect the grant reductions announced in July in respect of the current and total expenditure overspends in the two years.

The main features of the settlement for 1983-84, which broadly confirm the intentions I announced in July, are as follows. The total of relevant expenditure provision accepted for grants is £1,385 million. This comprises £1,205 million for current expenditure and £180 million for non-current items. Aggregate Exchequer grant will be £975 million, comprising £114.7 million for specific grants, £31 million for transport supplementary grant, £1.8 million for national parks supplementary grant, and £827.5 million for the rate support grants. Domestic rate relief is unchanged at 18½p in the pound. This costs £25 million, leaving £802.5 million for distribution as block grant.

The settlement is a very fair one. Current expenditure provision is increased by £79 million, or about 7 per cent. Put another way, it is equivalent to about 5 per cent. more current expenditure than in authorities' revised budgets for the current year.

Since July, interest rates have fallen markedly and inflation has fallen faster than anticipated and is now forecast to be 5 per cent. next year. However, I have not reduced the amounts previously announced, which makes it easier for local authorities to keep their expenditure within the settlement provision.

Aggregate Exchequer grant is £975 million—an increase of £32 million, or about 3½ per cent. I am satisfied that, if authorities' expenditure is kept within provision, on average there need be hardly any increase in rates next year.

An important objective of the settlement is to influence Welsh local authorities to keep their expenditure at a level the country can afford; and, to help achieve that objective, I have toughened the block grant mechanisms.

This mechanism will be of benefit to ratepayers where authorities spend close to GRE; but authorities must recognise that increases in expenditure above the cash increases provided by the settlement will lead to additional burdens on their ratepayers.

I have also set individual authority expenditure targets. Targets complement the block grant mechanisms and are helpful in letting authorities know exactly where they stand. This allows me to withhold grant in a discriminate manner. I do not wish to withhold grant, but, if it becomes necessary to do so, the grant withheld at the individual

authority level should be related directly to an authority's expenditure performance. The target system I have used achieves this aim.

The targets I have set can be achieved by all authorities. Every authority's target allows a cash increase in its current expenditure. After making allowance for the reduction in authorities' national insurance surcharge next year and a modest amount of budget drift, the minimum current expenditure cash increase is 3 per cent. and the maximum 7 per cent.

Should grant withholding be necessary, the grant withheld will not exceed the amount of the overall net expenditure excess. There is an upper limit on the amount of grant holdback for any particular authority and also a maximum rate poundage for grant withholding for different levels of overspending.

The overriding need is for continued restraint in local authority expenditure. Some progress has been made, but more is needed. The settlement is a very fair one. We have increased the expenditure provision and aggregate Exchequer grant. The expenditure targets set are all capable of being achieved.

There is no reason why local authorities should not keep their expenditure within the settlement provision. In that case, there need be virtually no rate increases next year. Indeed, if authorities apply part of the substantial increase in their balances which has occurred this year, there could be significant rate reductions. This would be of enormous benefit to all ratepayers and especially to industry and commerce.

The opportunity is there. I look to Welsh local authorities to seize it.

**Mr. Alec Jones (Rhondda):** I refer to the relevant expenditure figure of £1,385 million. Will the Secretary of State confirm that local authorities, which undoubtedly know their problems best, do not share the rosy and cosy optimism which the right hon. Gentleman expressed today that this figure would enable them to maintain their existing level of services and have no rate increases?

Does the right hon. Gentleman understand that unemployment in Wales, now more than 16.7 per cent., increases the number of demands on local government services? We have, for example, more 16-plus students in colleges, more children applying for free school meals, more clothing allowances for pupils and more elderly people needing help from the social services. Does the right hon. Gentleman accept that local authorities also have added responsibilities with the transfer to them of housing benefits and the increased level of applications for improvement grants? To meet these extra demands and added responsibilities means either cutting other services, which is virtually impossible after several years of cuts, or overspending according to the Government's guidelines?

Why should democratically elected local authorities be penalised if they choose to use part of their balances to maintain services or to increase job numbers? Is the Mid-Glamorgan county council, for example, to be branded a criminal spendthrift because it proposes to use some of its balances to employ more teachers and to buy more books and other equipment? In view of current criticisms of education provision, surely such action should be commended.

Will the Secretary of State confirm that cutting the level of rate support grant to 70.5 per cent. of relevant

[Mr. Alec Jones]

expenditure, which is at least the third consecutive cut, means that the average increase of rate levels in Wales will be about 7 per cent., which is more than 10 per cent. higher than if the present level of RSG had been maintained? If that estimate is wrong, what effect does the right hon. Gentleman think this reduction will have on rate levels?

As for council rents, will the right hon. Gentleman confirm that after his 85p increase, council rents will have risen by 127 per cent. between 1979-80 and 1983-84? What other section of the community has faced such large increases in housing costs? After this increase, how many housing authorities in Wales will be in surplus on their housing revenue accounts? Is it intended that council rents shall rise to pay for other council services or to finance reductions in the levels of Government support?

I want to ask about the national parks supplementary grant of £1.8 million. The Secretary of State will be aware that the national parks of Snowdonia, Brecon Beacons and the Pembroke coast have increased responsibilities stemming from the Wildlife and Countryside Act 1981. Will the right hon. Gentleman confirm that there is no decrease in real terms in the grant to the national parks and that it takes account of the added responsibilities as a result of the 1981 Act? Despite the Secretary of State's pious platitudes, which we have heard on every occasion when he has introduced the rate support grant settlement, this year, again, we face reduced services, higher rates, increased unemployment or a combination of all three.

**Mr. Edwards:** The right hon. Member for Rhondda (Mr. Jones) referred to the relevant expenditure figure and increased burdens falling on local authorities. Local authorities, like others, will benefit substantially from the reduction in the inflation rate and the forecasts for the coming year. Inflation has fallen significantly since the original budgets were prepared in the summer. I have not, however, reduced the provision, so there is an added margin for local authorities.

The right hon. Gentleman referred to the cost of financing the planned level of capital expenditure in Wales. Total relevant expenditure takes into account the cost of financing that planned level of capital expenditure.

The right hon. Gentleman spoke about the prudent use of balances. He does not perhaps realise that since local authorities prepared their original budgets in the summer, the estimate of balances for this year, which was then about £70 million, has increased to about £130 million. It gives local authorities real scope to use some of their unexpected increases in balances to hold down rates, particularly for industrial ratepayers.

I welcome the right hon. Gentleman's reference to Mid-Glamorgan. Press reports say that Mid-Glamorgan intends to overspend its expenditure target by about £9 million, which would lead to grant loss of £4.6 million. The leader of the council is quoted as saying that if the Government want to commit political suicide, they should try clawbacks in the run-up to an election.

The county must not be under any illusion about my intentions. If there is an aggregate overspend in Wales, I shall not hesitate to go ahead with clawbacks from Mid-Glamorgan or any other authority. Mid-Glamorgan ratepayers should reflect that a budget of £9 million over target means an additional 33p on their rates—a 20 per

cent. increase in the coming year. Worse still, no domestic ratepayers would be affected by a levy of £30 for every person they employed. That would be an outrage when anxiety is being expressed about unemployment. It is an appalling prospect, and I call upon the county council to think again. The county's target allows a cash increase of 4 per cent. above the amount it is likely to spend on the basis of its revised budget. It is an achievable target.

The right hon. Gentleman suggested that the settlement implied rate increases of 7 per cent. I do not accept that. On the basis of the mathematics, which have been accepted by the local authorities, there is no reason why on average local authorities should increase rates. If they use some of their large balances, there is real scope for reductions.

The Labour Administration, of which the right hon. Gentleman was a member, said that it was right for the Government to increase council rents in line with the increase in the cost of living, but they failed to do so. We have carried out a catching-up exercise. It is right that we should, because if council rents are set too low, even by the previous Government's standards, there will be less money available for capital spending, new housing and housing improvements. In a previous statement to the House I announced an increase of £17 million in capital spending above previously planned levels.

The right hon. Gentleman asked about the national parks, and I shall write to him on that specific point.

The right hon. Gentleman said that there was no scope for reducing rates. I disagree. I suggest that if £45 million of the balances were used by Welsh local authorities, there could be a 10 per cent. reduction in rates. I cannot think of a better gift to local industry and employment prospects.

**Mr. Geraint Howells (Cardigan):** Is the Secretary of State satisfied that Welsh local authorities are treated fairly compared with their counterparts in England and Scotland? What action will he take if all the Welsh local authorities propose a rate increase next year of between 10 per cent. and 20 per cent?

**Mr. Edwards:** The settlement is extremely fair compared with England. In part it reflects the reasonable attitude shown by Welsh authorities compared with authorities in England over the past year or two years. The Welsh figures for increases in relevant expenditure and the amount of grant percentage compare favourably with those in England.

As to rate increases, I have already made it clear that if local authorities in aggregate and individually exceed targets there will be a holdback. Rate increases are matters for local authorities to determine. As a result of this settlement, they have it within their power not just to hold, but to reduce, rates. I hope that they will seize the opportunity that I have given them.

**Mr. Tom Hooson (Brecon and Radnor):** While the overall proposed allocation appears to be generous, given the need to control public expenditure, will my right hon. Friend assure the rural districts and counties in Wales that he will review the sparsity factor when he meets local authorities?

**Mr. Edwards:** As I have said on many occasions to my hon. Friend, who has been assiduous in raising this point, we look at that matter regularly. The local authorities agree the method of distribution among themselves. I

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Press.



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FROM THE PRIVATE SECRETARY  
TO THE SECRETARY OF STATE  
FOR WALES

16 December 1982

Dear John,

RATE SUPPORT GRANT SETTLEMENT 1983/84: WALES

I attach a draft of the oral statement my Secretary of State is to make in the House on Monday December 20 about the 1983-4 Rate Support Grant Settlement for Wales, together with a copy of the statement to be made subsequently to the Welsh Consultative Council on Local Government Finance.

I should be grateful for any comments by close of play tomorrow.

I am copying this to the Private Secretaries to the Prime Minister, Home Secretary, the Secretaries of State for the Environment, Scotland, Transport, Education, Health and Social Services, Employment and Trade, the Lord President, the Chancellor of the Duchy of Lancaster, the Chief Whips (Lords and Commons), the Chief Press Officer at No 10 and to Sir Robert Armstrong.

Yours ever

*Adam*

A E PEAT

John Gieve Esq  
Private Secretary  
The Rt Hon Leon Brittan QC MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1

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PARLIAMENTARY STATEMENT - 20 DECEMBER 1982

WELSH RATE SUPPORT GRANT SETTLEMENT: 1983-84

Mr Speaker with permission I wish to make a statement on the Welsh Rate Support Grant Settlement for 1983-84.

I am today announcing to the Welsh Consultative Council on Local Government Finance the details of the 1983-84 RSG Settlement. With permission I will circulate the full text of my statement to the Consultative Council in the Official Report. I am also laying before the House today the Welsh Rate Support Grant Report for 1983-84.

I have also laid Supplementary Reports for 1981-82 and 1982-83. These adjust the amount of block grant payable to reflect adjustments in relevant expenditure and consequently changes in GRE and grant. They also effect the grant reductions announced in July in respect of the current and total expenditure overspends in the two years.

The main features of the Settlement for 1983-84, which broadly confirm the intentions I announced in July, are as follows:

The total of relevant expenditure provision accepted for grants is approximately £1,385 million. This comprises £1,205 million for current expenditure and £180 million for non-current items.

Aggregate Exchequer Grant will be £975 million, comprising

£114.7 million for specific grants  
£31 million for Transport Supplementary Grant  
£1.8 million for National Parks Supplementary Grant  
£827.5 million for the Rate Support Grants.



Domestic Rate Relief is unchanged at 18½p in the pound. This costs £25 million leaving £802.5 million for distribution as block grant.

The Settlement is a very fair one. Current expenditure provision is increased by £79 million or about 7%. Put another way it is about 5% more current expenditure than in authorities' revised budgets for the current year.

Since July interest rates have fallen markedly and inflation has fallen faster than anticipated and is now forecast to be 5% next year. However I have not reduced the amounts previously announced which makes it easier for local authorities to keep their expenditure within the Settlement provision.

Aggregate Exchequer grant is £975 million, an increase of £32 million or about 3½%. I am satisfied that if authorities expenditure is kept within provision, on average there need be hardly any increase in rates next year.

An important objective of the settlement is to influence Welsh local authorities to keep their expenditure at a level the country can afford; and to help achieve that objective I have toughened the block grant mechanisms.

This mechanism will be of benefit to rate payers where authorities spend close to GRE; but authorities must recognise that increases in expenditure above the cash increases provided by the settlement, will lead to additional burdens on their ratepayers.



I have also set individual authority expenditure targets. Targets complement the block grant mechanisms and are helpful in letting authorities know exactly where they stand. This allows me to withhold grant in a discriminate manner. I do not wish to withhold grant but if it becomes necessary to do so the grant withheld at the individual authority level should be directly related to an authority's expenditure performance. The target methodology I have used ensures this.

The targets I have set can be achieved by all authorities. Every authority has a cash increase for its current expenditure. After making allowance for the reduction in authorities national insurance surcharge next year, the likely level of inflation and a modest amount of budget drift, the minimum current expenditure cash increase is 3% and the maximum 7%.

Should grant withholding be necessary, the grant withheld will not exceed the amount of the overall net expenditure excess. There is an upper limit on the amount of grant holdback for any particular authority and also a maximum rate poundage for grant withholding for different levels of overspending.

The overriding need is for continued restraint in local authority expenditure. Some progress has been made but more is needed. The Settlement is a very fair one. We have increased the expenditure provision and aggregate exchequer grant. The expenditure targets set are all capable of being achieved.



There is no reason why local authorities should not keep their expenditure within the Settlement provision. In that case there need be virtually no rate increases next year. Indeed if authorities apply part of the substantial increase in their balances which has occurred this year, there could be significant rate reductions.

This would be of enormous benefit to all ratepayers and especially to industry and commerce.

The opportunity is there: I look to Welsh local authorities to seize it.

THE WELSH RATE SUPPORT GRANT FOR 1983-84  
STATEMENT BY THE SECRETARY OF STATE FOR WALES

INTRODUCTION

The Rate Support Grant Settlement for 1983-84 which I am announcing today is the third settlement since the separate RSG arrangements were introduced for England and for Wales. The main report and the supplementary reports in respect of 81-82 and 82-83 are being laid before Parliament today and copies will be sent to all local authorities in Wales.

Before announcing details of the Settlement I should like to express my appreciation to the members and officials of the Welsh Counties Committee and the Council for the Principality for their valuable contributions to the discussions which have led up to this Settlement.

Second Supplementary Report for 1981-82

For 1981-82, the Supplementary Report reduces the total of relevant expenditure from the £1,200.4 million specified in the first Supplementary Report to £1,195.4 million, a decrease of £5 million. The decrease will be made in accordance with the usual adjustments to take account of variations in loan charges and certain elements in the housing revenue account which affect the rate fund contribution.

The reduction in loan charges resulting from the downward trend in interest rates is £5.3 million. The impact of changes in the interest and subsidy elements of the Housing Revenue Account reduces the rate fund contributions to the Housing Revenue Account by an estimated £2.8 million. This brings the total downward adjustment to £8.1 million, against which has to be offset an upward adjustment of £3.1 million in respect of a public expenditure classification change in the capital financing of land drainage precepts. The net effect of all these changes is a decrease of £5 million in relevant expenditure. Aggregate Exchequer Grant is consequently reduced to reflect this reduction and also my decision to reduce grant because of authorities' net current expenditure excess of £13 million in 1981/82. In

### Level of Grant

On the basis of a relevant expenditure total of £1385.2 million, the Aggregate Exchequer Grant for 1983-84 is £975 million. Specific grants are estimated to total £114.7 million. Transport Supplementary Grant will be £31 million, and National Parks Supplementary Grant will be £1.8 million. The amount available for Rate Support Grant will therefore be £827.5 million.

### Transport Supplementary Grant

Transport Supplementary Grant in Wales is restricted to capital expenditure only. It will be paid at a rate derived by dividing the aggregate amount of TSG available by the total of transport capital expenditure accepted for grant purposes of all counties in Wales. That part of TSG which until 1 April 1982 was paid in support of transport current expenditure has, of course, been added to the total of block grant.

I continue to attach considerable importance to the Welsh local transport and highways capital programme and I have increased the planned provision for accepted transport capital expenditure for Wales in 1983/84 by £4 million.

This additional money has been provided by diverting resources from the small trunk road schemes programme. The total expenditure accepted for Transport Supplementary Grant purposes will now therefore be £56 million. Transport Supplementary Grant for 1983/84 to county councils will be £31 million.

In taking decisions on expenditure to be accepted for county road improvements I have been guided by Counties' own views of priorities for their areas. These give priority to major schemes which complement planned improvements to the strategic trunk road network and those which will contribute to the promotion of industrial developments.

The settlement allows for all Counties to meet their commitments for current contracts and for a start to be made on a number of new major schemes. These are the Rhyd-y-Golau, Wrexham-Gwersyllt, and Brynbo schemes in Clwyd; the Aberbeeg - Abertillery and Risca - Rogerstone (North) schemes

in Gwent; the Llandudno Link Road in Gwynedd; the Aberdare and Tonyrefail By Passes in Mid Glamorgan; the Grangetown Link Road in Cardiff and the North Dock Interchange in Swansea.

#### National Parks Supplementary Grant

The aggregate amount of estimated expenditure which the Government has accepted for the purposes of National Parks Supplementary Grant for 1983-84 is £2.4 million. This will attract a total grant of £1.8 million, which will be apportioned to each of the three National Parks in Wales as follows:-

Brecon Beacon	£462,000
Pembrokeshire Coast	£586,000
Snowdonia	£752,000

#### Rate Support Grant

For 1983-84 the level of domestic rate relief in Wales will remain at 18½p in the pound. The Domestic Rate Relief Grant will be £25 million and the block grant will be £802.5 million.

For block grant distribution purposes I will be adopting the Grant Related Expenditure formulae which were endorsed by the Welsh Consultative Council on Local Government Finance on 20 October 1982. The block grant mechanisms for the 1983-84 Settlement will be changed from those in the current year in order to exert a stronger influence on the expenditure decisions of authorities whose expenditure is above the threshold and above GRE. The mechanisms are as follows:-

1. the slope of the grant related poundage below the threshold is increased to 1.75% for every 1 per cent change in expenditure relative to GRE;
2. the threshold remains at 10 per cent;
3. the power of the curve of the poundage schedule above this threshold will be increased from 1.45 to 1.75;

4. there will be a one-stage safety net which will set a limit of 5p in the pound at the ratepayer level on the poundage effect of changes in GRE assessments and the continuing effects of the change in the basis of equalisation. The safety net will not protect ratepayers from the effects of changes in the GRP schedules nor from individual authorities' expenditure decisions. The safety net for Counties will be 4p and that for Districts 1p, which broadly reflects their share of aggregate GRE.

The GRE for each Welsh local authority and, where applicable, the safety net multiplier, is shown in the Table at Annex A. The Table at Annex B sets out provisional Grant Related Poundage schedules. Full details of GRE and GRP formulae, multipliers and all other relevant data are being sent to each Welsh local authority today.

#### Targets

The expenditure excesses incurred in both 1981-82 and 1982-83 have persuaded me of the need to set individual authority total expenditure targets for 1983-84. These will be a development of the targets set for this year's revised budgets exercise. The total expenditure target for each authority will be based on a current expenditure component comprising a weighted average of 60 per cent GRE, 30 per cent current outturn for 1981-82 and 10 per cent original current budget for 1982-83; and components covering capital charges, interest receipts and rate fund contributions to the housing revenue account. For the current expenditure component a minimum of 1.5 per cent and a maximum of 5.5 per cent increase on 1982-83 original budgets will apply. Individual local authority targets are also set out in the Table at Annex B. Details have already been sent to individual authorities.

#### Grant Withholding

An authority whose total expenditure (as defined for target purposes) for 1983-84 is at or below its expenditure target will effectively be protected from both the close ending and grant holdback adjustment. Other authorities will bear the cost of "close ending" and will be subject to grant holdback. The amount of grant withheld from each authority will be determined by the extent to which its expenditure exceeds its target. The



scale of penalties will increase progressively up to a maximum of 75 per cent of its expenditure excess. There will be - in order to moderate the poundage consequences of holdback on low resource authorities - an upper limit on the poundage equivalent of the grant loss for any given level of spending in relation to its target.

The totality of grant withholding will not exceed in cash terms the aggregate net expenditure excess.

#### Expenditure and Rating Implications

I expect Welsh local authorities to contain their expenditure within the cash provision in the Settlement. Although inflation and interest rates are now lower than had been anticipated in July when I made my provisional announcement, and inflation is forecast to be down to about 5 per cent next year, I have not reduced the amounts of current expenditure and grant provision announced then. The effect on rates will be wholly dependent on the expenditure decisions of local authorities: I can only exhort moderation. But if expenditure is in line with the targets I have issued there need be virtually no increase in rates next year in Wales as a whole. Indeed, if authorities apply a proportion of their present very substantial balances - an estimated £125 to £130 million by the end of the present financial year - towards assisting rates, then rate payers in Wales can look forward to lower rate levels next year. I hope that authorities will take this opportunity to peg or even reduce their rates. If authorities pursue with vigour their efforts to increase efficiency and, where appropriate, make reductions in manpower, services can be maintained at a level of expenditure which the country can afford. This should be the aim of every authority in 1983-84.

level of provision for current spending should enable Welsh authorities to maintain broadly the present level of services, but will require continuing efforts to increase efficiency, including, where appropriate, reductions in manpower, and pay settlements in low single figures.

#### Capital Expenditure for 1983/84

The settlement includes full provision for the financing of the capital allocations I announced on 23 November. I have increased the capital provision by £17 million above the level previously planned. Excluding the urban programme, which I shall be announcing shortly, I have allocated £282 million which will enable local authorities in Wales to undertake a substantial programme of work on many worthwhile capital schemes.

#### Rent Increases

Local authorities are responsible for determining their own rents, but the Housing Act 1980 requires me to determine an annual amount to be taken into account as the local contribution in calculating subsidy entitlement. After carefully considering local authority views on this matter I have decided to set the increase in the local contribution at 85p per week for 1983-84. The relevant expenditure figure in the Settlement assumes that the aggregate amount of the rate fund contribution for those authorities with a deficit on their HRA will be £5.7 million.

#### Relevant Expenditure

The total amount of relevant expenditure resulting from my decisions on the level of local authority expenditure in Wales in 1983-84 is £1385.2 million, made up as follows:-

	£ million
Current expenditure	1205.0
Revenue contributions to capital outlay	60.0
Loan Charges	134.0
Rate fund contribution to housing revenue accounts	5.7
Interest receipts	-19.5

assessing individual authority's current expenditure performance I am disregarding certain emergency expenditure arising from the severe weather conditions in 1981/82 and any increase in Grant Related Expenditure resulting from the increased provision for land drainage precepts in the year. The overall effect is to reduce the amount of Aggregate Exchequer Grant to £873 million."

#### Supplementary Report for 1982-83

For 1982-83 the Supplementary Report reduces the total of relevant expenditure by £5.6 million, from the £1300.8 specified in the Main Report to £1295.2 million.

The decrease in loan charges stemming from reduced interest rates is estimated to be £5.1 million, while the reduction in rate fund contributions to the Housing Revenue Account is assessed at £3.7 million. These downward adjustments which total £8.8 million are partially offset as in 1981-82 by an increase in provision of £2.3 million for land drainage precepts and an upward adjustment of £0.9 million to reflect the additional costs arising from the police pay settlement of 1 September 1982. The net result is a decrease in relevant expenditure of £5.6 million. Aggregate Exchequer Grant is reduced to reflect this reduction, and also my decision to withhold grant in respect of authorities' likely total expenditure excess of £25 million in the current year. In assessing individual authorities' expenditure performance I will be disregarding any increase in grant related expenditure determined in this report and that determined in the Main Report for 1982-83. The net effect of all this is to reduce Aggregate Exchequer Grant to £933.2 million.

#### Rate Support Grant for 1983-84

##### Current Expenditure

Current expenditure provision for 1983-84 is £1205 million, which is £18 million more than that provided for in the Public Expenditure White Paper Cmd 8494. In setting this amount I have been mindful of the relatively good expenditure performances by Welsh local authorities in 1981-82 and 1982-83. There have, however, been expenditure excesses in both these years, and I would hope that there will be no such excess in 1983-84. The