



Prime Minister ②

To note DoE have a good defence in the George Young leak.

AT 25/9

cc Press Office

Case ①

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

25 September 1984

Dear D. Cunningham.

You wrote to me on 24 September enclosing a copy of an internal minute about development work in connection with the E7 GRE indicator.

Let me make it clear straight away that the work referred to is concerned with future years: we have not "taken money" from anyone; nor could future changes in the GREs have any effect on rate limitation this year.

The leaked memorandum was a first response to a complex initial proposal by officials to prepare papers for a joint central government/local government working group. You will be aware that the E7 GRE methodology has for several years been the subject of criticisms from local authority representatives. This year, it was decided to grasp the nettle and open up for consideration with the local authority associations the possibility of changes in the methodology. George Young was quite right to draw attention to the fact that, since any change would involve gains and losses amongst authorities, development work was bound to be sensitive.

A paper was duly put to the local authority associations early in July as a basis for GRE development work (development work on the E7 factor is no different in kind from the normal programme we undertake each year). The leaked memorandum has therefore been overtaken by further work. The development work has now been done in full consultation with the local authority associations. A range of options has been considered and the results, which have superseded the earlier calculations mentioned in the memorandum, have been incorporated in a report by the Grants Working Group which will be considered next month by the Consultative Council on Local Government Finance. After that discussion Ministers will decide whether or not to adopt the proposed changes.

Any alteration in this housing GRE can have substantial effects for a relatively small group of authorities. But they involve switches between authorities, not reductions in the total amount of grant paid to them. The group includes Labour and Conservative authorities. The changes in methodology that are being considered would primarily redistribute GREs between one group of Labour authorities and another. No question of any party political bias therefore arises.

I must also make it clear that the selection for rate limitation took place last July on the basis of a comparison of 1984/85 budgets with 1984/85 GREs. Developments in GREs for future years could not affect that process.

All of the papers dealing with the development work are freely available to the local authority associations as Grants Working Group memoranda, and the whole operation has been conducted openly and in full consultation with local authority representatives.

*Yours sincerely*

*J. H. Jenkin*

PATRICK JENKIN

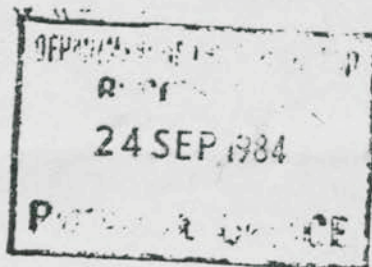
*Approved by the Secretary of State  
and signed in his absence.*



HOUSE OF COMMONS  
LONDON SW1A 0AA

24th September 1984

Rt Hon Patrick Jenkin MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
LONDON SW1



*Dear Patrick,*

Grant Related Expenditure - Rate Fund Contributions to Housing Revenue Accounts

I have recently received a copy of the attached memorandum dated 2nd May from Mr T Beattie in Sir George Young's office to Mr P Owen of the Local Government Finance Directorate of your Department.

The memorandum, the text of which is attached, concerns the work being undertaken on 'E7', the GRE for rate fund contributions to housing revenue accounts. It refers to a draft paper, aspects of which are described by Sir George Young as 'political dynamite', demonstrating that many millions of pounds have been removed from hard-pressed inner city housing authorities, making much worse an already critical housing situation.

The treatment of rate fund contributions and the whole 'E7' methodology has enormous implications for the 365 housing authorities in England. In addition, GREs and their manipulation play a significant part in determining your 'hit list' for purposes of the Rates Act.

As the conclusion of the draft paper "seems to confirm that the Department has been unfair to them" I am writing to ask that this paper and subsequent ones be published immediately. As three of the authorities referred to in the memorandum, Hackney, Leicester and the GLC are victims of your Rates Act, which extends unprecedented central government controls over council budgets, it is in the interests of all to see the extent to which these and many other authorities have been deliberately deprived of resources.

*Yours sincerely*  
*Tony Page*  
for JOHN CUNNINGHAM  
(Agreed and signed  
in his absence)

59/4

CONFIDENTIAL

Mr P F Owen

RSG SETTLEMENT 1985/86 : "E7" DEVELOPMENT WORK

Sir George Young was grateful for your submission of 1 May about the internal study of the GRE for contributions for council housing from the Rate Fund to the Housing Revenue Account.

Sir George has commented that the draft paper for the housing GRE sub-group of GWG contains some "political dynamite". Table 1 for instance, apparently shows that we have 'deprived' Hackney of £9 million, Leicester of £7 million, the GLC of £32 million and Liverpool of £3 million. He has pointed out that the conclusion in paragraph 30 of the paper seems to confirm that the Department has been unfair to them.

Sir George believes that the key decision that must be taken is whether it is worthwhile to go through a lot of inconvenience to introduce the new system only to have to change it a year later when the Housing Benefit review is complete; as paragraph 2 of your minute suggests may be a possibility. He has emphasised that the Department must firmly rule out any suggestions of retrospective adjustments.

Sir George has also raised a number of more detailed queries on the submission:

- i) Paragraph 6 (iii) : He would like this section amplified, since it is not clear why the present E7 fails to take adequate account of the housing subsidy system.
- ii) Paragraph 9 : Would the new approach look to both public and private sector housing, or just public?
- iii) Paragraph 13 (i) : Sir George has asked that the implied suggestion that the existing GRE seriously under-assesses a number of high deficit authorities must be handled with care, since Hackney are litigious!
- iv) Paragraph 16 : Sir George has asked whether any of the authorities have spotted the problem outlined here and raised it?
- v) Paragraph 17 : Sir George has suggested that we might consider safety nets to reduce turbulence.

I understand that Mr Waldegrave will shortly be calling for a joint meeting to discuss the submission, at which the above points could, perhaps be examined.

TREVOR BEATTIE  
PS/Sir George Young

2 May 1984

25 SEP 1994

12 11 10 9 8 7 6 5 4 3 2 1

