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Prime Minister (2)
To note

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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
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8 July 1985

Patrick Jenkin

PRESENTATION OF THE 1986-87 RSG SETTLEMENT

Now that we have settled most of the issues on the 1986-87 RSG settlement - and E(LA) is meeting on 15 July to consider the remaining points - we need to think about how the package should be presented. Good presentation will be vital if we are to get maximum credit from the twin messages that we are freeing local authorities from a much-disliked control but at the same time not easing up on the pressures to reduce spending.

Announcing the abolition of targets will be popular - notably with our own backbenchers - and we should, of course, make the most of that. We should be able to secure a wide welcome, both inside and outside Parliament, for the fact that we have been able to do away with a system which had prevented many shire counties and shire districts spending up to GRES - which are, rightly or wrongly, widely seen as an objective assessment of need.

What will be rather harder - but certainly no less important - will be to get across the message that we have not changed our general stance towards local authority spending, and that we are still committed to securing cost-term reductions to the benefit of taxpayers and ratepayers. Our friends on local councils who have striven hard to make savings would not thank us if they felt their efforts had been in vain, and we were now giving the green light to higher spending.

We shall, of course, be able to point to the continued use of rate-capping as evidence of our determination to keep tough controls on the largest overspenders. That is why it seems to me important to keep the coverage of rate-capping as wide as practicable and to impose tough expenditure levels.

For non-rate-capped authorities we shall need to emphasise the effects of the tougher block grant pressures.

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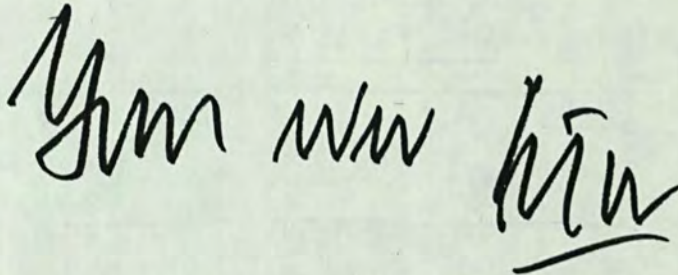
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There is a positive point to get across here: relying on block grant pressures will hit hard at those spending well above GRE, but will help those spending at or below GRE - a group that now includes not just many shire counties but also the more responsible London boroughs such as Wandsworth and Croydon. For those above GRE we shall be providing transitional help via safety nets on grant losses: but in the long run they will be exposed to the full consequences of their overspending.

On rates and the level of grant, we shall be able to say we have struck a balance between the need to maintain the grant pressures on local authorities and the aim of keeping rate rises low. If authorities spend at the level provided for in the Government's plans, rate rises will on average be well below the rate of inflation.

The main task of presenting the settlement will of course fall to you and to the other Ministers in your Department. I should be grateful to see an early draft of your statement as soon as possible. But other Ministers too will inevitably have a role in presenting the package, and it seems to me important to agree a common and robust line.

I am copying this letter to the Prime Minister, the Lord President, the Leader of the House, and the Chancellor, to the other members of E(LA) and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Rees', written in a cursive style.

PETER REES

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