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~~Press~~

SCOTTISH OFFICE
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NBRN.

3, December 1985

RATE SUPPORT GRANT (SCOTLAND)

I attach a copy of the statement which my Secretary of State intends making this afternoon about Aggregate Exchequer Grant for Scotland for 1986-87 and about the arrangements for revaluation rate rebates next year and would be grateful for your clearance.

I am sending copies of this letter to David Morris (Lord Privy Seal's Office), Murdo McLean (Chief Whip's Office), Michael Stark (Cabinet Office), Joan McNaughton (Lord President's Office), Robin Young (Department of Environment), Richard Broadbent (Chief Secretary's Office), David Beamish (Lords Chief Whip's Office) and Bernard Ingham.

ANDY RINNING
Private Secretary

STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND
TUESDAY 3 DECEMBER 1985

HOUSE OF COMMONS

RATE SUPPORT GRANT (SCOTLAND)

WITH PERMISSION MR SPEAKER I SHOULD LIKE TO MAKE A STATEMENT ABOUT AGGREGATE EXCHEQUER GRANT FOR SCOTLAND FOR 1986-87 AND ALSO ABOUT THE ARRANGEMENTS FOR REVALUATION RATE REBATES NEXT YEAR.

ON 24 JULY I ANNOUNCED AN INCREASE OF £59 MILLION IN LOCAL AUTHORITY EXPENDITURE PROVISION FOR 1986-87 AND THIS INCREASED PROVISION FORMED THE BASIS OF THE CURRENT EXPENDITURE GUIDELINES WHICH I ISSUED TO ALL AUTHORITIES IN OCTOBER. I AM NOW IN A POSITION TO ANNOUNCE THE REMAINING ELEMENT IN THE SETTLEMENT FOR NEXT YEAR. AGGREGATE EXCHEQUER GRANT FOR 1986-87 WILL BE £2005 MILLION. THIS IS A CASH INCREASE OF £100 MILLION OVER THE FIGURE INITIALLY ANNOUNCED FOR AGGREGATE EXCHEQUER GRANT FOR 1985-86, ALTHOUGH AS THE HOUSE KNOWS, WE MADE TWO SUBSTANTIAL ADDITIONS TOTALLING £57.5 MILLION TO THAT INITIAL FIGURE AS INFORMATION BECAME AVAILABLE ABOUT THE EFFECTS OF REVALUATION TAKING IT TO £1962 MILLION. THE FIGURE I HAVE JUST ANNOUNCED IS THUS A CASH INCREASE OF £43 MILLION OVER THE FINAL GRANT FIGURE FOR 1985-86.

A FURTHER ADDITION WILL BE MADE TO THE FIGURE OF £2005 MILLION, FOLLOWING CONSULTATIONS WITH THE CONVENTION, IN RECOGNITION OF THE TRANSFER TO LOCAL AUTHORITIES OF FINANCIAL RESPONSIBILITY FOR LIST D SCHOOLS IN 1986-87. THE FIGURE I HAVE SUGGESTED TO THE CONVENTION FOR THIS TRANSFER IS £3.65 MILLION.

ON THE BASIS OF PRESENT ESTIMATES OF LOAN CHARGES THE GRANT FIGURE OF £2005 MILLION WILL MEAN A REDUCTION IN THE GRANT PERCENTAGE FROM 57.7% THIS YEAR TO A PROVISIONAL FIGURE OF ABOUT 56.1% IN 1986-87. THIS CONTINUES THE PRESSURE ON

AUTHORITIES TO REDUCE THEIR EXPENDITURE AND COME INTO LINE WITH OUR PLANS. THE EFFECT OF THIS ON THE RATES IS A MATTER FOR AUTHORITIES. EXPENDITURE ABOVE GUIDELINES PUSHES UP RATES AND GRANT PENALTIES BOTH OF WHICH HAVE TO BE FINANCED BY RATEPAYERS. I HOPE ALL AUTHORITIES WILL BEAR IN MIND THE EFFECTS OF HIGH EXPENDITURE ON RATEPAYERS WHEN CONSIDERING THEIR BUDGETS FOR NEXT YEAR.

I WILL BE CONSULTING THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES IN TWO WEEK'S TIME ON THE DIVISION OF THE GRANT INTO ITS USUAL ELEMENTS AND ON ITS DISTRIBUTION AMONG AUTHORITIES. FOLLOWING THESE CONSULTATIONS I WILL LAY AN ORDER BEFORE THE HOUSE.

EARLIER THIS YEAR I INTRODUCED SPECIAL RELIEF UNDER THE RATING (REVALUATION REBATES)(SCOTLAND) ACT 1985 TO MITIGATE THE EFFECTS OF THE REVALUATION ON DOMESTIC AND COMMERCIAL RATEPAYERS WHOSE NEW RATEABLE VALUE WAS OVER THREE TIMES MORE THAN THEIR OLD ONE. IT WAS NEVER INTENDED THAT THIS RELIEF SHOULD BE A PERMANENT PART OF THE SYSTEM, BUT I REALISE THAT THOSE RECEIVING RELIEF WOULD FACE LARGE INCREASES IN THEIR RATE BILLS IF IT WERE ENDED NEXT YEAR. I HAVE THEREFORE DECIDED THAT THE RELIEF WILL CONTINUE FOR 1986-87 BUT AT A RATE OF 75%. THE MAXIMUM RELIEF ON ANY ONE PROPERTY WILL BE £7,500. THE COST OF THE RELIEF IN 1986-87 WILL BE ABOUT £20 MILLION. I WILL LAY THE NECESSARY ORDER BEFORE THE HOUSE SHORTLY.