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LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

18 July 1986

Dear Lord President,

At Wednesday's meeting of E(LA), I was asked to circulate a draft of the statement I propose to make next Tuesday on the 1987/88 Rate Support Grant settlement, rate limitation and capital spending. This I now attach at Annex A.

Unallocated Margin

At the meeting a principal cause of concern was the presentation of the proposed unallocated margin, and its legal vulnerability. We are seeking the Attorney-General's view of the legal position and he has, I understand, sought Counsel's opinion.

We must, of course, await the Attorney's view (which will be circulated later today). I understand, however, that Counsel is likely to advise that:

- (i) GREs can legitimately be set below what authorities are likely to spend.
- (ii) the aggregate of GREs and individual service GREs, must reflect what authorities need to spend.
- (iii) if GREs are to be lower by a margin than expenditure provision, that provision cannot be said to reflect the Government's view of need to spend.

Counsel could not therefore accept the formulation adopted by the Welsh Office to explain the scheme they have used in 1986/87. It would follow, therefore, that if an unallocated margin is to be legally defensible, it must be presented broadly in the way proposed in the note by officials circulated by my Private Secretary on Tuesday. In advance of seeing the Attorney-General's opinion, I have, with some drafting changes, included that presentation in the draft statement.

Metropolitan Police

The Committee was also concerned that some arrangement be devised to protect the position of the Metropolitan Police. My officials, and those of the Home Office, have considered this issue further and agree that there is no technical problem here. With an unallocated margin of the type proposed, it would be open to the Home Secretary either to set the Metropolitan Police GRE at budget - as is his normal practice - or to introduce a margin between budget and GRE. My officials are continuing to discuss with the Home Office ways of presenting police provision.

Capital

The statement also deals with closing the advance and deferred purchase loophole, as agreed at E(LA). I am attaching a note, at Annex B, explaining this subject for the benefit of colleagues who have not been closely involved. The details of the legislation need further thought, to ensure that authorities are not still able to adopt other devices with similar effect. For the moment, I propose to limit myself to a broad-based declaration of intent. The letter which my officials will be sending to authorities will make quite clear that the legislation will go as far as necessary to stop the abuse and will apply from midnight on Tuesday. But I also intend to indicate a willingness to consider a de minimis exemption at a later stage: some small authorities, including our own supporters, have used deferred purchase for an occasional project of a scale which has no appreciable effect on national control; I would want to retain that sort of safety valve.

I am copying this letter to the Prime Minister, members of E(LA), the Chief Whips in both Houses, the Attorney-General and Sir Robert Armstrong. I should be grateful if comments could reach this office as soon as possible, and by 4 pm on Monday 21 July.

Yours sincerely,

R. J. J.

PP

NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and circulated in his absence.)

DRAFT STATEMENT ON RSG/RATE LIMITATION

1. With permission Mr Speaker I would like to make a statement about Local Government Finance for 1987/88.

2. The Government believes that for 1987/88 there should be a rate support grant settlement that is much less complex than

Delete!
- implies that previous settlements didn't
previous settlements; [one that allows authorities to provide a proper level of services]; with rate bills going up on average by about the rate of inflation, itself very low. *The settlement with other authorities to provide a proper level of service.*

I want to make it clear, that this settlement means that high

Implies criticism of previous settlements
rate bills, or poor standards of service, or both, will be

generous?
entirely the fault of the authorities concerned. Indeed we are

But were earlier settlements bad?
offering a new deal for local authorities to enable them to give

their ratepayers better value for money, while at the same time

increasing the protection of those ratepayers whose authority

remains determined to exploit its ratepayers. Under the present

rating system the link between the governed and the governors has

indeed been weakened. Our proposals for the future will certainly

restore that link; meanwhile this settlement is designed to

secure the greatest possible democratic accountability that the

present system can yield.

3. My proposals are as follows.

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4. For local authority current expenditure, I propose to set provision at £25.2 billion. This is a cash increase of £2.9 billion over provision for 1987/88 published in January's Public Expenditure White Paper and is equivalent to an increase of 3½% - the Government's estimate of general inflation - over LA budgets for 1986/87. This provision is more than I regard as necessary but it is acknowledgement of the need to be realistic in our public expenditure sums. This provision is indeed realistic taking into account proposed levels of local authority spending this year.

5. I am holding the aggregate of GREs, which are the best measure of local government's needs, broadly steady in real terms. This means that part of the increase in overall provision will not flow into GREs.

6. I propose to provide authorities with about £12.9 billion in AEG. This will maintain the grant percentage at 46.4% of relevant expenditure, the same as in 1986/87. This is a cash increase from 1986/87 of just over £1 billion. Maintaining the grant percentage means that authorities have the opportunity to ensure average rate bill increases no higher than inflation. Ratepayers will have the certainty that the blame for high rate increases lies fairly and squarely at the door of their local authority.

*This accepts
LA's view
on expenditure*

7. These are very substantial increases which I am sure will be welcome. They make it fair for me to propose a change which will both provide authorities with greater certainty as to their grant entitlement, and increase the penalties for the reckless, putting greater pressure on authorities to spend less.

This will make various laws
8. The memory of grant recycling last Spring may not be an entirely happy one. Overspending authorities contributed grant to a pool of money which was then redistributed to all authorities on the basis of a common rate poundage. Individual authorities had no certainty as to their grant entitlements, which depended not only on their own expenditure decisions, but on those of all other authorities. Of necessity, we were only able to inform authorities of the estimated level of recycled grant at a late stage, when it was difficult for them to take it into account in setting their rate or precept. More paradoxically even those authorities who chose to overspend regained some recycled grant.

9. I therefore intend to introduce legislation in the Autumn, after consultation, to abolish grant recycling. As a result authorities will be able to plan their budgets and rates with much greater assurance. Their grant entitlement will depend solely on their own expenditure decisions. It also means a tougher regime for high spenders. They will continue to lose grant as they overspend, but will not then gain on the roundabouts, by getting recycled grant, what they lost on the swings.

10. I turn to the incorrigible, for which we have rate limitation. I am today laying before the House a report setting out how authorities will be selected next year. I am selecting authorities not selected in 1986/87 whose budgets are more than 12½% above GRE and show growth of more than 4% since 1985/86. I am reselecting those authorities selected in the current year whose budgets are more than 12½% above GRE and show growth either of more than 4% since 1985/86, or more than 20% since 1982/83.

11. On these criteria, nine authorities not selected in 1986/87 - Brent, Brighton, Gateshead, Hounslow, Middlesbrough, Newham, North Tyneside, Sheffield and Tower Hamlets - are selected. Eleven authorities are reselected - Basildon, Camden, Greenwich, Hackney, Haringey, Islington, Lambeth, Lewisham, Newcastle, Southwark and Thamesdown. Together with the authorities subject to automatic precept control under the Local Government Act 1985, this will mean that, in all, the Government will next year be limiting the rates or precepts of 40 authorities with expenditure totalling some £4½ billion.

[189.9
total
expenditure]

12. I am today also setting the expenditure levels for the 20 rate-capped authorities. For reselected authorities, there will be a cash standstill on expenditure levels for 1986/87. All but one of the nine newly selected authorities have budgetted in 1986/87 for a significant increase in spending. I am therefore setting their expenditure levels at the lower of their cash budget this year and a 6% increase over their 1985/86 budget. I

am, of course, open to representations for redetermination of expenditure levels. As last year, where an authority applies because it considers that special accounting arrangements imply unachieveable economies in 1987/88, I will not use my powers to reduce expenditure levels or impose conditions.

13. My Rt Hon Friends the Secretaries of State for the Home Department, Education and Science and Transport will be making separate announcements about expenditure levels for ILEA and the joint authorities subject to precept limitation under the Local Government Act 1985.

14. In the field of capital expenditure, the main national cash limit in England has been overspent by an average £700 million for the last three years. I regret to have to tell the House that from authorities' own forecasts, we expect a similar overspend in 1986/87.

15. The Green Paper "Paying for Local Government" set out proposals for a better control system, both for the national economy and to give local government greater stability. I am urgently considering what steps to take in the light of the responses, and this overspend. I shall make a further announcement later.

16. I am acting now however to end an abuse relating to advance and deferred purchase schemes. These are borrowing schemes masquerading as expenditure. They make use of a bank or other intermediary to transfer expenditure from the year when work is done to an earlier or later year. On the scale that some authorities have indulged in recently, these devices store up massive problems for their ratepayers in the future.

17. I shall therefore introduce legislation to ensure that prescribed expenditure is incurred in the proper year regardless of when the authority pays. This will apply to all advance and deferred purchase arrangements, and other arrangements with similar effect, entered into after midnight tonight. It will apply to England and Wales. Officials are writing to local authorities today with the details.

18. I am considering an exemption, so that authorities which want to use the device in a responsible manner for an occasional project are not disadvantaged. Any such exemption would take effect from a date to be announced.

19. My proposals for this settlement - decisions on abolition of recycling, rate limitation, advance and deferred purchase - increase the pressure on high spending authorities. On the other hand authorities which spend sensibly and prudently will have a clear opportunity to keep rate increase low. They will have greater certainty and will not have to gamble their budgets and rates on the unpredictable proceeds of recycling. Where

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authorities spend up, they will forfeit grant. Where spending exceeds all reasonable limits in flagrant disregard of the interest of ratepayers and local businesses, authorities will be to subject to rate limitation.

20. This is a new opportunity which I am sure all responsible local authorities will grasp with enthusiasm.

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ADVANCE AND DEFERRED PURCHASE SCHEMES

These are devices whereby a local authority uses a bank or other intermediary to transfer the incidence of prescribed capital expenditure from one year to another. They are used mainly in respect of works carried out on land already owned by the authority; they can also be used for the making of grants and advances. They do not work for the acquisition of property.

The bank pays the building contractor, or the beneficiary of the grant or advance, on a conventional timescale. The local authority pays the bank to an agreed, different timescale - earlier in the case of advance purchase and later in the case of deferred purchase. The amount paid to the bank will be adjusted to reflect such elements as management charges and interest. Such devices do not reduce the total amount of prescribed expenditure scored; indeed, in the case of deferred purchase they increase the total, because the full amount paid to the bank including interest etc has to be scored. But they do enable expenditure to be moved, often to a much later year.

The Government has accepted the existence of such schemes for many years, because they have been limited to a small number of authorities, usually small districts, which have taken advantage of the device to achieve a one-off project which was difficult to accommodate within their spending ceiling for a single year. Recently, however, a number of major authorities have undertaken such schemes on a very large scale: Liverpool, Sheffield, Lewisham, Southwark, Hammersmith and Fulham and Ealing are among those who have entered into or seriously considered entering into schemes ranging in size from £30m to £130m. The Deputy Leader of Liverpool and the Leader of Islington are both on record as saying that they are relying on an incoming Labour administration to help them cope with the later year consequences of their actions.

It is not practicable to attempt to ban contracts which make provision for the deferral of payments. But they can be made of no

effect for the purposes of the capital control system by modifying the existing provisions as to the time at which expenditure is deemed to be scored against an authority's prescribed expenditure ceiling. It is envisaged that a local authority would be required to score expenditure in the year in which works are carried out, or a grant or advance is made, regardless of when the authority itself actually makes any payments.

Further consideration is needed of the precise terms: it will be necessary to catch other activities designed to achieve the same end, for example through the establishment of companies; it will be necessary to leave scope for normal contractual arrangements, such as retention money; and it may be desirable to have a de minimis exemption in order to enable small authorities to continue to enter into such schemes occasionally, without having this flexibility taken away from them as a result of the activity of a few large authorities. For the moment, the statement would assert a blanket control to be operated from midnight on the day on which it is made.



PRIME MINISTER

DRAFT STATEMENT ON RSG SETTLEMENT

Nicholas Ridley's draft Statement is as attractive and well-balanced as one can reasonably expect from local Government finance. My only comment on the actual drafting is that the rhetoric near the beginning might look better in the peroration.

The £2.9 billion increase in provision, and the increase in AEG of over £1 billion are already being written up by the press as generous concessions to high-spending authorities. But the cash provision for 1987-88 had previously been set at the same level as for 1986-87 so the increase is sadly only realistic. And the AEG increase should ensure that if there are large rate increases in what might be Election year, responsibility can be laid squarely on extravagant authorities. Moreover, Nicholas Ridley and John MacGregor are springing three traps for the big spenders.

First, the abolition of grant recycling means that net grant actually paid out could be considerably below gross AEG. We can't know how much lower - that depends on how much individual authorities spend beyond our plans. Nicholas Ridley told you the other day we might get £200 million back. Kenneth Baker points out that last year £630 million was surrendered then recycled so he thinks net AEG may be a lot lower and the settlement is too tough. My estimate remains that net AEG may turn out at about £12.5 billion, around £400 million below gross grant.

The second new device is the 'unallocated margin'. This involves setting GREs for individual authorities below total provision. Kenneth Baker led the opposition in E(LA) because he argued it was a classic example of Government conceding an increase in expenditure grudgingly instead of taking the credit. But the 'unallocated margin' is sensible for three reasons:

- (i) it conveys the message that whilst we forecast local authority spending will be £25.2 billion we don't necessarily endorse that. In particular low spenders are not made to look silly by spending even more below GRE.
- (ii) for technical reasons which I once understood, it redistributes grant away from (Labour) cities to (Tory) rural districts. Colleagues wanted to show this in the presentation. But Nicholas Ridley argues in his note that if we stressed the redistributiveness of the device we would be open to legal challenge.
- (iii) some authorities will move on to a steeper slope so adding about £30 million to total grant underclaim.

Thirdly, rate-capping will be extended to twenty authorities not counting the residuary bodies which are rate-capped automatically.

All in all this is a well-balanced settlement, reflecting the good relationship between Nicholas Ridley and John MacGregor.

On capital, the Statement will announce that action is to be taken to end the abuse of deferred purchase whereby local authorities arrange for another organisation to buy something for them and promise to pay for it later. But there will be special arrangements for hard cases such as the small authority with a very lumpy capital programme. E (LA) has not yet had a full discussion of the future of capital controls.

DAVID WILLETTS

18 July 1986



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1

2nd July 1986

Dear Nicholas,

NBRN

RSG STATEMENT

I have seen the draft of your statement attached to your letter to the Lord President of 18 July.

... I attach some drafting amendments to the passage about local authority relevant current provision. I am concerned about the message we give on rate increases. If we suggest that there will be even low rate increases on average, we imply that we believe our realistic provision will be overspent. We must avoid giving that impression. This is a point Norman Tebbit will need to note in the Central Office briefing. I hope these amendments will present no problems for you. We are pursuing separately the question of the reference to the "unallocated margin" in paragraph 5, following our discussion this morning.

... As you know I am seriously concerned about the reception of your announcement of the £700 million overspend on capital. It would be preferable to omit the reference to average overspending of £700 million in past years which might give the impression that we were prepared to accept such overspends for the future. I attach a redraft of the relevant paragraphs that meets the point, together with some drafting changes of the rest of the draft statement.

I have seen Norman Tebbit's letter of 17 July. I certainly agree with him that we do need to launch a major effort to ensure that the statement is well received and interpreted as we would wish. But I do have some reservations about some of Norman's specific points. In particular I do not believe we shall put the emphasis he does on the point about not putting an increase in the proportion of the burden of paying for local government on ratepayers. That will look strange in view of the policies we have

been pursuing for the past 7 years. We certainly do not intend to protect the ratepayer from the impact of excessive pay increases which local authorities negotiate. It would be wrong to give any suggestion at all to local authorities that we would be prepared to do so. I am also concerned that the impression in the "hidden message" is that we have acknowledged that in the past we have failed to heed the cry of our supporters. I do not think that this is a helpful point to make, particularly now that control has changed for many of those councils.

I think however that it would be worth importing into your statement the point that Norman makes in his "hidden message" about pay. This is a key argument to get across. We must ensure that the signals given by this settlement to local authority pay negotiators and others are not misinterpreted. I think your statement could be usefully expanded to include something along the lines of the last sentence of Norman's second paragraph in the "hidden message" section.

I also lay great emphasis on the value for money points Norman makes. We must ensure that the presentation of the settlement brings out clearly the advantages for prudent authorities who seek maximum value for money and the severe tightening of the restraints on those who increase spending irresponsibly.

I agree with Norman that we must make a strong effort to get this message across. I would be grateful if he could ensure that any Central Office briefing is cleared with the Treasury to ensure we get the public expenditure presentation right.

I am copying this letter to the Prime Minister, Willie Whitelaw, members of E(LA), John Wakeham, Bertie Denham, Michael Havers and to Sir Robert Armstrong.

Yours etc,
JH

JOHN MacGREGOR

DRAFTING AMENDMENTS TO STATEMENT ON RSG/RATE LIMITATION

Paragraph 2. Redraft first part as:

"The Government believes that for 1987-88 there should be a rate support grant settlement which allows authorities who budget responsibly to avoid rate increases; which provides greater certainty for all authorities about their grant entitlement; and which provides tough pressures on authorities who persist in overspending."

Paragraph 4

(i) Omit "the Government's estimate of general inflation". The rationale for 3.75% can be covered in supplementaries if necessary, but must be described as "the forecast increase in the GDP deflator published at Budget time."

(ii) Redraft last two sentences as:-

"This level of provision represents a reasonable assessment of what local authorities will spend, given the level of inflation and their past pattern of spending. But it does not follow that I believe local authorities need to spend at this level: there is widespread scope for performing services more efficiently and for cutting out extravagant provision."

LOCAL GOVT

RELATIONS

PT 30

The point about being more realistic in our public expenditure plans and thus reducing the need for large calls on the Reserve to cover overspending is best left for supplementaries.

Paragraph 6. Re-draft fourth sentence as "This will mean that if authorities spend in line with the generous provision we have made, there should on average be no need for rates to increase at all."

Paragraph 7. Re-draft second sentence as:-

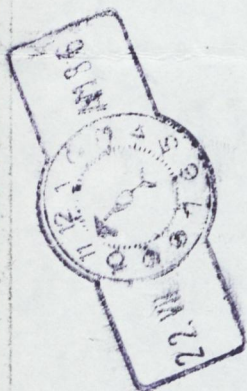
"But they must be balanced by a change which will increase the penalties for the reckless, putting greater pressure on authorities to cut their spending.

Paragraph 9: In the last sentence, add "part of" before "what they lost".

Paragraph 14. Omit the first sentence. Redraft second sentence as:-

"Turning now to capital expenditure, I have to tell the House that, from authorities' own forecasts, we expect the main national cash limit in England to be overspent in 1986-87 by about £700 million."

Paragraph 15. Insert "capital" before "control".



CCBG



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

NBRN.

July 21.

Dear Nick.

FILE WITH DRN

I have seen a copy of your letter of 18 July to Willie Whitelaw and I am generally content with your draft statement but have the following comments.

Firstly the unallocated margin has only appeared on the scene very recently and its likely effects are not entirely clear - particularly when combined with other changes which may be agreed later - eg to GRE's. We therefore need to keep open the possibility of changing our mind on this at a later stage if further analysis indicates that this would be advisable. We should therefore avoid giving the impression that this is an essential part of our package.

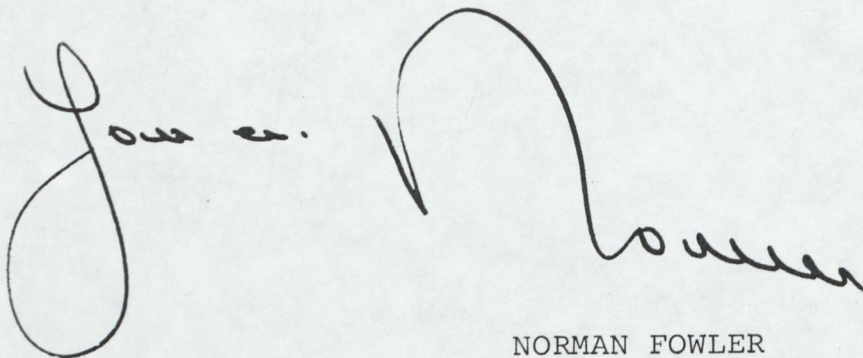
Secondly, we need to ensure that any arrangements made to protect the position of the Metropolitan Police will not be to the detriment of other services.

Lastly, on the arrangements for capital. We have agreed to the early announcement of action on deferred purchase schemes but have not yet had sufficient time to consider your proposals for new capital controls - nor have we considered any action in the light of the continued overspend. Para 15 implies that further steps will be announced on these matters. It would seem preferable to keep our options open on this by a more neutral message at this stage. This could be obtained by removing "and this overspend" or, as I would prefer, by amending the last two sentences to:-

"I am urgently considering the response received and will make a further announcement later".

E.R.

I am copying this letter to the Prime Minister, Members of E(LA), the Chief Whips in both Houses, the Attorney-General and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Fowler'. The signature is fluid and cursive, with a large initial 'N' and a long, sweeping underline.

NORMAN FOWLER

LOCAL GOVT
RELATIONS
PT 30





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1

CCBG
July 19. '86.
NBM

Dear Nicholas.

PRESENTATION OF RSG SETTLEMENT 1986

I have no major suggestions to make on your draft statement. In particular I support the way you propose to cover the size of the reduction in GREs in your paragraph 5. I think it would be a mistake to refer specifically to 5 per cent at this stage.

I attach a note of one or two minor drafting suggestions.

John MacGregor has now also agreed to the Expenditure Levels I have proposed for the Transport Joint Authorities and I confirm I will be able to make the announcement about them on 22 July.

I am copying this letter to the Prime Minister, members of E(LA), the Chief Whips in both Houses, the Attorney-General and Sir Robert Armstrong.

John Moore

JOHN MOORE

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MINOR DRAFTING SUGGESTIONS

1. As it is a largish statement and the text will be widely distributed it might be helpful to introduce headings:

At Para 3 Basis of the block grant settlement

At Para 8 Grant Recycling

At Para 10 Rate limitation

At Para 14 Capital expenditure

2. Para 2, Line 11, might be misunderstood.

"increasing protection for ratepayers whose authorities"..
would be clearer.

3. Para 9, Last sentence. The big overspenders don't regain all they lose. "most of what they lost" would be safer and doesn't detract from the point.

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10 DOWNING STREET

Prime Minister!

no

The first page of
Mr Ridley's statement is a
little maladroit. Agree?
Otherwise content with the
statement?

JRS
18/7.

Note that there is no reference
to teachers' pay in the
statement.

Yes - the Opposition
will take it as a comment
against his predecessors which
would be very unfortunate
not

What does the Prime Minister intend to do about such treachery? Or is it really a plot by the editor of the *Tory Times*, Mr. Rupert Murdoch, to drive a wedge between the Palace and Downing street? Is she aware that many of us hope that the Prime Minister will not be forced to resign over a constitutional crisis, because we think that she is one of the best vote-winners the Labour party has got?

The Prime Minister: I propose to continue to answer questions from this Dispatch Box, in the hope that one day the standard of questions from the Opposition may improve.

Q5. Mr. Heathcoat-Amory asked the Prime Minister if she will list her official engagements for Tuesday 22 July.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Heathcoat-Amory: Has my right hon. Friend had a chance to welcome the visit of Mr. Peres to Morocco to meet King Hassan, which shows that the middle east peace process may be under way again? Since my right hon. and learned Friend the Home Secretary is hoping to meet ANC leaders in South Africa, will my right hon. Friend in due course authorise meetings with Palestinian leaders, including members of the PLO?

The Prime Minister: I hope that the ANC will agree to meet my right hon. and learned Friend the Foreign and Commonwealth Secretary on his visit to South Africa. If it does not do so, it will cast doubt on its commitment to try to solve the problem by peaceful means. Like my hon. Friend, I very much welcome the initiative of the Prime Minister of Israel, Mr. Peres, in visiting King Hassan of Morocco, with a view to a new initiative to help to solve the middle eastern problem. My hon. Friend will be very much aware that, unless the PLO accepts resolutions 242 and 338, I do not believe that it can be involved in negotiations to solve the middle eastern problem.

Mr. Loyden: In view of the answers given today on unemployment by the Prime Minister's right hon. and learned Friend, does she understand that the majority of people in this country now realise that the Tory Government have failed absolutely to solve the unemployment problem and that the scandal of unemployment is only surpassed by the Government's arrogance in disregarding completely the misery caused to millions of families by the direct actions of this Government?

The Prime Minister: The numbers of people in employment and in self-employment are once again rising and that is good news. In the last three years 1 million jobs have been created. In the end we will solve the unemployment problem only when companies in manufacturing and services produce the goods and services that people are prepared to buy. The most

worrying thing at present is the height of unit labour cost in Britain compared to those in other countries. That could be losing us export orders.

Mr. Gregory asked the Prime Minister if she will list her official engagements for Tuesday, 22 July.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Gregory: Will my right hon. Friend take this opportunity to praise the British Railways board and its hard-working staff for turning a massive loss last year into a surplus of over £49 million before taxation? Does she agree that the investment by the Government in electrification was a good investment?

The Prime Minister: I gladly congratulate British Rail on its excellent achievement. It has turned from a £408 million loss in 1984-85 to a small profit in 1985-86 and that is good news. I wish British Rail well and I am glad that we decided to invest in further electrification.

Miss Boothroyd: In view of the evasive answer given to me last week during Question Time by the Prime Minister will she now take the opportunity to clarify her position? Is she in favour of early majority rule in South Africa or is she not? The House demands an answer.

The Prime Minister: I am in favour of the process decided and described in the Nassau accord about apartheid. The Eminent Persons Group was sent to South Africa. The accord said—I shall read the whole paragraph—[HON. MEMBERS: "Answer the question."]

Mr. Speaker: Order. The Prime Minister is answering the question.

The Prime Minister: The accord said:

"We agree on the compelling urgency of dismantling apartheid and erecting the structures of democracy in South Africa. The latter, in particular, demands a process of dialogue involving the true representatives of the majority black population of South Africa. We believe that we must do all we can to assist that process, while recognising that the forms of political settlement in South Africa are for the people of that country—all the people—to determine."

That was the unanimous view of the Commonwealth.

Miss Boothroyd: On a point of order Mr. Speaker.

Mr. Speaker: Does it arise out of questions?

Miss Boothroyd: Yes, Mr. Speaker.

Mr. Speaker: As long as it is not a supplementary question, I shall allow it.

Miss Boothroyd: It is not a supplementary. I seek your guidance Mr. Speaker. Is it right for the First Minister of the Crown to treat the House in this way?

Mr. Speaker: Order. The hon. Lady is an experienced Chairman, and she knows that that is a supplementary question.

Rate Support Grant

3.32 pm

The Secretary of State for the Environment (Mr. Nicholas Ridley): With permission, I should like to make a statement about local government finance for 1987-88.

The Government believe that for 1987-88, there should be a rate support grant settlement which allows no increases or very low increases in rate bills if authorities budget responsibly, which provides greater certainty for all authorities about their grant entitlements, and which provides tough pressures on authorities that persist in overspending. I want to make it clear that this settlement means that high rate bills, or poor standards of service, or both, will be entirely the fault of the authorities concerned.

Under the present rating system, the link between the governed and the governors is being increasingly weakened. Our proposals for the future will certainly restore that link. Meanwhile, this settlement is designed to secure the greatest possible democratic accountability that the present system can yield.

My proposals are as follows. For local authority current expenditure, I propose to set provision at £25.2 billion. This is a cash increase of £2.9 billion over provision for 1987-88 published in January's public expenditure White Paper and is equivalent to an increase of 3.75 per cent. over local authorities' budgets for 1986-87. This level of provision represents a reasonable assessment of what local authorities will spend, given the level of inflation and their past pattern of spending. It does not follow that I believe that local authorities need to spend at this level. There is widespread scope for carrying out services more efficiently and for cutting out extravagant provision. Therefore, I am reviewing—I want to consult local authorities as usual about—the aggregate of GREs with the aim of keeping them broadly steady in real terms.

I propose to provide authorities with about £12.85 billion in aggregate Exchequer grant. This will maintain the grant percentage at 46.4 per cent. of relevant expenditure, the same as in 1986-87. This is a cash increase from 1986-87 of over £1 billion. This will mean that if authorities spend in line with the generous provision that we have made, there should on average be no need for rate bills to increase at all. Ratepayers will have the certainty that the blame for high rate increases lies fairly and squarely at the door of their local authority.

These are very substantial increases, which I am sure will be welcome. They make it fair for me to propose a change that will both provide authorities with greater certainty as to their grant entitlement and increase the penalties for the reckless, putting greater pressure on authorities to spend less.

Hitherto, overspending authorities have contributed grant to a pool of money which was then recycled to all authorities on the basis of a common rate poundage. Individual authorities had no certainty as to their grant entitlements, which depended not only on their own expenditure decisions but on those of all other authorities. Of necessity, authorities could be informed of the estimated level of recycled grant only at a late stage, when it was difficult for them to take it into account in setting their rate or precept. More paradoxically, even those authorities that chose to overspend regained some recycled grant.

Therefore, I intend to introduce legislation in the autumn, after consultation, to abolish grant recycling. As a result, authorities will be able to plan their budgets and rates with much greater assurance. Their grant entitlement will depend solely on their own expenditure decisions. It also means a tougher regime for high spenders. They will continue to lose grant if they overspend, but will not then gain on the roundabouts, by getting recycled grant, part of what they lost on the swings.

I move on to the incorrigible, for whom we have rate limitation. I am today laying before the House a report setting out how authorities will be selected next year. I am selecting authorities not selected in 1986-87 whose budgets are more than 12.5 per cent. above GRE and show growth of more than 4 per cent. since 1985-86. I am reselecting those authorities that were selected in the current year whose budgets are more than 12.5 per cent. above GRE and show growth either of more than 4 per cent. since 1985-86, or more than 20 per cent. since 1982-83.

On these criteria, nine authorities not selected in 1986-87 — Brent, Brighton, Gateshead, Hounslow, Middlesbrough, Newham, North Tyneside, Sheffield and Tower Hamlets — are selected. Eleven authorities are reselected — Basildon, Camden, Greenwich, Hackney, Haringey, Islington, Lambeth, Lewisham, Newcastle, Southwark and Thamesdown. Together with the authorities subject to automatic precept control under the Local Government Act 1985, this will mean that, in all, the Government will next year be limiting the rates or precepts of 40 authorities with expenditure totalling some £4.5 billion.

I am today also setting the expenditure levels for the 20 rate-capped authorities. For reselected authorities, there will be a cash standstill on expenditure levels for 1986-87. All but one of the nine newly selected authorities have budgeted in 1986-87 for a significant increase in spending. Therefore, I am setting their expenditure levels at the lower of their cash budget this year and a 6 per cent. increase over their 1985-86 budget. I am, of course, open to representations for redetermination of expenditure levels. As last year, where an authority applies for redetermination because it considers that special accounting arrangements imply unachievable economies in 1987-88, I will not use my powers to reduce expenditure levels or impose conditions.

My right hon. Friends the Secretaries of State for the Home Department, Education and Science, and Transport will be making separate announcements about expenditure levels for ILEA and the joint authorities subject to precept limitation under the Local Government Act 1985.

In the field of capital expenditure, I have to tell the House that, from authorities' own forecasts, we expect the main national cash limit in England to be overspent in 1986-87 by about £700 million.

The Green Paper "Paying for Local Government" set out proposals for a better capital control system, both for the benefit of the national economy and to give local government greater stability. I am urgently considering what steps to take in the light of the responses. I shall make a further announcement later.

I am acting now, however, to end an abuse relating to advance and deferred purchase schemes. These are borrowing schemes masquerading as expenditure. They make use of a bank or other intermediary to transfer expenditure from the year when work is done to an earlier

later year. On the scale that some authorities have indulged in recently, those devices store up massive problems for their ratepayers in the future.

I shall therefore introduce legislation to ensure that prescribed expenditure is incurred in the proper year regardless of when the authority pays. That will apply to all advance and deferred purchase arrangements, and other arrangements with a similar effect, entered into after midnight tonight. It will apply to England and Wales. Officials are writing to local authorities today with the details.

I am considering an exemption, so that authorities which genuinely need to use the device for its proper purpose for an occasional project are not disadvantaged. Any such exemption would also take effect from a date to be announced.

My proposals for this settlement — decisions on abolition of recycling, rate limitation, advance and deferred purchase — increase the pressure on high spending authorities. On the other hand, authorities which spend sensibly and prudently will have a clear opportunity to keep rate increases low. They will have greater certainty and will not have to gamble their budgets and rates on the unpredictable proceeds of recycling. Where authorities spend up, they will forfeit grant. Where spending exceeds all reasonable limits in flagrant disregard of the interest of ratepayers and local businesses, authorities will be subject to rate limitation.

With a realistic spending provision and a generous grant level that keeps the percentage of grant aid unchanged, I believe that this is a settlement which the whole House should welcome.

Dr. John Cunningham (Copeland): I begin by congratulating the Secretary of State on a very cleverly worded and presented statement: a statement, however, which is grotesquely misleading. Is the right hon. Gentleman aware that he has improved the presentation while diminishing the substance of what he had to say? Whatever has happened to the criticisms and to the cacophony of calls of overspending and of abuse by local authorities round the country? Do not at least his words demonstrate the needless damage that has been inflicted on local authorities for the past six years?

Is the Secretary of State aware that in his statement it is easy to recognise the all too-obvious deception? He is planning to reduce grant related expenditure aggregates. Is he not also effectively increasing penalties on all local authorities by making the slope of penalty for spending over GRE steeper and more punitive than ever before?

Is not the Secretary of State also, in his plan to end the recycling of grant, effectively saying to local authorities, "Here is additional money in the settlement, which will be taken away later, almost certainly in at least an equal amount, by the termination of the recycling of grant." Does not that simply mean a massive windfall for the Treasury, which will be used for other purposes than local authority expenditure?

Does the Secretary of State agree with the Prime Minister's words in the Ryedale by-election when she claimed — as a result of the spending of Labour authorities in the main — that education spending per pupil was at a record level? Is the right hon. Gentleman planning to end that level of expenditure in the settlement? Will his right hon. Friend the Secretary of State for Education and Science agree?

Is it not clear from the studies by the expenditure groups of the Department of the Environment's own officials that any improvement in efficiency that local authorities may be able to achieve will amount to less than 1 per cent. of the total planned expenditure, so there is no way that local authorities can counteract the cuts that have been imposed on them in the past in that way? How can the Secretary of State claim that there will be little or no rates increases, when the Government are planning tomorrow to overturn the defeat in the House of Lords on the Social Security Bill, which will ensure, through legislation, that everyone, regardless of income, will have to pay a minimum of 20 per cent. of their rates bill in future? Does not that mean that thousands of families that do not pay anything at the moment will face major increases in their rates bill as a result of the legislation?

With regard to the end of the recycling of grant, is not the implication of what the Secretary of State has had to say that the Treasury may be taking back up to and perhaps beyond the £1 billion extra that he is saying will be available to local authorities as a result of the settlement? Does not the massive increase in rate capping mean that this Government are spreading even further the central domination and control of local authorities? How is it that, yet again, the right hon. Gentleman has been able to rig the criteria for rate capping to catch more Labour authorities, while avoiding the fact that the City of London is the biggest overspender of GRE of all authorities in the country? Is it not scandalous that he continues to rig the criteria to exclude the City of London, while including impoverished inner-city Labour authorities?

In his promise to legislate to end what is called creative accounting, is not the Secretary of State really enforcing further cuts on many authorities, reducing their freedom and flexibility, and their room for manoeuvre? Is not this statement, like all the others, a naked attack on local authorities, on the quality of the services that they provide, and on their freedom to provide the services that their electorates want? Like all the others, is it not doomed to bring political disaster to this Government, who are already on the road to defeat?

Mr. Ridley: I must check with my office to see whether the hon. Member for Copeland (Dr. Cunningham) was sent a copy of the wrong statement. I cannot make any correlation between his remarks and the welcome and important announcement which I have just made.

The local authority associations asked for the provision to be increased by £3 billion and it has been increased by nearly that amount. I simply cannot believe how the hon. Member for Copeland can say that, in some way, this is not what local government asked for.

The hon. Gentleman alleged that the GREs had been reduced. As a result of the statement I have just made, the GREs will be increased by 3.75 per cent. or possibly more, subject to consulting the authorities. The hon. Member for Copeland said that the slopes had been steepened for grant penalties. That is simply not true. I never mentioned anything of the sort, nor is it our intention to do so. So far, the hon. Gentleman has been wrong on three out of three and I regret to tell him that he is wrong on the fourth point, regarding grant recycling.

I have never heard a poorer response to a statement — generally welcomed by the House — and a more incompetent piece of analysis than that which came from the hon. Member for Copeland this afternoon. With regard

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to grant recycling, we have made realistic provision both for spending and for aggregate Exchequer grant. No authority need incur any penalty or forfeit grant provided that it does not spend more than this year's budget plus the GDP deflator. We have allowed for inflation and we have allowed for the present high level of spending, but if, on top of that, an authority makes a further increase in spending, it surely deserves to forfeit grant. If every authority behaves in the reasonable way that I have suggested, no grant will be forfeited. The hon. Gentleman's suggestion that £1 billion of grant would be forfeited is ridiculous. The hon. Gentleman is aware that at this year's level of provision, which was well under the level of spend, only £628 million was forfeited, under totally different conditions.

The hon. Member for Copeland, in seeking to consider next year's rate support grant, made reference to the Social Security Bill but I think that that is something which should be discussed tomorrow.

With regard to rate capping, the hon. Member asked why a number of Labour authorities appear in the list. The hon. Gentleman is aware—I read out the criteria—that the criteria are clearly designed on levels of spending and levels of increases in spending. The fact that a number of Labour authorities appear in those lists is surely an indictment, if ever an indictment was needed, of the Labour authorities which go in for profligate waste.

Mr. John Heddle (Mid-Staffordshire): Does my right hon. Friend accept that the best compliment that the House can pay him is summed up by the lacklustre response of the hon. Member for Copeland (Dr. Cunningham)? Does my right hon. Friend accept that all prudent councils and all ratepayers of cash-happy councils will welcome his statement this afternoon? Will my right hon. Friend confirm that it is no coincidence that, of the 20 rate-capped authorities, 19 are Labour-controlled and one, Tower Hamlets, is Liberal-controlled? Does my right hon. Friend further accept that industry and commerce in the inner cities will be grateful for his protection so that they can go about creating jobs and wealth?

Mr. Ridley: I am grateful to my hon. Friend. He is right about the political denomination of the 20 councils I mentioned. However, I must say that that is only a temporary state of affairs and it may not last much longer. The business rate is vital to those of us on this side of the House who are trying to increase employment.

The greatest damage which has been done to employment in large parts of the north of England has been the excessively high business rates which have been levied by local authorities. If this settlement makes a contribution to holding or even reducing the rates in those parts of the country and results in a better climate for business, I shall be proud of its contribution to job creation.

Mr. Simon Hughes (Southwark and Bermondsey): Is the Secretary of State aware that, although the increase of nearly £3 billion is welcome and the fact that the Government have not reduced the grant again below 46.4 per cent. is a consolation to local authorities, they believe that the increase takes account only of inflation during the past few years and will probably not compensate for the increased wages that they will have to pay the police, teachers and other public officers? Although the change in

the recycling rules is welcome because it is better for local authorities to have certainty, it is tinged with danger because there is no prospect of gain for any authority which tries to conform with the Secretary of State's guidance. That is a defect of the abolition of recycling. Does the Secretary of State agree that the change from 20 per cent. to 12.5 per cent. above GREAs for rate-capped authorities is tightening the screw and that capital controls are the thing which local authorities resent most? They want to be able to spend their capital as they choose and not have the Secretary of State increasingly dictate that they can spend less and less of it.

Mr. Ridley: The hon. Gentleman has to accept that local authorities must be responsible for the wages that they negotiate and the pay of their employees. I cannot be expected to accommodate the public spending rule to whatever they choose to pay. I am glad of his welcome for the abolition of grant recycling. There is a chance of gain this year because, with the increased aggregate Exchequer grant, authorities will get more grant, provided that they do not go and forfeit it by engaging in overspending.

The hon. Gentleman is not alone in welcoming the abolition of grant recycling. The hon. Member for Blackburn (Mr. Straw), who I see in his place, referred to it on 5 March when he said that it was causing great financial uncertainty in Labour and Conservative authorities alike. I should like to introduce him to the hon. Member for Copeland (Dr. Cunningham) to see whether they can agree about grant recycling.

I am delighted to be able to help the constituents of the hon. Member for Southwark and Bermondsey (Mr. Hughes) by rate-capping the borough of Southwark. That will protect his constituents from excessive rate demands which would otherwise have been made. I have not yet announced the result of our consideration of the capital controls system for local authorities.

Sir Ian Gilmour (Chesham and Amersham): I congratulate my right hon. Friend on what appear to be some encouraging and welcome features in his statement. Is he aware that much of the trouble this year, and all of it in my county, was caused not by the local authority but by the Government setting the taper points for the reduction of grant in totally the wrong place? Will he assure the House that nothing so unjust and ridiculous can possibly happen under the system that he has announced this afternoon?

Mr. Ridley: I was delighted to receive my right hon. Friend only last week, when he brought a delegation from Buckinghamshire to discuss these matters with me. I think that he will agree that much of what he said has been incorporated in the statement. I cannot go further into the effects on individual counties until we have completed the consideration and consultations about GREAs, but in the next statement, at the end of the year, I hope to be able to give much closer exemplifications of the effect on every authority.

Mr. Allan Roberts (Bootle): Is the Secretary of State aware that the British people will not be fooled by a Conservative Secretary of State in a Government who, when county and district councils were Conservative-controlled, cut rate support grant so that rates were forced up, but that now nearly every local authority is Labour-controlled or hung, are giving enough RSG to keep rates

own? Does he agree that this is a vicious attack on local Government? The Secretary of State is giving a so-called extra £1 billion, having taken £17 billion off local authorities during the past seven years, and he will claw most of that £1 billion back and keep it, rather than redistribute it, as happened in previous years. The Government did a calculation last year of how much clawback there would be because of penalties. Has the right hon. Gentleman made that calculation of the money that he will keep this year?

Mr. Ridley: With so many authorities now in the hands of Labour or hung, it is right that the Government should do something to protect the unfortunate ratepayers and victims of those vicious councils. I give notice to the hon. Gentleman and to all councils that after this rate support settlement there will be no excuse for any authority to increase its rates bills by more than a small amount. If such increases occur, they will be the fault of the authorities concerned. The Conservative Government have come to the aid of ratepayers throughout the country, despite the Opposition.

Mr. Robin Squire (Hornchurch): I congratulate my right hon. Friend, first on maintaining the percentage of Government support, particularly unless and until we can spread the load much more fairly, and, secondly, on tackling the abuse of the deferred payment scheme. Is it his assessment that more authorities should have greater funding than at present to enable them to improve the fabric of school buildings, housing, and so on?

Mr. Ridley: I am grateful to my hon. Friend. The figure of 46.4 per cent. remains and I believe that many authorities will welcome that. I also thank my hon. Friend for his reference to the stopping of abuse of the deferred payment scheme which will save ratepayers immense burdens in the future. It is in the interests of ratepayers that that abuse should be stopped quickly before it gets them into real trouble.

Capital allocations are not the subject of this statement, but I shall be putting forward proposals or making a statement about that aspect at a later stage. The figure, of course, will be covered by the public expenditure White Paper.

Mr. Bernard Conlan (Gateshead, East): Does the Secretary of State recall that the borough of Gateshead has been more than responsible in its budgeting to meet the terms and conditions laid down by the Government? Is it not perverse that an area more deprived than most in terms of education, housing, health care, social services and employment should be treated so badly? Does he agree that it is disgraceful and scandalous that such a responsible authority should be rate-capped?

Mr. Ridley: Gateshead is spending 14 per cent. above GRE. Its spending has increased by 11 per cent. and the local rate by 27 per cent. since 1985-86. Those high-spending performance figures bring the authority within the criteria for rate capping.

Mrs. Elaine Kellett-Bowman (Lancaster): Does my right hon. Friend accept that my two excellent district authorities of Lancaster and Wyre, which have scarcely raised rates at all in the past six years, will greatly welcome a settlement that is fair to those who do best?

Mr. Ridley: I am grateful to my hon. Friend and I confirm exactly what she has said.

Ms. Harriet Harman (Peckham): The Secretary of State has made much of increased spending in rate support grant available to local authorities, but will he confirm three points? First, will he confirm that the extra amount is a mere fraction of the amount taken away in the past six years? Secondly, how much of that amount does the Treasury intend to claw back? Thirdly, will he guarantee that, once the entitlements for individual authorities are announced, they will not be altered retrospectively, as is being considered in the case of Southwark?

Mr. Ridley: I acknowledge that the grant percentage has continued to fall under this Government, a process started by the Labour Government, and that it has fallen from 61 per cent. to 46.4 per cent. That has been a deliberate act of policy by the Government to put more of the burden of local spending on local people.

I cannot confirm that there will be any clawback from the grant. It is a realistic settlement and if authorities spend in line with inflation and not above there will be no forfeit of grant at all. That is quite different from the situation last year when it was clear that the provision was less than the likely spending, so there was a heavy forfeit of grant for recycling.

I did not quite follow the hon. Lady's third question, but I assure her that there will be no change in grant entitlement as the year goes on because of the abandonment of recycling.

Sir Peter Horder (Horsham): In view of the extent of Labour protest about the penalties suffered by authorities which have spent far above their GRE, may we conclude that authorities which spent considerably less will be very favourably treated under the new proposals? Will my right hon. Friend confirm that such authorities will be allowed to spend more to reach their GREs? If they cannot do that, what is the point of having GREs at all?

Mr. Ridley: My hon. Friend will need to study the full details when they are worked out to see the effect on any particular authority, but I confirm that, when an authority makes a budget, it will be able to read off immediately the amount of grant that it will receive for that budget and will be able to maximise its share of the grant by its spending plans. In addition it should be able to benefit from the increased grant. I believe, therefore, that there is every opportunity for prudent authorities to do better out of this settlement.

Mr. Terry Davis (Birmingham, Hodge Hill): What about Labour councils such as Birmingham which have always spent less than GRE figures but have lost grant this year because the right hon. Gentleman's predecessor referred to notional rather than to actual figures for last year? Will they lose next year as well?

Mr. Ridley: I do not know whether the hon. Gentleman is referring to events which were brought to a successful and correct conclusion late last night, but Birmingham, like all authorities, must abide by the rules for rate support grant and share equally.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Whatever my right hon. Friend considers to be the right and proper rules, by which Birmingham should abide like everyone else, does he appreciate that cities such as Birmingham have very special problems? What hope is there for them in this settlement? Are we to get more money or are the slums to continue? Which is it to be?

Mr. Ridley: It depends entirely how much money Birmingham budgets to spend. If it budgets for this year's spending plus 3.75 per cent. it will maximise its grant take.

Mr. Ron Leighton (Newham, North-East): Is the Secretary of State aware that official statistics published by the Department show that the London borough of Newham is the second most deprived borough in the country? Is he aware that the local council is wrestling with massive problems, including a terrible housing problem, exacerbated by the need to remove tower blocks like the notorious Ronan Point? Does he agree that on any objective criteria the Government should be granting partnership status to Newham and helping the area, not rate-capping it? Does he agree that decisions about expenditure should be taken locally and decided by local democracy in elections? Is he aware that in the elections immediately following the setting of a rate in Newham Labour won 60 seats of 60? Is that why he is being so vindictive to Newham?

Mr. Ridley: The hon. Gentleman cannot be pleased or proud of the figures for Newham, with spending 18 per cent. above GRE, an increase of 15 per cent. since 1985-86 and a local rate which has gone up 66 per cent. above the class average and is 50 per cent. higher than in 1982-83. Any authority with a record like that would be wiser to keep quiet.

Mr. Charles Morrison (Devizes): Is my right hon. Friend aware that his statement will be received with relief and considerable satisfaction by most local authorities, although their ability to achieve low rate increases will clearly depend on the level of wage increases? Will my right hon. Friend continue to bear very much in mind the problems of traditional low-spending authorities which have little or no waste remaining to be cut out but which wish and are required to provide an adequate level of public service?

Mr. Ridley: I believe that authorities of the type that my hon. Friend has described will find that they can accommodate the spending that they need with aid from the Government as a result of this settlement. I commend the settlement to my hon. Friend, because it recognises the very point about past rate support grant settlements that he has been making with such persistence.

Mr. Jeremy Corbyn (Islington, North): Does not the Secretary of State accept that, in the past seven years, we have seen a process of centralisation of local government power in the hands of the Secretary of State and that rate increases in most of the inner urban areas, particularly in inner London, have largely been due to cuts in the rate support grant? How are inner London local authorities supposed to maintain very important services such as social services and meet the legitimate aspirations that have been democratically decided upon by their people if they are placed within the confines of a central Government straitjacket, the like of which has never been seen before?

Mr. Ridley: I shall give the hon. Gentleman a straight answer. Islington rent arrears are running at 16 per cent. As that authority is short of money, why cannot it collect that rent and spend the money on these more important purposes?

Mr. Douglas Hogg (Grantham): Does the Secretary of State accept that there will be considerable satisfaction in counties such as Lincolnshire at this settlement, in that, because there is a realistic assessment of next year's likely budget and there has been no decrease in the Treasury grant, it should be possible to keep rates at their present level? Will he consider one point? In counties such as Lincolnshire, which are spending below their GREs, there is as yet no provision to uplift spending towards their GREs without grant penalties. Will my right hon. Friend consider whether such a facility can be extended to such counties?

Mr. Ridley: I am grateful to my hon. Friend for what he has said. It will be possible for counties such as his, and many others like it, to be able to maintain their present level of services in real terms by zero or very small increases in rates if they do not go in for an overspending rush. We shall have to look at the details for each county as they come in, but this settlement is designed to enable counties such as Lincolnshire to achieve just that result.

Mr. John Cartwright (Woolwich): When the figures show that rate-capped authorities such as Basildon, Lewisham and Greenwich are budgeting this year, despite the limits, to increase their spending over last year by anything up to 25 per cent., how can the Secretary of State claim that rate capping is protecting the ratepayers of those authorities?

Mr. Ridley: Far be it from me to tell the hon. Gentleman about events in his constituency, but he knows full well that, had it not been for rate capping, Greenwich would have had very much higher rates than it has now. There are various ways in which some authorities have sought to evade the effects of rate capping, which will cumulatively catch up with them in the end.

Mr. J. F. Pawsey (Rugby and Kenilworth): Will my right hon. Friend confirm that the £1.25 billion available for teachers' pay is still in place? Will he further confirm that it will be subject to the conditions announced at the time by our right hon. Friend the Member for Leeds, North-East (Sir K. Joseph) when he was Secretary of State for Education and Science?

Mr. Ridley: I can confirm that this settlement does not include any allowance for the increase in teachers' pay which may or may not be approved by the Government depending upon the ACAS process. The £1,250 million was offered to the local authorities in return for improvements in the way in which the teaching forces managed in order to improve educational standards. When the ACAS process is complete, the Government will consider the outcome in full and decide whether the release of all the £1,250 million is justified.

Mr. Bill Michie (Sheffield, Heeley): When will the Secretary of State accept that the really irresponsible action has been that of the Government? How can the Government blame local authorities when those authorities have been robbed of millions of pounds? For example, Sheffield has lost more than £240 million in grants and has received a measly £20 million, despite the fact that all the problems remain. The Government may take the money away, but while the problems remain, the caring will continue. I am convinced that, had this Government been in power many years ago, the good Samaritan would have been shot for irresponsibility.

Mr. Ridley: Under this settlement, Sheffield has an opportunity to mend its ways, and I should have thought that it would have been grateful.

Sir John Osborn (Sheffield, Hallam): Will my right hon. Friend therefore explain why Sheffield was not rate-capped last year? Is he satisfied that the budget it submitted to escape rate-capping was false, because last January we were threatened with 70 per cent. increases? Will he now confirm that the £33 million a year which Sheffield is borrowing from French banks will be stopped forthwith, because ratepayers—whether householders, commerce or industry—will welcome such action from a council that has not run its affairs properly?

Mr. Ridley: Sheffield was not selected last year, because it did not meet the criteria. This year it does meet the criteria. We operate strictly in accordance with the criteria, and I cannot pick or choose within or without those criteria.

Mr. Stuart Bell (Middlesbrough): How will the right hon. Gentleman's statement help those who are unemployed in Middlesbrough, and how will it help the impoverishment of the town by general Tory economic policies since 1979 by depriving that town of the wherewithal to raise the money to meet its needs? No doubt the Secretary of State will quote a series of figures, but let me quote to him a litany of sad and tragic facts—28 per cent. unemployment, with 98 per cent. unemployment in certain areas. How will the right hon. Gentleman's statement help the town? Is he merely another of these high-ranking Tories who are full of hypocrisy towards the town and have no generosity of spirit?

Mr. Ridley: I must tell the hon. Gentleman in all sincerity that Middlesbrough has had a local rate that is 89 per cent. above the average for its class, and spending per head has been 119 per cent. above the class average. Figures such as those—I say this seriously—result in crushing burdens on business, which in turn cause unemployment. The hon. Gentleman quoted unemployment. Has he yet realised that there is a very strong link between these profligate rate policies and unemployment, and does he now see how rate capping can even be a contribution towards helping the prosperity of his own town?

Mr. W. Benyon (Milton Keynes): While I warmly welcome the statement, I return to the point made by my hon. Friends the Members for Grantham (Mr. Hogg) and for Horsham (Sir P. Hordern). Does my right hon. Friend agree that the present formula simply does not take into account those local authorities that have very rapid growth? We are so far behind that we need some means of catching up.

Mr. Ridley: I was pleased to discuss these matters with my hon. Friend when he came to see me. He will take some comfort from the fact that we were able to help him over the problem of the new town of Milton Keynes in his constituency. I do not believe that it would be possible to base GREs on expected increases in population, as he suggested, as it would also be necessary to base them on expected decreases in population, which would be too difficult to achieve. But we are constantly listening to what

he and his hon. Friends say, and I hope he will think that we have gone a long way to helping them in this rate grant settlement.

Mr. Dave Nellist (Coventry, South-East): Today's grants announcement is designed to be equivalent to a projected inflation figure next year that will, in the right hon. Gentleman's words, produce a standstill in the rates. Will not the announcement produce a standstill in the conditions of misery that are experienced in Coventry and other cities throughout the country? Coventry will still have 1,000 council houses unfit for human habitation and 6,000 private and council houses without toilets or hot and cold running water. It will still have 14,000 houses each of which will need repair and modernisation amounting to £4,500. We do not need a statement such as this or even a change of Minister—we need a change of Government who will restore the money to local authorities so that they can bring the housing and other conditions of working people up to the level that they ought to be.

Mr. Ridley: The hon. Gentleman displays his usual ignorance. The refurbishment of housing is a capital responsibility, not part of the rate support grant. Coventry could well help itself by making sure that its rent fund allowed for the proper repair and maintenance of its houses rather than resulting in large amounts of dereliction because of its own neglect. If the hon. Gentleman really cares about the people of Coventry, he will be looking forward to the election of a Conservative council there.

Mr. Peter Bruinvels (Leicester, East): While I welcome the abolition of grant recycling, which returned to Leicester more than £200,000 after it was rate-capped and, therefore, did not qualify for it, why has Leicester city not been included in those which should be rate-capped? Two years ago it was rate-capped and since then it has continued to waste ratepayers' money. The council has just made an 80 per cent. rate rise and is showing no regard for ratepayers and the decent people of Leicester.

Mr. Ridley: I must say to my hon. Friend, although I know that he is a staunch advocate of ratepayers in Leicester, that Leicester does not come within the criteria which I set out, so it would be wrong to include it.

Mr. Greville Janner (Leicester, West): Does the Secretary of State recognise that Leicester city council is struggling to meet great problems of deprivation and that his statement paid practically no regard to the duties of local authorities to care for people in need and to the services which they provide? Does he recognise that the words "democratic accountability", which he used, in the local authority context mean the accountability of councils to those who elect them, and that he and the Government continue to remove that accountability?

Mr. Ridley: The hon. and learned Gentleman must also bear in mind the accountability of councils to those who find the money which they spend. That is something which one never hears from the Opposition Benches. If local authorities spend £25.2 billion in 1987-88, they will be spending more than a quarter of total public expenditure, which is an extremely large sum.

Several Hon. Members rose—

Mr. Speaker: Order. I must take into account the subsequent business on the Order Paper today, which is

[Mr. Speaker]

extremely heavy. I shall allow questions to continue for a further 10 minutes, which will give a full hour for the statement. That is rather longer than usual.

Mr. Nicholas Winterton (Macclesfield): While I welcome my right hon. Friend's statement and the general gist of what he said, does he accept that some Conservative Members are deeply worried about responsible, prudent but expanding authorities which have been penalised under successive rate support grant announcements over recent years? Will he give a categorical assurance that authorities which have obeyed the Government to the letter will in no way be penalised by this settlement? Although it is not a major part of the statement, will he reassure us that the limitations on the spending of capital receipts will be relaxed for responsible authorities which want to use the money to build specialist accommodation, particularly for the elderly?

Mr. Ridley: I have not dealt with capital receipts today. They will have to be the subject of further study before we can make an announcement. On my hon. Friend's first point, I have tried to design the settlement with the sort of views and objectives he has in mind, but it is never possible for a rate support grant settlement to be wholly acceptable to every authority. However, within that constraint this will prove to be a settlement with which authorities can live and provide a decent level of service.

Mr. Laurie Pavitt (Brent, South): Is not one of the most blatant cases of political bias revealed in rate-capping Brent? When it was Labour-controlled it was rate-capped. Last year there was a Tory authority which left behind a series of repairs to be done on school buildings and a whole log jam of work to be done. The council is now Labour-controlled and has again been rate-capped. Is the Secretary of State aware that each week my ratepayers spend £30,000 on bed-and-breakfast accommodation for 650 homeless families, that 18,000 people are on the waiting list for housing, that our social services have made the news throughout the country, that 52 per cent. of the population fall into ethnic minority groups, and that 80 per cent. of our school leavers are black and in July will go straight on to the dole? We are urban-aided, but is it not nonsense to give urban aid with one hand and to rate-cap with the other?

Mr. Ridley: Is it not nonsense to have 36 per cent. rent arrears in the borough of Brent? Would it not be a useful source of income if the council at least collected its rent and spent the money on the purposes to which the hon. Gentleman rightly draws attention?

Mr. John Powley (Norwich, South): My right hon. Friend will be aware that by far the largest proportion of any local authority's budget is that spent on wages and salaries. In that context, does he agree that there is a great responsibility on those who negotiate increases in wages and salaries to ensure that more local authority resources can be spent at the sharp end rather than on wages and salaries? Does my right hon. Friend agree that no local authority should accept a generous settlement merely to employ additional staff then all local authorities should be economising on the number of staff?

Mr. Ridley: I entirely agree with my hon. Friend. It is no excuse to hide behind the fact that local authorities

have chosen to negotiate a number of wages and salaries centrally, because, if they do that, they must take account of the cost of those settlements.

Mr. John Fraser (Norwood): Having rate-capped a large number of inner city partnerships and programme authorities, which is bad enough, what is the point of penalising those authorities if they spend within the resources available to them, and of preventing them from spending on capital projects when at the same time the Department, in a statement on urban programmes, is encouraging local authorities to take inner-city partnership schemes into their main stream and to spend on capital? What is the logic of the Government's programme on inner cities?

Mr. Ridley: I must confine the statement to the rate support grant. The hon. Gentleman includes matters which deal with capital control and public expenditure provision of capital. I cannot yet discuss that.

Mr. John Mark Taylor (Solihull): While I welcome my right hon. Friend's statement, will he take into account the fact that both his immediate predecessors told my authority that, in return for a bad settlement, there would be a better one next time, and that that has now happened two years in a row? Can Solihull expect to be lucky the third time?

Mr. Ridley: Not a bit of it. My predecessors' promises have been fulfilled.

Mr. John Evans (St. Helens, North): Will the Secretary of State concede that the principal reason for the savage rate increases over the past two years is that the Tory Government have removed £17 billion in rate support grant from local authorities, and that it has little to do with so-called profligate local authorities? Does he agree that, if his statement that there should be no rate increases is not to be dismissed as pernicious propaganda, he must acknowledge that that will depend on the circumstances of individual authorities and such factors as the rate of inflation and the level of wage and salary increases, especially for teachers? Is he aware—

Mr. Speaker: Order. Two questions is plenty.

Mr. Ridley: The hon. Gentleman must look at the spending figures. During the past five years total local authority current spending has grown by 38 per cent. in cash terms, which is 7 per cent. in real terms. It is not merely a question of who is finding the money. There has been massive growth in the total spent, as those figures prove. Before an agreement is reached on teachers' salaries between the Government and other parties, we must see the nature of the agreement with ACAS. The Government have not yet been shown that. I must reiterate the conditions of that, which my right hon. Friend the Member for Leeds, North-East (Sir K. Joseph) has made clear to the House in the past.

Sir Geoffrey Johnson Smith (Wealden): Can my right hon. Friend confirm that, if local authorities such as East Sussex continue to be as prudent as they were last year and in previous years, they will benefit even more next year?

Mr. Ridley: As my hon. Friend knows, I cannot give the details for every county council, but the settlement is designed to provide a good level of grant. Providing

authorities do not increase their spending above the rate of inflation, they should be able to manage with zero or small rate increases.

Mr. Max Madden (Bradford, West): Will the Secretary of State confirm that the help that Bradford will receive from central Government in real terms as a result of the settlement will remain the same? Will he come to Bradford, or receive a delegation from Bradford, so that he can consider urgently the need for additional money to deal with our housing and education crises and inner-city decay?

Mr. Ridley: I cannot comment on the precise effects on individual authorities, as I have said to all hon. Members who have asked me that sort of question. I can say that the settlement will enable authorities to achieve a proper level of services without large rate increases.

Mr. James Couchman (Gillingham): My right hon. Friend's statement will be welcomed especially by careful authorities such as my own. Will he accept that authorities such as Gillingham are worried about the contortions and distortions of the system which allowed two years ago for Gillingham to be in penalty, when it was spending 49 per cent. of its GRE, while this year it has not had to raise a rate at all, due to the munificence of my right hon. Friend's immediate predecessor?

Mr. Ridley: I am grateful to my hon. Friend. I think that the changes that I have announced today will have a considerable effect in simplifying the system and making it easier for authorities, ratepayers and electors to understand what is happening.

Mr. Frank Cook (Stockton, North): Will the Secretary of State break the habit of a lifetime by giving the Chamber a straight answer to a straight question and so allow hon. Members fully to appreciate the level of cunning and slyness in his ploy and its presentation this afternoon? Will he give an undertaking that the total GRE will equal the total running expenditure and that there will be no unallocated margin?

Mr. Ridley: I can give the hon. Gentleman a straight answer—no.

Mr. K. Harvey Proctor (Billericay): Is my right hon. Friend aware that my constituents who are ratepayers and who live in the Basildon district council area will be pleased by the announcement that Basildon is to be rate-capped for the third successive year? Is he aware also that ratepayers in my constituency and ratepayers everywhere will be indebted to him for the action that he will be taking from midnight tonight on the advance and deferred purchase schemes?

Mr. Ridley: I am grateful to my hon. Friend. The spending of his authority is 97 per cent. above GRE and spending per head is 99.9 per cent. above the class average. I am sure that he and his constituents will be grateful for the action that is being taken. The second part of my hon. Friend's question was addressed to deferred purchase. The leader of Islington council, Ms. Hodge, is engaged in one of these schemes to the extent of £38 million. In a newspaper report, she is alleged to have said:

"This is a high risk strategy, because not only does it depend on a change in government but it also depends on a commitment by the Labour Front Bench to bail us out when they return to power."

The Leader of the Opposition is in his place and he can give such a commitment. I wonder whether the right hon. Gentleman is prepared to give such a commitment this afternoon to bail out his friend in Islington. But I doubt whether he will ever be in a position to deliver.

Several Hon. Members *rose*—

Mr. Speaker: Order. I hope to be able to call all hon. Members who have been rising in their places to put a question to the Secretary of State for the Environment. When that has been done, we must move on. I ask for one question from each Member and for brief replies.

Mr. Tony Banks (Newham, North-West): The Secretary of State has said that the London borough of Newham is spending 18 per cent. over its GRE and will be rate-capped. The City of London spends 190 per cent. over its GRE but it is not being rate-capped. Does the right hon. Gentleman realise how deeply offensive it is to describe the spending programme of Newham as profligate when it is surrounded by massive social and economic problems? Will he emerge from behind the Dispatch Box and his prepared statement and come to Newham to see things for himself?

Mr. Ridley: The hon. Gentleman knows full well that only authorities that fall within the criteria can be selected for rate limitation. The authorities which I have read out are the ones that fall within that criteria.

Mr. Edward Leigh (Gainsborough and Horncastle): Surely what is grossly misleading is the present system which penalises low-spending authorities by rewarding high-spending Labour authorities? Will my right hon. Friend confirm that, with the welcome demise of recycling from low-spending shires to cities, the ratepayers of Lincolnshire, who have a low-spending authority, will never again be faced with high rate increases as long as we have the present Government, committed as they are to this reform, and as long as they re-elect Conservative county councillors?

Mr. Ridley: I think that I can confirm what my hon. Friend seeks, but I cannot commit my successors on the Government Benches as future Secretaries of State for the Environment.

Mr. Dennis Skinner (Bolsover): Is the Secretary of State aware that those outside the House will have understood what the statement is all about? They will understand that it is balanced on a piece of election elastic. That is why he has not been able to answer some of the questions which have been put to him. It seems that the statement has been made because there might be an early 1987 election. Is it not a double standard for the Government—

Mr. Speaker: Briefly.

Mr. Skinner: It is brief.

To tell local authorities that they cannot be involved in rescheduling their debts when at the same time, or two or three years ago, the Government told the banks in Britain that they could reschedule debts to Argentina? They told them as well that if they managed to get a default upon the payment of these debts, they would be relieved of the requirement to pay taxation upon the debts. There is one law for the banks in Britain, which have been relieved of the requirement to pay taxation, and another for local authorities that provide public services to help the people

[Mr. Skinner]

in their areas, who are being hammered by the Government. There is one law for the bankers and another for local authorities.

Mr. Tony Banks: A Government of shysters.

Mr. Ridley: The hon. Gentleman is in scintillating form this afternoon. The entire House will be impressed by his immense financial expertise.

Mr. Paul Marland (Gloucestershire, West): As my right hon. Friend will be aware, due to the financial good sense of the previous Tory administration of Gloucestershire county council it has received a £5 million refund this year. However, it is now a hung council and the £5 million has not been redistributed among the ratepayers. Does my right hon. Friend think it in order for Gloucestershire ratepayers to look forward to a rate reduction next year?

Mr. Ridley: I am glad that my hon. Friend brings in the county which he, I and others represent. I can tell him that this year Gloucestershire county council, under Liberal-Labour control, forfeited £4.3 million of grant and received £4.8 million in grant from the recycling mechanism, which seems to be an odd reward for overspending. The only way to remedy this is for a change of control of the council.

Mr. Tony Lloyd (Stretford): Will the Secretary of State tell the House what his credentials are for understating the extent of the real poverty that now exists in inner-city areas? Will this statement make any real difference to the mean life which the Government have inflicted on my constituents and those of many of my right hon. and hon. Friends?

Mr. Ridley: The hon. Gentleman says that there is poverty in his constituency. That poverty can be made worse only by having high rates and taking money away from those who are suffering poverty. He has still not grasped the point that there is great benefit in reducing the burdens which authorities such as that in his constituency are placing upon the poorest in society.

Mr. Patrick Thompson (Norwich, North): The prospect of low or zero rate rises will be welcomed by employers in Norwich and by ratepayers generally. Can my right hon. Friend confirm that we are moving towards a system that will reward low spenders and to a far simpler system that will be free of the sort of gobbledegook which we have had to tolerate for so long?

Mr. Ridley: I hope that authorities will find that they can manage with zero or low rate increases if they keep their spending roughly in line with inflation. I hope also that my statement will make the system a little easier to understand, though I confess that it is still extremely complex.

Mr. Bellingham (Norfolk, North-West): Does my right hon. Friend agree that the treatment of Norfolk county council in recent years has been harsh and unfair and that it is not its fault that this year has seen large rate increases? Will he accept that his statement will be most welcome, and will he give a categorical assurance to Norfolk ratepayers that he means business when he says that he is determined to improve the lot of prudent shire counties?

Mr. Ridley: I hope that what I have done will have the effect. I cannot, of course, forecast what will happen in future.

Mr. Tony Baldry (Banbury): Does my right hon. Friend agree that it needs to be said time and time again that if there is a rate increase next year in counties such as Oxfordshire it will be due entirely to the profligate spending policies of the Labour and SDP parties, whose only hobby seems to be a wish to write cheques on other people's bank accounts?

Mr. Ridley: My hon. Friend has the point exactly right. I can add only that what he has said does not apply solely to counties such as Oxfordshire. It applies to every county and district throughout the land. If there are to be rate increases, the public must know full well that the blame must lie fairly and squarely upon the authority concerned.

Mr. Jack Straw (Blackburn): The Secretary of State told my hon. Friend the Member for Copeland (Dr. Cunningham) that he was not planning to increase the slope. How, then, does he intend to implement the statement that he has made today, that he will increase the penalty for the reckless? In answer to my hon. Friend the Member for Stockton, North (Mr. Cook), the right hon. Gentleman has now admitted that GREAs may well be set well below the level of aggregate expenditure. I hope that the right hon. Gentleman will confirm that, if that is so, he will be putting into the settlement a mechanism by which he could claw back up to the £1 billion that he says that he is giving to the local authorities. How much is the Treasury budgeting to claw back from the local authorities? Is it not the message of the settlement that, after suffering seven years of assault, local authorities should beware of Conservative Ministers bearing gifts? While the rhetoric of the settlement has about it all the stench of the pre-election pork barrel, it will in reality do precious little to meet the social and economic consequences of the Government's actions and the poverty and hardship that they have produced, or to commence rebuilding of Britain that is the task that we shall inherit.

Mr. Ridley: I hope that, if the hon. Gentleman inherits anything, he will do his homework and get it right. He has not got it right. The penalty for reckless authorities is the abolition of grant recycling.

Mr. Straw: The right hon. Gentleman does not understand the system.

Mr. Ridley: I understand the system very much better than the hon. Gentleman. If a local authority loses grant on the present slopes, that grant is forfeited and goes back to the Treasury. However, since the grant and the provision are set at a realistic level, no authority need lose grant, not do we expect any authority to lose grant unless it goes in for a wild bonanza. For that reason, we do not expect any grant recycle to be forfeited. The hon. Gentleman must make up his mind whether what I have announced is a cheat or a pre-election bribe. It cannot be both.

Mr. Corbyn: On a point of order, Mr. Speaker.

Mr. Speaker: I will take points of order later.

NEW MEMBER

The following Member took and subscribed the Oath:
Mrs. Llinos Golding, for Newcastle-under-Lyme.

Mr. Corbyn: On a point of order, Mr. Speaker.

Mr. Nellist: On a point of order, Mr. Speaker.

Mr. Speaker: I will take points of order after the Standing Order No. 10 application. That is the normal procedure.

Later—

Mr. Corbyn: On a point of order, Mr. Speaker. During the statement made by the Secretary of State for the Environment on the rate support grant for England, he constantly referred to the levels of rent arrears in various boroughs. Is it in order for the right hon. Gentleman deliberately to mislead the House about rent arrears when they are the responsibility of the Department of Health and Social Security?

Mr. Speaker: No hon. Member, whether from the Front Bench or the Back Benches, deliberately misleads the House. The hon. Gentleman seems to be seeking to raise a point for debate. As I understand it, there will have to be an order on this matter, and so there will be a debate. I shall bear the hon. Gentleman's claims in mind when we come to that point.

Nigel Duncan Williams

4.44 pm

Mr. Gerrard Neale (Cornwall, North): I beg to ask leave to move the Adjournment of the House, under Standing Order No.10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely, "the proposed release from prison on parole of Nigel Duncan Williams."

I believe that we should consider the basis upon which violent criminals are released from prison on remitted sentences and especially on parole. In particular, I ask that we be allowed to debate the interests of the victims families, who are affected by released prisoners returning to the local area.

In April, four years ago, Nigel Duncan Williams of Whitestone crescent, Bodmin, stood charged, with murder. He was convicted of manslaughter and sentenced to 12 years in prison. He had lain in wait for and had brutally assaulted, Caroline Cooper of my constituency, who died from her injuries. He then dragged her into the churchyard. Four years ago this month, on appeal, his sentence was reduced to eight years. Next Tuesday Nigel Williams is to be released on parole, to return to Bodmin and live round the corner from the victim's family, close to the very place where the crime took place.

This state of affairs is horrific for the locality and in particular for the Cooper family, who have another daughter now aged 15.

The issue is not restricted to one family and one convicted criminal. In the statement made by the Home Secretary in 1983 about the conditions upon which parole was to be given to violent criminals, and in the subsequent report ordered to be published by this House on 3 June this year, many points are made about the close consideration to be given to the parole of violent prisoners. However, there is no reference in either the statement or the report to the interests of the victim's families.

I ask that urgent consideration be given to this issue by the House. In the case to which I have referred, some four years and two months after his conviction, a violent criminal is to return to the very locality of his crime and the neighbourhood of the affected family.

Mr. Speaker: The hon. Member for Cornwall, North (Mr. Neale) asks leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely, "the proposed release from prison on parole of Nigel Duncan Williams."

I have listened with care to what the hon. Gentleman has said, but I regret that I do not consider that the matter he has raised is appropriate for discussion under Standing Order No. 10, and I cannot therefore submit his application to the House.

I will now take the points of order.

Wages Bill

Mr. Nellist: I wish to raise a point of order on a matter of which I have given prior notice.

Together with several of my Labour comrades I sat for many weeks on Standing Committee K, considering the Wages Bill, which is to come before the House tomorrow, after the Social Security Bill and the Social Security Regulations, and after the clotted cream and strawberries have been served at a wedding that I understand is to take place.

There are strict conventions governing what we are allowed to discuss tomorrow night. For instance, we are only allowed to discuss the amendments made to the Bill in the House of Lords. I should have liked to be able to table amendments to those Lords amendments and to put them before the House tomorrow evening. However, the Lords are not debating the Third Reading of the Wages Bill until tonight. The Vote Office can provide no information about what has been discussed so far or what changes might be made tonight on Third Reading.

I should like to quote from the Report of the Select Committee on Procedure of 1984-85:

"If Parliament is adequately to scrutinise legislation and to have time to improve it, we believe it is essential that (emergencies excepted) reasonable periods are allowed for reflection and for consultation. We propose that the following intervals be laid down in Standing Orders as the minimum between various stages of a Bill:

- (a) two weekends between first and second reading;
- (b) ten days between second reading and the start of committee stage; and
- (c) ten days between report from committee and the start of Report stage."

We shall have barely 10 hours after the Lords finish with the Bill before it returns to the Commons. I appeal to you, Mr. Speaker, to protect the 3 million workers who are to lose either holidays or legal minimum wages under the Bill, and to protect the rights of hon. Members adequately to analyse legislation and to consult those affected before we speak in the Chamber. May we either have advice on how to delay consideration of the Bill or have the recess delayed for at least two weeks so that we can do the job that our electors sent us here to do?

Mr. Ian Mikardo (Bow and Poplar): Further to that point of order, Mr. Speaker. As one who sat through the Standing Committee which considered the Wages Bill, may I put it to you and the House that this is an involved, complicated and technically difficult Bill which is not easy to understand? Indeed, for most of the time, the Minister in charge of the Committee found great difficulty in understanding the Bill. When he was forced to depart from the bits of paper that his advisers gave him, he flopped around because he did not understand it.

I put it to you, Mr. Speaker, that we shall not have the Lords amendments until tomorrow morning and that that is grossly unfair. There are many interests involved. The Low Pay Unit, a public institution, is very much involved. It has taken a great interest in the Bill. It will be impossible to consult it in the few hours that are available. Many trade unions are involved, as is the Equal Opportunities Commission. This is an abuse of the procedures of the House and I hope that you, Mr. Speaker, will be kind enough, as you always are, to give some thought to the matter.

Mr. Don Dixon (Jarrow): Further to that point of order, Mr. Speaker. Will you also bear in mind, when

considering the point of order, the shabby way in which the Government have treated hon. Members during the passage of the Bill? On numerous occasions in Committee I and other hon. Members protested because *Hansard* was not available to enable members of the Committee to consider the Minister's speeches. It was pointed out that because there were 10 Standing Committees at that time the printers could not print *Hansard* in time. The *Hansard* staff were not at fault.

In addition, the Government amended part III during the passage of the Bill which brought forward the redundancy payment scheme. The reason given was that the Government intended to take another £50 million out of the redundancy fund—a fund incidentally, which is contributed to by employers and employees in Britain. Nevertheless, the Government wanted to steal an extra £50 million. That is the way that the Government have treated the Bill during its passage through the House.

I hope that you, Mr. Speaker, will bear in mind what my hon. Friend the Member for Coventry, South-East, (Mr. Nellist) said about amendments not being available for hon. Members to consider until tomorrow because the other place is having the Third Reading debate today, during which amendments can be tabled.

Mr. Alan Williams (Swansea, West): Further to that point of order, Mr. Speaker. I am sure that you will appreciate that my hon. Friends have a real and serious point. We shall have amendments which, as yet, we can only speculate on, and which will be of profound importance to many of our constituents. Yet not only shall we not see them, but, unless you are willing to help in some way, there seems at the moment to be no way in which we shall be able to amend the amendments in time. Therefore, we would appreciate your guidance on that. However, I emphasise that, whatever arrangement you make, for which we shall be grateful, we still regard them as a poor substitute for the proper consideration that the legislation should have had.

Mr. Speaker: I understand the difficulty in which the House finds itself, and I thank the hon. Member for Coventry, South-East (Mr. Nellist) for having given notice of the point of order. He and the House will know that I am not responsible for the organisation of business; that is a matter which would be best discussed through the usual channels.

The timing of the business and the fact that the House is due to go into recess this weekend is in the hands of the House. I fully recognise the difficulties in which hon. Members have been placed in this matter and I shall bear that in mind when I make my selection.

Mr. Nellist: Further to my point of order, Mr. Speaker.

Mr. Speaker: I am not sure that I can help the hon. Gentleman any more.

Mr. Nellist: Thank you, Mr. Speaker, for having helped in the way that you have done so far. However, did I correctly understand the latter part of your remarks to mean that if amendments were tabled tomorrow as a result of tonight's Third Reading in the other place, the normal convention of a couple of days' notice would be set aside so that Labour Members could table amendments? Secondly, through you, Mr. Speaker, as the Leader of the House is listening, may I appeal to the Leader of the House to say whether he has anything to say about the position in which we will find ourselves tomorrow?



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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

11 July 1986

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Dear Robin,

Thank you for your letter of 2 July about the timing of the RSG announcement. Since you wrote, the Lord Privy Seal has seen the letters on this subject from the Welsh Secretary and the Chief Secretary to the Treasury.

As you know, we have been seeking to arrange Statements on the RSG not only for England, but also for Wales and Scotland. I believe that it would be generally convenient if we aim to make the Statement on the RSG for England on Tuesday 22 July. The RSG Statements for Wales and Scotland would follow, in that order, on Wednesday 23 July. As you will appreciate, there is considerable pressure on the business to be taken in that week, and there is little scope for flexibility in these arrangements.

I am copying this letter to the Private Secretaries to the members of E(LA), David Norgrove, Murdo Maclean, Rhodri Walters and Michael Stark.

Yours,
Alison

ALISON SMITH
Private Secretary

Robin Young Esq
Private Secretary to the
Secretary of State for the Environment

