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PRIME MINISTER

You will remember that you saw these proposals earlier. (Benefit gains.)

RATE SUPPORT GRANT SETTLEMENT 1987/88

ORW
26/11

You will wish to know that E(LA) Committee discussed Nicholas Ridley's letter to me of 17 November at a meeting on 24 November.

2. In that letter Nicholas explained that he had received strong representations from members representing some of the Home Counties and outer London boroughs about the loss of grant which would be incurred by their authorities under the proposals for next year's Rate Support Grant Settlement published on 3 October.
3. Since those proposals new and later data has become available for GREs which he is obliged to take into account. The effect of this is to make matters worse for a number of authorities who are already losing grant including Hampshire and Berkshire who would lose a further £3.5 million each. Nicholas therefore proposed to introduce a tighter safety net of 7p to provide greater protection against grant losses and a cap of 12p to limit the grant increases of those who gain most.
4. E(LA) agreed that the new data left us with little choice but to go for the revised package. We are always faced with the problem that later data can change grant entitlements substantially, but unfortunately the legislation imposes an obligation to take this on board. In this case the changes incorporate the higher capital provision for 1987/88 announced in the autumn statement which tends to benefit shire districts and disbenefit shire counties.



5. We concluded that the proposed change should help most of those authorities worst affected at present including the Home Counties, outer London boroughs (such as Barnet, which will get an extra £2.6 million if they spend in line with the RSG assumption) and shire districts. Nicholas is proposing to issue a further consultation paper announcing his revised package early next week. This will go to all authorities and be announced in the House by a written answer. He is also preparing to brief Members about the effect of the revised proposals for their authorities on the same day, explaining the inevitability of the data changes and the benefits of the new proposals. An announcement of the final proposals would then follow in early January.

Wainwright

Privy Council Office
26 November 1986

PERSONAL AND CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

28 November 1986

From the Private Secretary

RATE SUPPORT GRANT SETTLEMENT 1987/88

The Prime Minister was most grateful for the Lord President's minute of 26 November about the Rate Support Grant Settlement for next year in which he explained the effects of taking into account new and later data. She has noted the position.

David Norgrove

Miss Joan MacNaughton
Lord President's Office.

PERSONAL AND CONFIDENTIAL

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