



## CABINET OFFICE

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1 December 1986

*Dear Joan,*

## TOTAL EXPENDITURE BILL

The Lord President chaired a meeting this morning to consider the options for legislation to remedy the defect in the definition of Total Expenditure in the 1980 Local Government, Planning and Land Act. Present were the Secretaries of State for the Environment and for Wales, the Lord Privy Seal, the Chief Secretary, Treasury, Mr Ian Lang (Parliamentary Secretary, Scottish Office), and the Chief Whips of both Houses. In attendance were Mr Hieser, Mr Brearley, and Mr Roscoe (Department of the Environment), Sir George Engle, Mr de Vaal, and Mr Bowman (Parliamentary Counsel), Mr Jones (Welsh Office), Mr Pirie (Treasury), Mr Robson (Scottish Office), Mr Macluskie (Lord Advocate's Department), Mr MacLean (Chief Whip's Office), Mr Walters (Whip's Office, Lords), Mr Langdon and Mr Eland (Cabinet Office), and yourself.

The Secretary of State for the Environment said that given the clear advice of leading counsel and the Attorney General, the Government could not continue with the present basis. It would therefore be necessary to bring forward legislation urgently to validate past decisions and to establish a proper framework for the future. The options were described in Brian Leonard's letter to you of 28 November. Given the most recent advice from the House Authorities, omitting provisions about selective rate capping and precept limitation would have no advantages in securing a speedier Parliamentary passage of the Bill and option G need not be considered further. He therefore saw two realistic options. First, the Government could simply validate the existing procedures, which, because the necessary Bill could not be enacted in time to operate rate capping on the existing statutory timetable, would also have to provide for a new timetable (option B). Alternatively, the Government could adopt a more radical proposal (option F). All past decisions would be validated and rate and precept limits for 1987/88 would

Miss Joan MacNaughton  
Private Secretary to Lord President of the Council



be enacted on the face of the Bill, on the basis of common provisions applying to each class of authority. At the same time the opportunity would be taken to introduce a radical new approach to determining grant payments, under which block grant would be increased by an equal percentage over 1986/87 for all authorities. This would break out of the cycle of ever increasing complexity and dissatisfaction inherent in the existing RSG System. It would also represent a move away from resource equalisation, which caused considerable problems in the Home Counties, and would pave the way for the new system of local government finance. The grant recycling bill would be unnecessary, although he recognised that there would need to be some compensating reduction in AEG. Moreover, no RSG or rate limitation orders would be needed. He recognised, however, that a fixed block grant would remove the pressure in the present system towards lower spending, and the total of local authority current expenditure might therefore increase.

The Chief Secretary said that he accepted that the legislation was necessary, and that he attached great importance to retaining rate and precept limitations. He was, however, concerned that if a system of fixed block grant payment were introduced there could be a considerable increase in local authority spending. A substantial reduction in AEG would be necessary to offset this, which would be very unpopular with many authorities. Moreover, it represented a considerable measure of rough justice, and he foresaw a great deal of opposition. He therefore favoured option B.

Mr Lang confirmed that provisions were necessary to validate previous Scottish practice and provide an adequate basis for further action on the penalty system and on selective expenditure reduction. The timetable was, however, less critical than in England and Wales. He anticipated that two clauses would be required.


In discussion, it was pointed out that provided the Bill was introduced in the Commons before the Christmas Recess, it should be possible to secure the Royal Assent by 9 April. But this would leave local authorities with considerable uncertainty, and indeed some might seek to exploit the situation for political ends. Splitting the Bill in two, with the first dealing with the amendment of the statutory timetable for rate capping and also possibly validating past decisions, might provide a greater degree of certainty, but would have serious disadvantages from the point of view of Parliamentary handling.

The Lord President, summing up the discussion, said that on balance the meeting preferred option B - under which the legislation would simply repair the defect and do what was required to allow the existing RSG and rate and precept limitations procedures to operate with no change in policy. The alternative of introducing a new block grant system risked weakening control over public expenditure; moreover to introduce a new system in haste and without the opportunity for full consideration would not be advisable. The Department of the Environment and Parliamentary Counsel should now make all possible haste to prepare the legislation, which would need to be introduced before the Christmas Recess. He and the other business managers would give further consideration to the Parliamentary handling, and in particular to the impact on the remainder of the legislative programme. In the meantime the Secretary of State for the Environment should proceed with consultations with local authorities on the revised distribution of RSG which had been agreed on by E(LA) the previous week.



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I am copying this letter to the Private Secretaries to the Ministers and to the officials who were present.

Yours ever,  


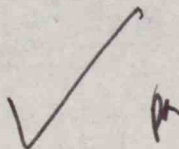
J E ROBERTS

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David Norgrove Esq.



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With the compliments of

J. E. ROBERTS

Joan asked me to send you  
a copy of this.

*[Handwritten signature]*  
7/12.

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