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Yes mr

ccB 9
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My ref:

Your ref:

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Prime Minister!

8 January 1987

There are no surprises
here. Content?

DLJ
8/1

Dear David,

RATE SUPPORT GRANT SETTLEMENT 1987/88
STATEMENT ON 13 JANUARY

I attach a draft of a statement my Secretary of State is
proposing to make in the House on Tuesday 13 January. There will
be a parallel statement in the House of Lords.

I should be grateful for comments by lunch, Monday 12 January.

Copies of this letter and the draft go to the private secretaries
of the Lord President and the members of E(LA), of the Chief
Whips in both Houses, and of Sir Robert Armstrong.

Yours,

Robin.

R U YOUNG
Private Secretary

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ECL

bc BG.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 January 1987

Dear Sir,

**RATE SUPPORT GRANT SETTLEMENT 1987/88
STATEMENT ON 13 JANUARY**

The Prime Minister has seen the draft statement your Secretary of State proposes to make on 13 January about the Rate Support Grant Settlement 1987/88 (your letter to me of 8 January), and is content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to members of E(LA), Joan MacNaughton (Lord President's Office), Greg Shepherd (Whips' Office, Commons), Rhodri Walters (Whips' Office, Lords) and Trevor Woolley (Cabinet Office).

*Yours,
David*

(David Norgrove)

R.U. Young, Esq.,
Department of the Environment.

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STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

13 JANUARY 1987

LOCAL GOVERNMENT FINANCE: RATE SUPORT GRANT FOR 1987/88 AND RATE
LIMITATION

1. With permission Mr Speaker I would like to make a statement about the rate support grant settlement for 1987/88 and selective rate limitation for local authorities in England.
2. When I made my announcement about relevant and total expenditure on 16 December, I said that no further Rate Support Grant Reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about Rate Support Grant when the House returned in January. I am today announcing my firm intentions for the 1987/88 settlement for England and for the supplementary reports for 1986/87 and 1985/86. Copies of the explanatory material and the rate limits proposed in the Local Government Finance Bill being sent to local authorities today are available in the Library and Vote Office. Authorities will be able to plan their budgets and rates for 1987/88 with confidence and certainty. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent on the basis of my statement today.

3. The consultation which has preceded the 1987/88 Settlement has been much more extensive than in previous years. I have considered very carefully the representations which the local authority associations have made to me and the many comments received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

4. I deal first with the main features of the 1987/88 Settlement. Since 3 December I have received further information on capital allocations for 1987/88 and about some authorities' budgets for 1986/87. I have also proposed higher expenditure levels for some rate and precept limited authorities. All of this information has been included in the figures I am announcing today. The consequence of the changes is to increase the grant entitlements of most local authorities.

5. The aggregate of Exchequer grant to authorities will be increased by over £1 billion to £12,842 million; this is a substantial increase and is 9% more than in the current financial year.

6. My estimate of aggregate total expenditure in 1987/88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13% more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition, the Government will, as the House knows, make available

substantially more provision and grant when there is a settlement on teachers' pay which meets our requirements on pay structure and duties.

7. There are plenty of opportunities for authorities to reduce their expenditure for example, by putting out services to competitive tendering or by implementing the many savings identified by the Audit Commission. I intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

8. I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper: the most significant change from 1986/87 is that the police GRE will be distributed on the basis of police establishments.

9. I intend that the slope of the grant related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

10. As usual there will be arrangements to limit the impact of year on year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

11. In July I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities who will no longer receive a paradoxical and uncovenanted benefit through recycling.

12. Local government need lose no grant to the Exchequer if local authorities spend in line with the settlement spending assumption. This means that most authorities will only lose grant if they increase current spending by more than 5½%. If they spend 1% less than I have assumed they would gain £130 million. We have increased the amount of Exchequer grant by over £1 billion for next year and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

13. I shall make the Third Supplementary Report for 1985/86 and the First Supplementary Report for 1986/87 when I make the main Rate Support Grant Report. It is my intention that the Supplementary Report for 1985/86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. The Supplementary Report for 1986/87

will distribute the block grant underclaim for some £618m consequent upon the estimates of total expenditure received from authorities by 19 December. My predecessor, guaranteed that at least £500m of grant would be recycled in the First Supplementary Report for 1986/87. This Report will therefore honour that guarantee.

14. I now turn to the authorities selected for rate limitation in 1987/88. The House will know, from my Statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with - for 1987/88 only - in accordance with the terms of the proposed legislation.

15. The Department is today writing to the 20 authorities selected for rate limitation, informing them individually of the rate limit figure which the formula in the Local Government Finance Bill produces for their authority. Each of these councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

16. In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, my right hon Friends with responsibility for those authorities will be writing to them with similar information about the receipt limits produced by the formulae in the Bill.

17. There is a widespread agreement that the present system of local government finance is short on local accountability and long on complexity. Our Green Paper proposals are designed to remedy this. Within the constraints of the present system I believe that this settlement is the best that can be achieved. It will provide prudent and responsible local authorities with a clear incentive to contain their expenditure and thereby keep rate increases low; it will also provide authorities with certainty about their grant entitlements. For its part the Government is providing more than an extra £1 billion in grant. How much rates will rise is a matter for local authorities to decide. If authorities choose to spend up the burden will fall on their ratepayers. In the profligate high spending authorities ratepayers will benefit considerably from the important protections provided by rate limitation.

Rate Support Grant

3.41 pm

The Secretary of State for the Environment (Mr. Nicholas Ridley): With permission, Mr. Speaker, I should like to make a statement about the rate support grant settlement for 1987-88 and selective rate limitation for local authorities in England.

When I made my announcement about relevant and total expenditure on 16 December, I said that no further rate support grant reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about rate support grant when the House returned in January. I am today announcing my firm intentions for the 1987-88 settlement for England and for the supplementary reports for 1986-87 and 1985-86. These intentions are based on the powers I am taking in the Local Government Finance Bill. Copies of the explanatory material and the rate limits proposed in that Bill are being sent to local authorities today and are available in the Library and the Vote Office. Authorities will be able to plan their budgets and rates for 1987-88 with confidence. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent.

The consultation which has preceded the 1987-88 settlement has been much more extensive than in previous years. I have considered very carefully the comments which the local authority associations have made to me, and the many representations received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

I deal first with the main features of the 1987-88 settlement. Since 3 December I have received further information on capital allocations for 1987-88 and about some authorities' budgets for 1986-87. This information has been taken into account in the figures I am announcing today. The figures also take into account expected higher spending by some rate and precept limited authorities to reflect the provisions of the Local Government Finance Bill. The consequence of these changes is to increase slightly the grant entitlements of most local authorities.

The aggregate of Exchequer grant to authorities will be set at the level I announced in July, £12,842 million, which is an increase of over £1 billion or 9 per cent. over the level included in the settlement for the current financial year.

My estimate of aggregate total expenditure in 1987-88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13 per cent. more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition, the Government will, as the House knows, make available additional provision and grant when there is a settlement on teachers' pay which meets our requirements on cost, pay structure, and duties.

There are plenty of opportunities for authorities to reduce their expenditure, for example, by putting out services to competitive tendering or by implementing the many savings identified by the Audit Commission. I

intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper. The most significant change from 1986-87 is that the police GRE will be distributed on the basis of police establishments.

I intend that the slope of the grant-related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

As usual there will be arrangements to limit the impact of year-on-year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

In July, I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future, an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities which will no longer receive a paradoxical and unconvenanted benefit through recycling.

Local authorities can claim the full amount of grant if they spend in line with the settlement spending assumption. We have increased the amount of Exchequer grant by over £1 billion for next year, and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

I shall make the third supplementary report for 1985-86 and the first supplementary report for 1986-87 when I make the main rate support grant report. It is my intention that the supplementary report for 1985-86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. Most authorities have brought their spending closer to target, and as a result £385 million of grant so far withheld for 1985-86 will be paid out. The supplementary report for 1986-87 will distribute the block grant underclaim of some £618 million consequent upon the estimates of total expenditure received from authorities on or before 19 December. My predecessor guaranteed that at least £500 million of grant would be recycled in the first supplementary report for 1986-87. This report will therefore honour that guarantee.

I now turn to the authorities selected for rate limitation in 1987-88. The House will know, from my statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with—for 1987-88 only—in accordance with the terms of the proposed legislation.

The Department is today writing to the 20 high-spending authorities selected for rate limitation, informing them individually of the rate limit figure which flows from the Local Government Finance Bill and my intention for rate support grant. Each of those councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, Departments with responsibility for those authorities will be writing to them with

[Mr. Nicholas Ridley]

similar information about the precept limits produced by the formulae in the Bill. The present system of local government finance is short on accountability and long on complexity. [HON. MEMBERS: "Hear, hear."]

Our Green Paper proposals will replace it. While the present system lasts, I commend this settlement to the House as the best that can be achieved. Prudent and responsible local authorities which contain their expenditure can keep rate increases low. The Government are providing more than an extra £1 billion in grant. How much rates will rise is for the local authorities; they have the opportunity to keep the rates low this year. If authorities choose to spend high, it will be their fault that the rates go up. In the profligate high-spending authorities, ratepayers will benefit considerably from the important protections provided by rate limitation.

Dr. John Cunningham (Copeland): The Secretary of State made a long and complicated statement, but I can begin—as can all my right hon. and hon. Friends—by joining him in his condemnation of the present rate support grant system—a system that is solely the creation of the Government and all those hon. Members who said, "Hear, hear" to the Secretary of State's comments. They voted for the system and have supported it since its creation.

Is the Secretary of State aware that, because of the Government's incompetence, major problems and uncertainties for all local authorities result from the especially late statement that he has made on rate support grant? There will be particular difficulties for those authorities snared by the Rates Act 1984. Is he aware also that, in his treatment of those authorities, there is no natural justice and a denial of the promises made to the House by the right hon. Member for Wanstead and Woodford (Mr. Jenkin), not only in piloting the legislation through the House, but in subsequent letters to local authorities and to me as the shadow Environment Secretary? What has the right hon. Gentleman to say to the House about that matter?

Is the Secretary of State aware that the Local Government Finance Bill, which was given a Second Reading yesterday, is complex and difficult? In his statement, he assumed that the Bill will go through the House and, more important perhaps, through another place without a single change or amendment being made to it. Is that not a breathtakingly arrogant assumption to make, given the nature of the legislation?

Will the Secretary of State recognise that his decision to maintain grant at 46 per cent. of expenditure shows the beginnings of recognition by the Government of the validity of local government spending? Why has it taken seven years for this recognition to arrive on the Treasury Bench, especially since, in those seven years, cuts of £17.5 billion have been made in rate support grant? Why does the right hon. Gentleman seek to disguise the end of grant recycling and its implications? Is he not aware that Mr. Brian Tanner, the county treasurer of Somerset, has forecast that the end of grant recycling will reduce his often-mentioned extra £1 billion by at least £400 million? Is he aware that many other people in local government view the reduction as likely to be more than half the extra

money he boasts about? Is he not seeking to disguise that fact because the Treasury plans to recoup at least half the extra money he claims to provide to local authorities?

Why has the Secretary of State changed the claim he made to the House last July that there would be no need for any rates increase as a result of his rate support grant settlement? In the final part of his statement, did he not recognise that rates increases will not only occur but be inevitable as a result of the Government's policies? When will the right hon. Gentleman publish the Bill to end grant recycling? With what other matters will that legislation deal?

Will the Secretary of State explain why he claims that these latest proposals, which he said resulted only from consideration of new and more relevant information and data, disguise the fact that he is reallocating more money as a result of his manipulation of the safety nets and multipliers than he is as a result of any consideration of any new information? The reality is that more than twice as much of the money reallocated results from the manipulation of the multipliers as could be attributed to any new information.

Is the Secretary of State aware that we condemn his ever-widening use of the Rates Act, this time applying to more local authorities and bodies than ever before—40 in total? Do his figures for rate limits take into account the bombshell announced in December in which calculations of housing subsidy for maintenance of council houses were changed, thus denying inner city boroughs, such as Camden, Islington and Brent, of many millions of pounds for crucial house maintenance and repair? Given the difficulties that result not only from the statement's complexity and lateness but from the widening use of the Rates Act, why has not the Secretary of State been more open about the Government's intentions on teachers' pay? Is it not a reality that, if settlement of that matter comes after local authorities have fixed their rates, they will face grave difficulties? Since the right hon. Gentleman has commented on the Government's resolve to protect ratepayers, will he say why last year's public expenditure White Paper did not take realistic account of the level of local government expenditure? Will tomorrow's be any more realistic?

Finally—[HON. MEMBERS: "Hear, hear."] It is always a mistake to say "finally", even when one's comments are significantly shorter than those of the Secretary of State. Does not the Secretary of State recognise that the real reason why rates are and remain a problem for people is the failure of the Government's policies, the massive switching of burdens from taxpayers to ratepayers, and the Government's ineptitude in dealing with local government finance?

Mr. Ridley: The hon. Gentleman has asked many questions, and I shall try to answer them briefly. I am delighted to hear his support for changing this system getting stronger and stronger. We shall expect him to be with us in the Division Lobby when the Bill to abolish rates in England and Wales is introduced shortly after the election. He will then be able to reflect his dislike of the system in his vote.

The consultation on this settlement has been greater than on any previous occasion. [Laughter.] That is not a bad thing or something to be laughed at. If we have consultation, it is right that we should listen to all hon.

Gentlemen's comments and, if necessary, act on them. I think that many hon. Members will be grateful for the fact that I did that.

The hon. Gentleman asked about rate limits. Consultation on rate limits had already taken place when authorities that wished to apply for redetermination saw officials or Ministers and, after consideration of those representations, the formulae in the Bill were inserted. Had it not been for the Bill having to be brought forward, I should now be making a final determination, having consulted those rate-limited authorities that applied for redetermination, which were not all of them. *[Interruption.]* The hon. Gentleman says that it would be different. That is right, but for many of them it is higher than it would have been because, as he knows, we have had to keep them all to the same increase in each class. That means that some of them have got higher rate limits than they might otherwise have received. That is borne out by the figure in my statement of an extra £40 million provision. Because of rate capping and precept limitation, the figure is actually £50 million less a £10 million adjustment for authorities spending less this year than they expected.

The hon. Gentleman asked about the change in the GRE in relation to the treatment of rent in London. This change was made at the suggestion of the Association of London Authorities, and for that reason I cannot understand why he should complain about it.

The hon. Gentleman asked why I assumed that the Bill would go through. If the Bill does not go through, no rate support grant will be payable next year, nor will it be possible to pay back the £385 million of holdback that is due to be paid back under the 1985-86 report. That is held up until the Bill becomes law. Massive sums of money for local authorities are at stake under the Bill and I would not have thought that any Member of either House would wish to obstruct progress of the Bill because of the great damage to local authorities which would result if that money could not be paid.

We would never have produced more than an extra £1 billion of rate support grant if it had not been proposed to abolish grant recycling. The two go together and I hope that not one penny of that money comes back. I hope that every authority will spend at the level of the settlement assumption and not above it. Even that, at 5.25 per cent. above this year's cost—that is, 1.5 per cent. more than inflation—is a very large increase in spending.

The hon. Gentleman asked about rates. If all authorities spend at the settlement assumption, then the average—I repeat average—percentage increase in rate precepts will be 1.2 per cent. which is much less than the rate of inflation. If authorities spend at the settlement assumption, there will be an average reduction in rate bills in real terms.

The recycling Bill will be published very soon. One small but I think uncontroversial change is necessary, but otherwise it contains only provisions to end grant recycling.

The hon. Gentleman asked about teachers' pay. The Department of Education and Science will shortly provide local authority associations with details of the cost of the settlement on teachers' pay and details of the grant towards it. Those details are based on the statement which my right hon. Friend the Secretary of State for Education and Science made on 30 October. If the settlement is as my right hon. Friend predicted on 30 October, the full

financial consequences will be with authorities very soon, and that will enable them to set their budgets and rates in plenty of time before the deadline.

Finally, the hon. Gentleman asked about the public expenditure White Paper. He must wait to see that White Paper when it is published tomorrow. As with all things to do with this Government, he will find it sensible, workmanlike and realistic.

Sir Trevor Skeet (Bedfordshire, North): I thank the Secretary of state for listening to our representations and responding to them, and for the safety net provisions, but will he bear in mind the particular problem of Bedfordshire—the education debt provision—which has been with us for many years and is likely to continue? Will he continue to try to find a solution to that problem?

Mr. Ridley: I note what my hon. Friend says. I know that there are special difficulties in Bedfordshire. It is not one of the most fortunate areas in terms of the settlement. That is a result of the swings and roundabouts and the complexities in the rate support grant settlement, but I shall certainly bear in mind the problem about education that he mentioned.

Mr. Michael Meadowcroft (Leeds, West): Is it not highly reprehensible that six weeks' reflection on the previous statement by the Secretary of State has not brought any change in the highly unfair and biased allocation that he proposed then and which will benefit certain shire counties? Surely the Government's love of things American ought not to lead them to introduce the pork barrel system of politics by assisting those who might well support them at the ballot box.

Is it not also rather strange that the Secretary of State should say in his statement that it is his firm intention to carry out the 1987-88 settlement when he gives us no knowledge of the effect of the powers that he will take to himself in the Act about the accounting systems of local government and what effect that might well have on local government finances in the following year?

Does not the right hon. Gentleman accept that to base the grant-related expenditure for the police on police establishments relates it to something which is at least in contention if not highly questionable in many local authorities which complain about the establishment of the police? Is it not highly sceptical to think that one can bring significant benefit from compulsion in regard to competitive tendering? That will not bring any significant savings to local government. Is it not amazing to suggest that the local government system is short on accountability and long on complexity when the truth is that it is short on accountability to local electors and certainly long on compulsion by the Government? That is the heart of the problem.

Mr. Ridley: I am amazed by the hon. Gentleman's first question, because he does not seem to know that between parts of England south and north of the Severn-Wash line about £1 billion of grant is transferred from the south to the north. He may be interested to know that this settlement gives an extra £381 million to counties and authorities north of that line, and only £148 million to counties south of the line. He talks about pork barrel politics in the Tory shire counties, but he ought to be aware that this is one of the best settlements ever reached for northern authorities and industrial cities.

[Mr. Ridley]

I am fully aware that the settlement and the payment of grant to local authorities depends upon the Local Government Finance Bill receiving Royal Assent in a form very similar to the form it is in at present. The hon. Gentleman and the Opposition will have to consider carefully whether they want to take their heady opposition to the point where they might seriously risk depriving local authorities of grant on time.

The hon. Gentleman mentioned the police. The West Yorkshire police authority could reduce its rate by 0.2 per cent. if it spent at the settlement assumption and the precept limit in the Bill.

Mr. Richard Holt (Langbaugh): My right hon. Friend will know that many critics have suggested that the rate support grant would be geared in the direction of the south. On behalf of the people of Cleveland, I should like to thank him for his statement about the rate support grant. That county is being treated in the most generous way of all the counties and has an additional bonus because of the saving of Smith's Dock and ITM. There will be rate income from those two large organisations this year. That would otherwise have been lost. As a consequence, the people of Cleveland who now have a decent authority will be able to look forward to a reduction in their rates.

Mr. Ridley: I am grateful to my hon. Friend and pleased to hear the authoritative voice of the north speaking accurately and truthfully. My hon. Friend is quite right. If Cleveland spends at the settlement assumption, it will gain a further £15 million in grant and will be able to reduce its rate by 4.1 per cent. I hope that after a few years of the operation of the new urban development corporation on Teesside the companies about which my hon. Friend spoke will create sufficient rateable value to give an extra boost to that part of the world.

Mr. Allan Roberts (Bootle): Since yesterday's debate, has the Minister had time to read his Bill? If he has finally managed to read it, does he not recognise that the draconian measures that he is taking upon himself, the retrospective nature of the Bill and the clauses that will prevent the courts from being used in the way in which they have always been used in Britain will obviously not be acceptable to many noble Lords? It is unlikely that the Bill will go through without being significantly amended. Is it not therefore arrogant to make the kind of statement that he has made today on the basis of the Bill going through unamended? Is he aware that capital allocations are totally inadequate and that, for instance, in Sefton, because of this settlement, they have had to stop letting out contracts? How can the so-called party of law and order take £6 million from the Merseyside police authority when crime has increased by 40 per cent. during the lifetime of this Government?

Mr. Ridley: The hon. Gentleman may have read the Bill, but he has certainly not understood it. Nor have his right hon. and hon. Friends. The elements of retrospection and judge-proofing that they alleged yesterday were totally disproved by my hon. Friend the Parliamentary Under-Secretary of State for Scotland who closed the debate with distinction and clarity. If he does not understand the Bill,

he would do better to keep quiet on the matter. Sefton can reduce its rates by 3.3 per cent. if it spends at the settlement assumption. I cannot see what is wrong with that.

Mr. Timothy Raison (Aylesbury): My right hon. Friend has referred to the weaknesses in the rate support grant system—we would all agree with that—but is not one of the weaknesses that updated population figures are not used in the final settlement when they could be? Is that not unfair to counties of increasing population, such as Buckinghamshire?

Mr. Ridley: All population figures are taken into account at a certain stage. They have to work their way into the data upon which the whole operation is based. However, the effect of a cap on grant gains and making a quicker appreciation of population changes would, of course, be working in the opposite direction and would cancel each other out.

Mr. Chris Smith (Islington, South and Finsbury): For all the Secretary of State's talk of complexity and consultation, and for all the twists and turns of the succession of Secretaries of State, is it not a simple fact that the Government are proposing a total Exchequer grant, including that to the police, of £12.8 billion out of a total anticipated expenditure of £27.7 billion? By my calculation, that is less than 46 per cent. of total expected expenditure. That is compared with 61 per cent. which was the figure of Government support for local authorities when the Government came into office. Is that not a massive reduction in support for local government and local services?

Mr. Ridley: The total provision is not £27 billion, as the hon. Gentleman said, but some £25 billion, of which the approximately £12.8 billion rate support grant represents precisely 46.4 per cent.

Mr. Robin Squire (Hornchurch): Is my right hon. Friend aware that it is possible at one and the same time to congratulate him on maintaining the present level of support for local authorities, at least while we have the present system, to join with him in wishing that the present system could be profoundly changed and to disagree deeply with him about the present proposals to change that system?

Mr. Ridley: It is possible for my hon. Friend to do that, but only for a short while longer, before he has to tell us how he prefers to see the system changed.

Mr. Reg Freeson (Brent, East): I have a simple question for the Secretary of State. In the light of the settlement that he has announced, will there be more or less expenditure on repairs, renewal and maintenance of the building stock—housing, schools and other public buildings—in the inner city areas in particular, one of which I represent?

Mr. Ridley: With the best will in the world, it is not a simple question because a large part of repair and maintenance is treated as current expenditure out of the rent account and a large part of this is capitalised and treated as capital expenditure. My complaint is that too much of what should have been maintenance is turned into capital dereliction because it has not been done in the past. It is impossible to give an answer related to current only. I can only say that the right hon. Gentleman will find a large increase in the capital provision for housing repair and renovation; together with this large increase in rate

support grant settlement, he will find that the money available for housing, both current and capital, is greatly increased in real terms over the previous year.

Mr. Patrick Cormack (Staffordshire, South): Will my right hon. Friend send to any Member who alleges that he understands his statement a tin of the new parliamentary humbugs? Will he send to the rest of us a clear translation, indicating how it affects our individual areas?

Mr. Ridley: I do not know whether my hon. Friend is suggesting that I should send myself a tin of humbugs. I would certainly be delighted to spend as much time as he likes with him or with any other hon. Member explaining how the system works, although there must be a time limit on that because we will soon replace the system with a better one.

Mr. Terry Davis (Birmingham, Hodge Hill): Will the Secretary of State confirm that as a result of his announcement today the City of Birmingham district council, the biggest in England, will not be allowed to spend as much as it should spend according to the Government's own assessment of what needs to be spent in Birmingham?

Mr. Ridley: The settlement for Birmingham is an extra £30·861 million over the present grant if it spends at the settlement assumption, which enables Birmingham to reduce its rates by 4·8 per cent., not in real terms, but in cash terms, which is the best result of any authority under this settlement. It is just a little bit greedy for Birmingham to believe that it should have more when that more can come only from the constituencies of other hon. Members.

Mr. Tim Rathbone (Lewes): My right hon. Friend will be aware that if he gives more to Birmingham he will take even more from east Sussex where, in spite of an impeccable performance — by the Government's own statistics east Sussex has performed better in cutting its expenditure over the past five years than any other county — he has reduced absolutely the rate support grant. We have been told recently that this has come about for a number of reasons, among them an alteration, seemingly arbitrary, in the way in which children between the ages of 0 and 15 are calculated for the purpose of rate support grant — which does not bode well for the young people. Indeed, the absolute reduction does not bode well for any of the people in east Sussex.

Mr. Ridley: My hon. Friend does not have too bad a result for east Sussex. He can look forward to a rate increase of only 2·5 per cent. if the county council spends at the settlement assumption. That is a better result than many hon. Gentlemen will have for their authorities. I do not think that it is too bad.

The GREs are constantly being negotiated with all authorities and their associations, and we tend to try to do what the authorities want. But the consequences of that are not always good for every authority. There is always a bit of swings and roundabouts in it. In east Sussex I am sure that we can find some GRE changes which would be to the benefit of the county. It is a pity to pick on only one rather than to look at the overall position.

Mr. Allen McKay (Barnsley, West and Penistone): Will the Secretary of State, taking into consideration the answer that he gave to one of his hon. Friends, look at the situation which affects Barnsley metropolitan borough council? Since the census was taken in, I think, 1981, the

cost of certain undertakings and the whole atmosphere and situation in Barnsley have changed. For instance, it is now 12th as regards children under 18 in care. It has the fourth highest percentage of people over the age of 75. It has the highest percentage of unemployment, which has risen by 72 per cent. compared with 32 per cent. on average. Should not consideration be given to these factors, which have changed since the census was taken?

Mr. Ridley: All those factors are taken into account in the GREs, including the population statistics of the various age groups. They are agreed with the local authority associations and we decide how best to take cognisance of them. It would be wrong, having had those data fed into the construction of the GREs, then to seek to have a special increase because it is felt that the results are not satisfactory for one's own authority.

Mr. Nicholas Winterton (Macclesfield): I am sure that my right hon. Friend will agree that anything to do with rates is a minefield and that recent statements by the Government have not reduced the number of explosives. Does he agree that his most recent statement does not seem to have paid tribute to those responsible authorities, like mine in the borough of Macclesfield, which have met the successive requirements of Governments of all shades and complexions? Will he direct his remarks to capital receipts, which are of immense benefit to my authority? If that authority was able to spend them, not only would they generate additional revenue but they would reduce unemployment and make my area of the north-west more efficient, which is totally in line with the requirements of the Government.

Mr. Ridley: I hereby and without condition pay full tribute to all those authorities which are frugal, prudent, sensible and economical. I wish that we could spend more time on them instead of on some of the councils represented by the Labour party which are becoming so extraordinary that the House not only has to talk about them but has to legislate about them, to the great detriment of the good authorities. I take my hon. Friend's point entirely.

On capital receipts, the results that my hon. Friend mentions would not flow through. If we were to release a greater proportion of capital receipts, authorities would have to borrow to find the cash. So, although they could save money, as it were, in the ways he has suggested —

Mr. Winterton: It is on deposit now.

Mr. Ridley: I do not think it is. Only a very small proportion of the £8 billion of capital receipts is on deposit. The rest does not really exist because it is being used to repay debt, either external debt or internal debt.

Mr. Michael Hancock (Portsmouth, South): Can the Secretary of State explain how a county like Hampshire, which for the last seven years has followed to the letter Government diktats, should still suffer considerable grant loss? Despite the opportunities outlined in paragraph 7 of his statement, just to hold the line on the current level of service will mean a rate increase in double figures. How can the Secretary of State make such a statement about capital receipts when Portsmouth, which has over £40 million in capital receipts, is unable to spend it? Should he give the authority power to release that expenditure, it could not only bring down unemployment but greatly improve the housing position in that city.

Mr. Ridley: I am surprised by that. I understand that Alliance members on Hampshire county council recently voted against accepting the lowest tender for providing a service when it had gone out to competitive tender. How dare the hon. Gentleman make any such point?

Mr. Terence Higgins (Worthing): In regard to the receipts from council house sales, does the problem not stem from the absurd way in which the Government treated the receipts as a reduction in public expenditure? Essentially it has been a means of financing the PSBR. It means that the Government have been borrowing from local authorities. Surely it is time we got this straightened out and enabled local authorities to have more access to the money which they have.

Mr. Ridley: The total of local authority capital indebtedness is, from memory, about £33 billion. So if £33 billion is owed by local authorities to those from whom they borrow, it would be unlikely that one would find large amounts of capital receipts in the banks or on deposit, although there are some. Therefore, I do not think it is a question of a system of accounting; it is a question of local authorities not having the money from capital receipts because they have used it to repay debts.

Mr. Tony Banks (Newham, North-West): Is not the Secretary of State aware that there is probably about £6 billion of accumulated capital receipts in local authority bank accounts all round the country? The right hon. Gentleman has not the foggiest idea of how local government finance works. Before he insults the House with his arrogant, laid-back approach, showing his total ignorance of the problems of local authorities, he should get the facts right.

Mr. Ridley: No one could call the hon. Gentleman laid back or relaxed; he seems to be working himself into a frenzy. In fact, he is wrong. There is not some £6 billion of receipts in bank accounts. Local authorities, very prudently and properly, have used their capital receipts to repay their debts.

Sir Julian Ridsdale (Harwich): Will my right hon. Friend examine again the position in Essex? Is he aware that in my constituency and in many parts of Essex many people on small fixed incomes will be adversely affected by his failure to understand the position? If Essex county council is able to keep its spending under GRE, will he reconsider the position and treat the council sympathetically?

Mr. Ridley: My hon. Friend and other hon. Gentlemen who represent Essex constituencies have discussed this with me, but I must point out that Essex is increasing its spending and is not one of the authorities which comes entirely into the category that I commended in my response to my hon. Friend the Member for Macclesfield (Mr. Winterton). It has to be considered how the county council has allowed its spending to get out of control. Even as it is, the county council will have to make only a 6.3 increase in rates if it spends at the settlement assumption, but that assumption in the case of Essex is rather high.

Mr. Max Madden (Bradford, West): Will the Secretary of State confirm that Bradford is suffering the second biggest cut in grant of any metropolitan district in England? Will he also agree that, unless that cut is restored and unless the Government agree to fund properly the West Yorkshire police, fire and transport authorities,

Bradford ratepayers will face a very big demand this year? Will he now reconsider the request that I made to him last August to meet representatives of Bradford council so that they may bring to his attention the unique problems and demands of the area and he can reconsider restoring the cut in grant which his statement will inflict upon the city?

Mr. Ridley: I am getting more and more to hear what the language of the Labour party is. I ask the House to listen to this; a cut for Bradford in rate support grant is an increase of £10.426 million; a cut in the West Yorkshire police authority's grant is an increase of £5.436 million; a cut in the West Yorkshire fire authority's grant is an increase of £0.229 million; a cut in the West Yorkshire transport authority's grant is an increase of £1.778 million. How those figures can conceivably be described as a cut absolutely defeats me.

Mr. Richard Alexander (Newark): May I congratulate my right hon. Friend on his proposals for Nottinghamshire, which at present has a Labour-controlled authority? Is it correct to say that his proposals will give that county an increase of about £22 million, or the equivalent of a 10p or 11p rate? If I am correct, is it not appalling that the county should consider any increase in its rates for next year?

Mr. Ridley: My hon. Friend is entirely right. The extra grant for Nottinghamshire, if it spends its settlement assumption, is £22.119 million which would enable it to cut its rates by 10.7 per cent. It is an extremely favourable result for Nottinghamshire. Whether it lies north of the Severn-Humber line I rather doubt, so it has done extremely well. I urge it publicly to show a big cut in its rate so that it can increase the confidence of business to expand and provide more jobs for the citizens of Nottingham.

Mr. Nigel Spearing (Newham, South): Does the Secretary of State agree that the spending of authorities governed by the second formula in schedule 2 of the Bill varies from 1.6 per cent. above GRE to 70 per cent. above GRE? Will he therefore consider in Committee amendments that would reduce those anomalies? In respect of the London borough of Newham, which cannot put up its rates further, why has he today reduced the block grant figure announced in December from £96 million to £92.7 million? In view of the inner city problems experienced by the borough of Newham, does that not mean a reduction which the borough cannot bear? Why is he reducing the amount that the borough can spend since last month?

Mr. Ridley: The local rate in Newham is already 66 per cent. above the class average. I have never heard a word from any of the representatives of Newham in this House about the requirements and needs of the ratepayers. I should have thought that it was about time that the hon. Gentleman recognised that the ratepayers exist. It follows therefore that if we increase their spending under the Local Government Finance Bill, the grant will go down because all authorities that increase spending will lose grant. That is part of the rate support grant system.

Several Hon. Members rose—

Mr. Speaker: Order. I will call the four hon. Members who have been rising regularly. I ask for brief questions, because we must move on.

Mr. Peter Bruinvels (Leicester, East): Will my right hon. Friend introduce a tougher monitoring scheme for those lucky rate-capped authorities in the top 20 high spenders? Is he aware that the citizens in Leicestershire believe that if Leicester city council had been rate capped last year they would not be losing £547,000 this year?

Mr. Ridley: I understand my hon. Friend's concern. Leicester has been a rough story. However, I can tell him that Leicestershire has this year received a big increase in grant that will help to keep down the total rate bill for my hon. Friend's constituents.

I want to correct a mistake that I made about Sefton in response to the hon. Member for Bootle (Mr. Roberts). I said that the rates could go down by 3.3 per cent. I should have said that they could go up by that amount.

Mr. Tony Marlow (Northampton, North): My right hon. Friend, I know, is well aware of the situation in Northamptonshire which, he will agree, is difficult. He knows that as a result of the teachers' settlement there is likely to be an increased cost of between £10 million and £12 million. Could my right hon. Friend tell the House what proportion of that cost will be met by central Government or by the taxpayer, and how that proportion of the cost will be calculated? As a simple matter, could he say that it would be at least 40 per cent.?

Mr. Ridley: I think that Northamptonshire has had a very unfortunate result from the settlement and I find it difficult to explain precisely why. My hon. Friend's authority has probably suffered more than any other.

With regard to the teachers' settlement, the first part of the cost that relates to the current financial year 1986-87, the proportion that my right hon. Friend the Secretary of State for Education and Science said would be met by grant, was 46.4 per cent. That is the same as for the settlement. The proportion for the following year, 1987-88, is slightly less. The details of these figures will be sent to all local authorities very soon and my right hon. Friend will be writing to them.

Mr. John Powley (Norwich, South): Local government will no doubt welcome the extra £1 billion by way of grant entitlement that will come from the taxpayer to increase grant entitlement. Indeed, I also welcome that extra £1 billion. Will my right hon. Friend confirm that Norfolk, a traditionally economic local authority, will have its grant

entitlement increased as a result of his announcement this afternoon and thus prove that it pays to run a tight ship for the benefit of ratepayers and, in particular, of commerce and industry within the area that I represent?

Mr. Ridley: I can confirm that Norfolk has received a good result from the settlement and that it receives a further £14.059 million of grant which enables the county to reduce its rate precept by 1.4 per cent. if it spends at the settlement assumption. I am happy to pay tribute to the stewardship of Norfolk county council.

Mr. Bowen Wells (Hertford and Stortford): Thank you, Mr. Speaker. Speaking in the debate at the point to which I have become accustomed, may I thank my right hon. Friend—

Mr. Speaker: Order. The hon. Gentleman is not usually called last.

Mr. Bowen Wells: Anyway, I am pleased to take part in the statement. I must thank my right hon. Friend and the Minister of State, who have genuinely consulted with Hertfordshire about the rate support grant, for putting in place the necessary adjustments which have saved £8 million of the proposed reduction in the rate support grant for Hertfordshire of £15 million.

So that we do not have to go through this wretched business of consultation, become angry and bother my right hon. Friend perhaps unnecessarily, will my right hon. Friend assure us that the same safeguards will be included in the rate support grant settlement next year and the year after until we introduce a new system? That would stop us having to go through this wretched business again and again.

Mr. Ridley: I am grateful for my hon. Friend's comments. I was tempted to think that it would be nice if he could make the statement and not simply take part in it. However, perhaps that would be going too far.

We cannot begin to consider next year's rate support grant settlement this afternoon. We have had enough difficulty with the complexity of the present settlement. However, I note my hon. Friend's comments. We must ensure that the rather creaking system can be made to last the very few years until a better system is put in place following a successful general election and the passage of the English rates Bill.

Capital Punishment (Murder of Children)

4.37 pm

Mr. Geoffrey Dickens (Littleborough and Saddleworth): I beg to move,

That leave be given to bring in a Bill to make it a capital offence to commit the murder of a child.

It is the inescapable duty of the state to protect its children, in the most effective way that is available to it, from unlawful sexual abuse, violence and murder. The Royal Commission on Capital Punishment, which reported in 1953, described murder as the gravest of all crimes and capital punishment as the gravest of punishments for the gravest of all crimes. The murder of a child is, in terms of public concern, an outrage and the gravest and most detestable of all crimes.

I contend that, if it became part of our law once again, capital punishment would, by its deterrent effect, reduce the number of child murders. I also contend that the knock-on effect of the death penalty would deter violence and abuse towards children. Evil people who prey on children are usually cowards to pick on a defenceless child. Cowards understand the fear of death. That fear has a powerful influence over all human beings. Was it not Dr. Johnson who said that nothing concentrates the mind so much as the imminent fear of execution? I submit that nothing is more likely to make the child abuser and potential child murderer pause before interfering with a child than the knowledge that if he or she kills he or she may suffer death.

Those who oppose capital punishment always call for evidence of the deterrent effect of the death penalty knowing that they sit on safe ground. Let me explain. Someone who may have considered murdering a child but is frightened off by the thought of the death penalty will never appear as a statistic. How could he? However, in 1953 the Royal Commission concluded that the deterrent effect of capital punishment was stronger than that of any other punishment available for murder. Common sense tells us that the increase in child abuse, violence and murder has been staggering since the death penalty was abolished.

Despite all the strong measures taken by the Government, the state is simply not protecting its children to the satisfaction of public opinion. In 1985, 125 people were charged with the murder of a child. Most of the arguments that have been put forward over the years by those opposing capital punishment fall to the ground, like a pack of cards, when applied to the murder of a child. Some believe that convicted terrorists, if executed, would become martyrs. Others have made pleas for murders of passion, and so on. Another defence is that mistakes may be made. Which convicted child murderer has ever been released from prison because it was felt that a mistake had been made at the trial? Many have been released, only to kill again. Others have killed fellow prisoners. Few of the arguments against capital punishment apply when considering it for the murder of a child.

My next remarks are directed to my own Front Bench. In 1983, the then Home Secretary, my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) said:

"If the House votes for the restoration of capital punishment for any category of offence, the Government will provide drafting assistance for a private Member's Bill

designed to give effect to the expression of opinion of the House and will provide time for the Bill to be debated." —[*Official Report*, 13 July 1983; Vol. 45, c. 892.]

If I am granted the leave of the House, whether unopposed or opposed, to present my Bill, I am justly entitled to expect the Government to honour that commitment and help me with parliamentary drafting services and parliamentary time. If my Bill receives the approval of Parliament today, the Government may wish to consider inserting a new clause in the Criminal Justice Bill.

The recent return of the child murderess Myra Hindley to the Saddleworth moor in my constituency has reopened painful wounds for many families and also for my constituents who live close to those moors. We must always remember that throughout the country there are hundreds of parents who have had their children snatched from play and murdered or never seen again. The thoughts and prayers of this House should be for them all.

The death penalty would have been a most appropriate sentence for Myra Hindley, Ian Brady and others like them if it had been the law at the time of their sentence. A very strong case can be made out for it. We may have saved the lives of Lesley Ann Downey and John Kilbride if the Labour Government of the day had not diluted the deterrent at the time of their killing. They undermined that deterrent by giving notice of their plans to abolish the death penalty. I suspect that Hindley and Brady took a gamble. They were right. They did not have to face the death penalty at the time of their sentence because the Labour Government had removed it.

I have a vision that once again the United Kingdom will be safe for our women to walk freely, without fear of being molested and raped, that our elderly will feel safe after dark and inside their own homes, and that our children will be able to play safely, unafraid of being abused or murdered. My vision will become a reality only if we take a tough line with the criminals, as we do with the defence of the realm. This Bill provides the opportunity for Parliament to make a start today by protecting children. I hope that hon. Members will give me leave to present my Bill for the sake of children everywhere.

4.44 pm

Mr. Joseph Ashton (Bassetlaw): We are in an election year. The hon. Member for Littleborough and Saddleworth (Mr. Dickens) has a marginal seat which backs on to Saddleworth moor. That is why he has introduced this Bill. His remarks about the Labour Government of 1964 were pathetic. The murder of Lesley Ann Downey took place on Boxing Day 1964. The Labour Government had then been in office for fewer than eight weeks. To say that the incoming Labour Government took away the deterrent shows the nonsense of the hon. Gentleman's case. There was capital punishment at that time for certain forms of murder. But capital punishment has never been a deterrent. When they hanged pickpockets on Tyburn hill a crowd of 10,000 surrounded the cart, and when the noose pulled the man up into the air all the pickpockets in the crowd chose that moment to dip their hands into the pocket of the man in front. Capital punishment did not deter people from stealing sheep. The statistics prove it.

The hon. Gentleman is trying to bring back capital and non-capital murder. He wants capital punishment for certain types of offence. We had that in this country for

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Duty Clerk
Press

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

13 JANUARY 1987

LOCAL GOVERNMENT FINANCE: RATE SUPORT GRANT FOR 1987/88 AND RATE
LIMITATION

1. With permission Mr Speaker I would like to make a statement about the rate support grant settlement for 1987/88 and selective rate limitation for local authorities in England.
2. When I made my announcement about relevant and total expenditure on 16 December, I said that no further Rate Suport Grant Reports could be made until validating legislation had been approved by Parliament to allow decisions to be taken in line with the practice which had hitherto been adopted. I also said that I would make a further announcement about Rate Support Grant when the House returned in January. I am today announcing my firm intentions for the 1987/88 settlement for England and for the supplementary reports for 1986/87 and 1985/86. These intentions are based on the powers I am taking in the Local Government Finance Bill. Copies of the explanatory material and the rate limits proposed in that Bill are being sent to local authorities today and are available in the Library and Vote Office. Authorities will be able to plan their budgets and rates for 1987/88 with confidence. I shall make the relevant reports, and designated authorities will be notified of their rate and precept limits immediately the Local Government Finance Bill receives Royal Assent.

3. The consultation which has preceded the 1987/88 Settlement has been much more extensive than in previous years. I have considered very carefully the comments which the local authority associations have made to me and the many representations received from individual local authorities. I do not intend to make any major changes to my proposals of 3 December.

4. I deal first with the main features of the 1987/88 Settlement. Since 3 December I have received further information on capital allocations for 1987/88 and about some authorities' budgets for 1986/87. This information has been taken into account in the figures I am announcing today. The figures also take into account expected higher spending by some rate and precept limited authorities to reflect the provisions of the Local Government Finance Bill. The consequence of these changes is to increase slightly the grant entitlements of most local authorities.

5. The aggregate of Exchequer grant to authorities will be set at the level I announced in July - £12,842 million, which is an increase of over £1 billion or 9% over the level included in the settlement for the current financial year.

6. My estimate of aggregate total expenditure in 1987/88 is £24,703 million. Provision for local authority current expenditure will be set at £25,251 million; this is 13% more than at settlement last year and £40 million higher than previously proposed to take account of the later information. In addition,

the Government will, as the House knows, make available additional provision and grant when there is a settlement on teachers' pay which meets our requirements on cost, pay structure, and duties.

7. There are plenty of opportunities for authorities to reduce their expenditure for example, by putting out services to competitive tendering or by implementing the many savings identified by the Audit Commission. I intend therefore that the aggregate of authorities' grant-related expenditure assessments should not be uplifted by the full increase in expenditure provision but should be held broadly steady in real terms.

8. I intend to specify the same principles for GREs as were proposed in the 3 December consultation paper: the most significant change from 1986/87 is that the police GRE will be distributed on the basis of police establishments.

9. I intend that the slope of the grant related poundage schedule will stay the same as this year. This will provide an incentive for authorities to restrain their expenditure.

10. As usual there will be arrangements to limit the impact of year on year changes on individual authorities grant entitlements. It is my intention that there should be a limit on block grant losses of 7p at ratepayer level and a limit of 12p on gains.

11. In July I announced my intention to introduce legislation which would provide local authorities with greater certainty about their grant entitlement. A Bill will be introduced shortly to abolish the arrangements known as grant recycling whereby grant not claimed is redistributed to all authorities. In future an authority's grant will depend on its own expenditure and not on the expenditure of all other authorities. At the same time, the abolition of grant recycling will mean a tougher regime for high spending authorities who will no longer receive a paradoxical and uncovenanted benefit through recycling.

12. Local authorities can claim the full amount of grant if they spend in line with the settlement spending assumption. We have increased the amount of Exchequer grant by over £1 billion for next year, and authorities have a very clear choice about whether to be prudent and claim their entitlement or to spend up and lose grant.

13. I shall make the Third Supplementary Report for 1985/86 and the First Supplementary Report for 1986/87 when I make the main Rate Support Grant Report. It is my intention that the Supplementary Report for 1985/86 will adjust grant to take account of provisional outturn expenditure and certain changes in education pool contributions. Most authorities have brought their spending closer to target, and as a result £385 million of grant so far withheld for 1985/86 will be paid out. The Supplementary Report for 1986/87 will distribute the block grant underclaim of

some £618m consequent upon the estimates of total expenditure received from authorities on or before 19 December. My predecessor, guaranteed that at least £500m of grant would be recycled in the First Supplementary Report for 1986/87. This Report will therefore honour that guarantee.

14. I now turn to the authorities selected for rate limitation in 1987/88. The House will know, from my Statement on 16 December and from yesterday's debate on the Second Reading of the Local Government Finance Bill, that rate limitation is to be dealt with - for 1987/88 only - in accordance with the terms of the proposed legislation.

15. The Department is today writing to the 20 high spending authorities selected for rate limitation, informing them individually of the rate limit figure which flows from the Local Government Finance Bill and my intention for rate support grant. Each of these councils will therefore be able to set its rate in good time before 1 April, within the figure being notified to it.

16. In the case of the 20 joint authorities which are automatically selected for precept limitation under the Local Government Act 1985, Departments with responsibility for those authorities will be writing to them with similar information about the precept limits produced by the formulae in the Bill.

17. The present system of local government finance is short on accountability and long on complexity. Our Green Paper proposals will replace 't. While the present system lasts, I commend this settlement to the House as the best that can be achieved. Prudent and responsible local authorities who contain their expenditure can keep rate increases low. The Government is providing more than an extra £1 billion in grant. How much rates will rise is for local authorities; they have the opportunity to keep the rates low this year. If authorities choose to spend high it will be their fault that the rates go up. In the profligate high spending authorities ratepayers will benefit considerably from the important protections provided by rate limitation.

Ref. A084/3004

MR TURNBULL

cc - Mr Gregson
H. Buckley
H. BrearleyMinisterial Group on Local Authority Rate Setting

Your minute of 8 November asks for proposals on terms of reference and membership for a Group to consider how the Government should handle a refusal by Liverpool City Council or other local authorities to fulfil their obligations.

2. I suggest that the terms of reference for such a Group might be:

"To keep under review any problems which may arise affecting individual local authorities, arising from failure to set a local rate for 1985-86 or to fulfil their legal obligations in other ways, and to consider and co-ordinate such Government action as may be necessary".

The Group might be called the Ministerial Group on Local Government Contingencies.

3. I suggest that the members of the Group, under the chairmanship of the Prime Minister, should be:

Lord President of the Council
Secretary of State for the Environment
Home Secretary
Secretary of State for Education and Science
Secretary of State for Social Services
Lord Privy Seal
Chief Secretary, Treasury
Attorney General
Minister for Local Government

The Secretary of State for Trade and Industry has no great departmental locus but the Prime Minister may like him to be a member on a personal basis when he has recovered. I suggest also that the Chancellor of the Exchequer should receive papers and attend meetings when he wishes to do so, and that the Secretaries of State for Scotland and for Wales and the Chief Whip should receive papers and be invited to attend when necessary. The Secretary of State for Defence, because of his earlier involvement in Merseyside, was invited to the meetings the Prime Minister held on Liverpool earlier this year but I doubt whether it is necessary to involve him in the Group this time.

4. If the Prime Minister is content I will arrange for the Ministers concerned to be informed. I believe the Secretary of State for the Environment intends to bring forward a paper on Liverpool later this month. This would be the subject of the Group's first meeting.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

13 November 1984