



Prime Minister 2
As expected.

CUBB
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

The Rt Hon Margaret Thatcher MP
House of Commons
LONDON
SW1A 0AA

My ref:
Your ref:

20 March 1987

Dear Prime Minister

You will wish to know that I am today laying the Rate Support Grant Report for 1987/88, the First Supplementary Report for 1986/87 and the Third Supplementary Report for 1985/86. These will be debated next Wednesday.

You will know from my statement to the House on 5 March that it was necessary to modify the proposals for the First Supplementary Report for 1986/87 and the Rate Support Grant Report for 1987/88 which I announced on 13 January, in accordance with Mr Justice Taylor's judgement in the High Court in the Greenwich case. The effect of that judgement was to prevent me from correcting an error in the 1986/87 Rate Support Grant Report in the disaggregation of highway maintenance expenditure after the abolition of the GLC (the so-called Bromley error). I believe that the result of the High Court's decision is inequitable, and I have lodged an appeal. In the meantime, it is necessary to conform with the law as expressed by the High Court.

The result of the modification is to reduce Barnet's grant entitlement by £2.0m in 1986/87 and £2.8m in 1987/88. (These are the figures sent to local authorities on 5 March).

I very much regret that legal action by one borough should have had these consequences for others, and that the High Court decision should have come so close to the start of the new financial year and after some authorities had set their rates. This makes it even more imperative to have a fundamental reform of the local government finance system.

John Major
Nicholas Ridley

NICHOLAS RIDLEY