



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

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

*Prime Minister's
Content?*

24 November 1987

Dear David,

JES

Yes not

RATE SUPPORT GRANT SETTLEMENT 1988/89

24/11.

I enclose a draft of the oral statement my Secretary of State proposes to make on Monday 30 November. Lord Belstead will repeat it in the Lords.

The consultation paper included a proposal that the settlement should be based on information up to a cut-off date. A number of changes to the data on which the consultation paper was based have come to light since the paper was issued and this information is taken into account in the settlement. The only change of any significance is to Colchester's transport GRE which in turn affects the GREs of other Essex districts and Essex County Council. As a result the county will get £0.72m less than in the consultation paper - although it still receives about £15m more than last year and £124m in total: the Essex shire districts receive more grant.

I should be grateful if any amendments or comments could reach me by lunch on Friday 27 November.

I am copying this letter and attachment to the Private Secretaries of E(LA) Members, to Murdo Maclean and Rhodri Walters in the Chief Whips' offices, and to Trevor Woolley in Sir Robert Armstrong's office.

*Yours,
Rhodri.*

R U YOUNG
Private Secretary



DRAFT STATEMENT

1. With permission Mr Speaker I should like to make a statement about the Rate Support Grant Report for 1988/89 which I have today laid before the House.

2. I announced to the House in July my proposals for the aggregates of local authority expenditure and grant for 1988/89. Subsequently, in October, I issued a consultation paper to local government containing details of all my proposals for next year's Rate Support Grant Settlement. The main elements of these proposals were

- that local authority current expenditure provision should be set at £27.538 billion, a 7% increase on the amount provided for 1987/88 allowing non-rate capped authorities to hold their spending broadly steady in real terms;
- that there should be a margin between the total of grant related expenditure and expenditure provision to reflect my view that authorities continue to spend more than they need;
- that Aggregate Exchequer Grant should be £13.775 billion a cash increase of £750m or 5¼% on 1987/88, holding grant at 46.2% of relevant expenditure;

- that there should be no major changes in the mechanisms of grant distribution and only limited changes to the methodology for assessing needs;
- and finally that there should be a safety net equivalent to 5p at ratepayer level to prevent certain year-on-year grant losses and a cap of 10p at authority level to limit grant gains.

3. I have received comments on my proposals from the Local Authority Associations and [120] local authorities. There has been a widespread welcome for the maintenance of the grant percentage, and the stability proposed in the mechanisms for distributing grant and the methodology for calculating grant related expenditure. Inevitably, I did not please everybody. There has been criticism of some aspects, in particular the provision for expenditure, and of the effect of the proposals on certain authorities.

4. I have considered all the comments very carefully, and have considered that my proposals struck the right balance, subject to some minor changes of data. Accordingly I have laid the Report today.

5. Within the existing Rate Support Grant System, I believe that the settlement provides realistically for expenditure whilst making clear that the Government is not prepared to underwrite

high spending and high wage increases. It includes a generous cash increase in the taxpayers' contribution to the running of local services. And as I have already indicated it maintains as much stability as possible in this the penultimate year of the present system.

6. In reaching my decisions I have had particularly in mind the effect of my proposals for ratepayers. This settlement means that rate bills need on average increase by no more than inflation, but I must stress that there can be significant variations around the average. Clearly the actual level of rates will depend on the budgets of each individual local authority. I hope however that authorities will take advantage of the settlement I have made and of the many opportunities open to them to increase efficiency and make savings so as to keep rates down.

7. I will be making a separate announcement on rate limits and on the expenditure levels of those authorities which have sought redetermination next month.



file Pmm
bc RG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 November 1987

RATE SUPPORT GRANT SETTLEMENT 1988/89

The Prime Minister has seen your letter to me of 24 November to which was attached a draft of the statement your Secretary of State proposes to make on Monday about the Rate Support Grant 1988/89 and its content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to members of E(LA), Murdo Maclean and Rhodri Walters (Chief Whips' offices) and to Trevor Woolley (Cabinet Office).

D. R. Norgrove

R Young Esq.,
Department of the Environment.

Pmm

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CCB/4



Treasury Chambers, Parliament Street, SW1P 3AG

R U Young Esq
Private Secretary to the
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NBM.

27 November 1987

Dear Robin,

RATE SUPPORT GRANT SETTLEMENT 1988-89

WITH DN?

The Chief Secretary has seen the draft statement attached to your letter to David Norgrove of 24 November. As I warned you he has one comment.

The Chief Secretary is unhappy with the emphasis given in paragraph 3 of your statement to the "maintenance of the grant percentage". The Chief Secretary would wish your Secretary of State to delete this, although he has no objection to the other references to the grant mechanisms. As you know from previous correspondence between the Chief Secretary and your Secretary of State, the Chief Secretary believes that emphasising the grant percentage in this way is tantamount to telling local authorities that the Government is indeed prepared to underwrite the high wage increases that they cede to their workforce - directly contradicting the assertion in paragraph 5 of your statement that the Government is not prepared to underwrite high spending and high wage increases.

Otherwise the Chief Secretary is content.

I am copying this to David Norgrove (No. 10), to the Private Secretaries of E(LA) members, to Murdo MacLean and Rhodri Walters in the Chief Whips' offices, and to Trevor Woolley in Sir Robert Armstrong's office.

Yours,

Jin

JILL RUTTER
Private Secretary

cc BG

From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

27 November 1987

Dear Robin,

RATE SUPPORT GRANT SETTLEMENT
1988/89

NBM

flap
Thank you for letting us see the draft oral statement your Secretary of State proposes to make on Monday. We are content with the text.

Copies of this letter go to the recipients of yours.

Yours sincerely,

P J C Mawer

P J C MAWER

R U Young, Esq.,

020

0286



2 MARSHAM STREET
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01-212 3434

Steven Wood Esq
Private Secretary to
The Rt Hon John Wakeham MP
Lord Privy Seal
Privy Council Office
Whitehall
LONDON
SW1A 2AT

My ref:
Your ref:

14 October 1987

1. NBA
2. NBP 7.

Dear Steven,

RATE SUPPORT GRANT SETTLEMENT 1988/89

My Secretary of State proposes to announce his proposals for the 1988/89 Rate Support Grant settlement in a consultation paper to be sent to the local authorities and the associations, probably in the week beginning 26 October. Subject to the Lord Privy Seal's views, he intends to make this announcement in answer to a written Parliamentary Question.

There will no doubt be demands for an oral statement. But there is no precedent for that at this consultative stage. And when the RSG Report is laid, probably in late November or early December, my Secretary of State would propose to make an oral statement setting out the Government's decisions. I should be grateful for confirmation that the Lord Privy Seal is content with that procedure, and agrees that demands for an oral statement in October should be resisted: my Secretary of State feels that three oral statements on RSG (July, October and November), as well as a full-day debate, would be quite unreasonable.

AN As last year, we will be providing briefing material to the Whips about the settlement, and I am consulting Murdo MacLean separately about that.

I am copying this letter to Murdo MacLean and Rhodri Walters in the Chief Whips' offices, to the Private Secretaries of E(LF) members and to Trevor Woolley in Sir Robert Armstrong's office.

Yours,
Robin.

R U YOUNG
Private Secretary

Have asked for
Questions briefing
Mc check how we dealt with
briefing last year. We should
probably ask RCE if copy
vs the material at x.
MEA 15/10