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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

1. NFA
2. NBM

30 November 1987

Dear Steven

WELSH RATE SUPPORT GRANT SETTLEMENT 1988/89

WILL REQUEST IF REQUILLO

Further to Keith Davies' letter of 17 November I now understand that the Department of the Environment propose to lay their Report and make a statement next Monday 30 November.

In view of this I thought it would be helpful if I confirmed our recent telephone conversations with your and the Chief Whip's office that we intend to lay the Welsh Report in the week commencing 7 December (Tuesday 8 December would be our preference) with an oral statement on the same day. The intention would then be to debate it during the following week if possible.

I am copying this to Andy Bearpark and the Chief Press Secretary's office at No 10, the Private Secretaries of E(LA) members, to Murdo MacLean and Rhodri Walters in the Chief Whip's office, and to Trevor Woolley in Sir Robert Armstrong's office.

Yours sincerely
Jon Shortridge

J D SHORTRIDGE

Steven Wood Esq
Private Secretary to the Rt Hon John Wakeham MP

STATEMENT BY SECRETARY OF STATE, MONDAY 30 NOVEMBER

RATE SUPPORT GRANT SETTLEMENT, ENGLAND, 1988/89

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 once again 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 5½% 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 about 175 local authorities. There has been a widespread welcome for 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 the rate of 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 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.