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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

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6 December 1988

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WELSH RATE SUPPORT GRANT SETTLEMENT 1989/90

I enclose a draft of the oral statement which my Secretary of State proposes to make on Thursday 8 December. I should be grateful if any amendments or comments could reach me by the morning of 7 December.

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 Robin Butler's office.

*Yn eiddo,
Stephen*

S R WILLIAMS

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Private Secretary to the Prime Minister
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PARLIAMENTARY STATEMENT, 8 DECEMBER 1988
WELSH RATE SUPPORT GRANT 1989/90

With permission, Mr Speaker, I should like to make a statement about the Welsh Rate Support Grant Report 1989/90 and the Supplementary Reports for 1986/87, 1987/88 and 1988/89, which I have today laid before the House.

I am today announcing the details of the 1989/90 Settlement to the Welsh Consultative Council on Local Government Finance. Copies of the text of my statement to the Consultative Council, together with a number of key statistical tables, have been placed in the Library of the House.

As required by the Rate Support Grants Act 1988, in each report total expenditure - a crucial factor in determining entitlement to block grant - has been treated for each authority as equal to a "relevant amount" determined according to specific rules, and based on information with me by 6 July 1988.

The Supplementary Reports for 1986/87, 1987/88 and 1988/89 update grant entitlements and are intended to be the final Reports for those years. Authorities have been notified of the total expenditure figures on which the reports are based, and it has been open to them - and indeed remains open to them - to make representations about the figures I have used. If, under the rules, I am able to agree that an authority's expenditure figure should be changed, that authority's grant entitlement will be recalculated accordingly.

My rt hon Friend the Minister of State announced my proposals for 1989/90 to the House in July, and these have since been the subject of consultations with the local authorities and their associations. In making the Report I have taken account of the views which they have expressed.

The main elements of the 1989/90 Settlement are:

- provision for relevant expenditure will be set at £2057.8m, some £124.7m or 6.5% above 1988/89 budgets;
- provision for current expenditure is set at £1,785m, an increase of £86.6m or 5.1% above 1988/89 budgets;
- Aggregate Exchequer Grant is set at £1,316m, an increase of £63m or 5% above the amount made available for 1988/89, and £68.6m or 5.5% over the amount to be paid out in respect of 1988/89;
- specific and supplementary grants total £267.0m;
- domestic rate relief grant remains unchanged at 18.5 pence in the pound, and in aggregate is £27.0m;
- block grant totals £1,021.9m, an increase of £50.7m or 5.2% over the amount paid in respect of 1988/89; it is fixed at this level;

1989/90 will be the final year of the rate support grant system and in the interests of stability - and with the full agreement of the local authority associations - I have decided to retain the same block grant mechanisms as those used in the present year. Certain minor changes in methodology have however been made at the request of the associations.

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The Settlement provides stability and it also provides a firm indication of grant entitlement; authorities will know when they are setting their budgets what they will receive in the way of grant support. It is a realistic Settlement which enables councils in Wales to contribute to the accelerating economic and social regeneration of the Principality. I am sure they will do so in a responsible manner by keeping control of spending, budgeting for the low rate rises which are clearly attainable, and continuing their encouraging progress towards greater efficiency. They know that this is in the interests of their ratepayers and their electors: I fully expect them to grasp the opportunity.

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