



Minister for Local Government

Pine Mistle 2

ACC

16/12

cepu

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-276 3190

Dear Mr Haddill

M

16 December 1988

RATE SUPPORT GRANT 1989/90

The Lord President has agreed that an oral statement should be made on Monday 19 December when the Rate Support Grant Report for 1989/90 is laid, together with supplementary reports for 1985/86 to 1988/89. The proposed rate limits for the seven general purpose rate capped authorities and decisions on redetermined expenditure levels will also be announced, with the details being given in a simultaneous Written Parliamentary Answer.

I attach a copy of the draft statement which, subject to agreement, the Minister for Local Government proposes to make in the absence of the Secretary of State in China. The references to rate limits and expenditure levels reflect the agreement which has been reached between Mr Gummer and the Chief Secretary on which Mr Major will be writing to colleagues shortly.

I am copying this letter to Paul Gray at 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 Robin Butler's office.

Yours sincerely

Trevor Beattie

TREVOR BEATTIE
Private Secretary

DRAFT STATEMENT ON THE RATE SUPPORT GRANT REPORT FOR 1989/90,
SUPPLEMENTARY REPORTS FOR 1985/86-1988/89, AND
RATE LIMITATION

With permission, Mr Speaker, I should like to make a statement about the Rate Support Grant Report for 1989/90 and supplementary reports for 1985/86-1988/89 which have today been laid before the House and which signal the end of the present system and the move to our major reform of local government finance.

I am also announcing today in a written answer my decisions on the applications I have received from rate capped authorities for a redetermination of their expenditure levels and my decisions on proposed rate limits.

In July my RHF designated 7 authorities for rate capping in 1989/90 and set expenditure levels for them. I have looked very carefully at the applications which five of these authorities have made for redetermination of their expenditure levels. I have concluded that Camden, which is overspending by £216 for every adult, does not need any increase in its expenditure level. Tower Hamlets may spend £1m more provided it establishes proper central financial control. Greenwich £2m more but that will be linked specifically to improved performance on social services - particularly concerning children at risk. Hackney also will be able to spend £2m more - and Southwark £6m - but on condition they make improvements in their rent collection procedures and in other financial matters. I am thus linking these extra resources with conditions directed towards the areas of greatest inefficiency in these boroughs. All will be required to produce further significant savings: Camden 10%; Greenwich 16%; Hackney 10%; Southwark 13%, and Tower Hamlets 10%.

As a result I have been able to set proposed rate limits for all the capped authorities. These mean on average the overall local rates for these authorities will be cut by 11% giving a total saving in bills for the ratepayers of some £46m. It is now for each authority either to accept its proposed limit or to make representations for a different limit. Mr RHF the Secretary of State for Education and Science is today announcing his decision on ILEA's application for a redetermination of its EL and its proposed precept limit.

I now turn to Rate Support Grant matters. In July my RHF the Secretary of State announced the main elements of our proposals for next year's RSG settlement. In November a consultation paper was issued which set out full details of the proposals and gave authorities details of their provisional grant entitlements.

The main elements of these proposals were that provision for local authority current expenditure should be £29,140 million - an increase of 8.6% above the 1988/89 settlement, after adjusting for the transfer of polytechnics which from 1 April 1989 will be the responsibility of the Polytechnics and Colleges Funding Council. This provision is 4.8% above the amount authorities have budgeted to spend this year and broadly in line with the GDP deflator.

Next year taxpayers will provide £13575 million in grant towards local authority services; this is one thousand one hundred million more than this year. The amount of grant next year will be increased by 9% - a very substantial addition. Grant next year is therefore being set at a generous

Rate Support Grants

level and will, as a result of the Act, be paid out in full. I hope therefore Hon Members will accept that the package as a whole is a fair and reasonable one.

For next year we proposed that there should be no major changes to the mechanisms for block grant distribution and that the methodology for assessing needs should be amended only to take account of the transfer of polytechnics and for the costs of preparing for the introduction of the community charge. Finally we proposed that there should be a safety net equivalent to 5p at ratepayer level to limit certain year-on-year grant losses which might otherwise have resulted.

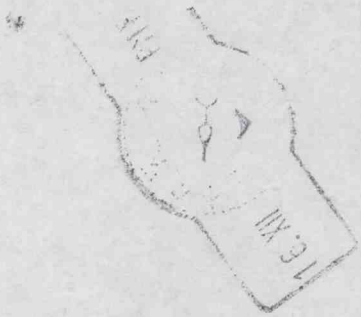
We have received comments from the local authority associations and representations from about 110 local authorities on the 1989/90 settlement. This is substantially less than in some previous years. It is not possible to produce a settlement which pleases every one and inevitably some authorities have done less well than they would have hoped. ^{How} This lower level of response can I think reasonably be interpreted as indicating a broader level of contentment than we have achieved in previous years. There has been a widespread welcome for the certainty about grant entitlements which the RSG Act 1988 provides, since grant will no longer vary with expenditure and the full amount of grant available will be paid out.

We have considered carefully the comments and representations that have been made. We have responded to a number of particular points that authorities made to us but otherwise there are no significant changes. The settlement proposals represent a fair and reasonable balance.

Details of grant entitlement are today being sent to all authorities and copies will be placed in the Library. The grant entitlement for most authorities has changed marginally from those shown in the consultation paper. This is a result of later

information on rateable values, later information used in the assessment of needs and revised estimates of specific grants. Overall local authorities' block grant entitlements have increased by £27 million. The amount of aggregate Exchequer grant remains £13,575 million.

If authorities spend in line with the expenditure provisions made in the rate bill settlement increases on average need be only 2%. Obviously for some authorities that will not be possible but this year the extra grant will, and must, keep down rate increases. The settlement as a whole is therefore good news for local government and ratepayers.



Mr. MacGregor: I agree with my hon. Friend that there has been considerable over-reaction. We are endeavouring to get the facts over and to put the whole matter into perspective. That is extremely important, for both consumers and the industry. However, when individual little items come out all the time, it is difficult to respond immediately to each and every one of them. That is why we are trying to put across the basic and fundamental facts. That is most important, and I assure my hon. Friend that I shall endeavour to find every possible further way of achieving that.

Several Hon. Members *rose*—

Mr. Speaker: Order. I am sorry that I have not been able to call all right hon. and hon. Members who wished to put questions. There will be other opportunities later this afternoon and this evening.

Rate Support Grant

4.17 pm

The Minister for Local Government (Mr. John Selwyn Gummer): With permission, Mr. Speaker, I should like to make a statement about the rate support grant report for 1989-90, and supplementary reports for 1985-86 to 1988-89, which have today been laid before the House and which signal the end of the present system and the move to our major reform of local government finance. I am also announcing today in a written answer my decisions on the applications I have received from rate-capped authorities for a redetermination of their expenditure levels and my decisions on proposed rate limits.

In July, my right hon. Friend designated seven authorities for rate capping in 1989-90 and set expenditure levels for them. I have looked very carefully at the applications that five of those authorities made for redetermination of their expenditure levels. I have concluded that Camden, which is overspending by £216 for every adult, does not need any increase in its expenditure level. Tower Hamlets may spend £1 million more, provided that it establishes proper central financial control; and Greenwich £2 million more, but that will be linked specifically to improved performance on social services—particularly concerning children at risk. Hackney also will be able to spend £2 million more, and Southwark £6 million—but on condition that they make improvements in their rent collection procedures and in other financial matters. Thus, I am linking those extra resources with conditions directed towards the areas of greatest inefficiency in those boroughs.

As a result I have been able to set proposed rate limits for all the capped authorities. On average, the overall local rates for those authorities will be cut by 11 per cent. giving a total saving in bills for the ratepayers of some £46 million. It is now for each authority either to accept its proposed limit or to make representations for a different limit. My right hon. Friend the Secretary of State for Education and Science is today announcing his decision on ILEA's application for a redetermination of its expenditure level and its proposed precept limit.

In July my right hon. Friend the Secretary of State announced the main elements of our proposals for next year's RSG settlement. In November a consultation paper was issued which set out full details of the proposals and gave authorities details of their provisional grant entitlements. The main elements of the proposals were that provision for local authority current expenditure should be £29,140 million—an increase of 8.6 per cent. above the 1988-89 settlement, after adjusting for the transfer of polytechnics which from 1 April 1989 will be the responsibility of the Polytechnics and Colleges Funding Council. The provision is 4.8 per cent. above the amount that authorities have budgeted to spend this year, and broadly in line with the GDP deflator.

Next year taxpayers will provide £13,575 million in grant towards local authority services—£1,100 million more than this year. The amount of grant next year will be increased by 9 per cent., a substantial addition. Grant next year is therefore being set at a generous level and will, as a result of the Rate Support Grants Act 1988 be paid out in full. I hope that hon. Members will accept that the package as a whole is fair and reasonable. For next year we propose that there should be no major changes to the

[*Mr. John Selwyn Gummer*]

mechanisms for block grant distribution, and that the methodology for assessing needs should be amended only to take account of the transfer of polytechnics and the costs of preparing for the introduction of the community charge. Finally, we proposed that there should be a safety net equivalent to 5p at ratepayer level to limit certain year-on-year grant losses which might otherwise have resulted.

As usual, we have received comments from the local authority associations and representations from about 110 local authorities on the 1989-90 settlement. That is substantially less than in some previous years. It is not possible to produce a settlement that pleases everyone, and inevitably some authorities have done less well than they hoped. However, the lower level of response can, I think, reasonably be interpreted as indicating a broader level of contentment than we have achieved in previous years.—*[Interruption.]* The hon. Member for Rother Valley (Mr. Barron) seems to be suggesting that I cannot come to that conclusion. Let me remind him that he came to the opposite conclusion in previous years. He said that everyone was complaining, and that the results were therefore not very good. Now that we receive very few complaints, he says that we cannot interpret this as a very good result. The hon. Gentleman should not make comments from a seated position and expect not to be listened to. He should not make such comments if he wants me to stick to my statement. There has been a widespread welcome for the certainty about grant entitlements which the Rate Support Grants Act provides, as grant will no longer vary with expenditure and the full amount of grant available will be paid out. We have considered carefully the comments and representations that have been made. We have responded to a number of particular points that authorities have made to us, but otherwise there are no significant changes. The settlement proposals represent a fair and reasonable balance.

Details of grant entitlement are today being sent to all authorities, and copies will be placed in the Library. The grant entitlement for most authorities has changed marginally from those shown in the consultation paper. That is a result of later information on rateable values, later information used in the assessment of needs and revised estimates of specific grants. Overall, local authorities' block grant entitlements have increased by £27 million. The amount of aggregate Exchequer grant remains £13,575 million.

If authorities spend in line with the expenditure provisions made in the rate bill settlement, increases on average need be only 2 per cent. Obviously for some authorities that will not be possible, but this year the extra grant will, and must, keep down rate increases. The settlement as a whole is therefore good news for local government and for ratepayers.

Mr. Clive Soley (Hammersmith): The Minister cuts an unlikely Father Christmas figure. What his statement really means is that the average unreduced domestic rate bill is likely to exceed £500 in 1989-90. It is already £468, compared with £131 when Labour left office in 1979. That £500 figure is only the average; for those in both Labour and Tory boroughs who pay more than that the increase will be much more painful.

Why does the Minister bring his office into disrepute by dressing up the figures, when it would be more honest to restate the Government's determination to cut local authority expenditure regardless of the consequences? The cumulative loss of rate support grant since 1979 is £22 billion. That is why local authorities—Labour and Tory—are complaining so bitterly about Government policies. The Government are trying their old trick of pretending that they have not been cutting the block grant, which decides the individual's rate bill, while marginally increasing the aggregate Exchequer grant which pays for Government-related expenditure on, for instance, the police and the fire brigade.

We want answers to several questions. First, will the Government increase rate support grant to take into account the estimated increase in inflation from its present 6.4 per cent. to 7 per cent. next year? Secondly, for the past four or five years the Government have underestimated the effect of cuts in rate support grant—not least, I might add, because of Government-inspired inflation with the increases in water and energy costs. Has the Minister got his sums right this year, or will there be another underestimate?

Thirdly, let us bear in mind that although the Secretary of State said that rates would go down last year, in many areas—particularly Tory areas—they went up by as much as 40 per cent. The Minister may remember my hon. Friend the Member for Copeland (Dr. Cunningham) reading out a list of areas—Tory area after Tory area—with increases of 30 and 40 per cent. What guarantee can be given to either Labour or Tory authorities that rates will not rise again because of the Government's mismanagement?

Fourthly, as the Minister has now begun to give a little extra money to rate-capped councils, can he tell us how many local authorities will have their poll tax capped? Finally, is the Minister not trying to lessen the pain of the poll tax by trying to force up the rates now, so that the difference seems slightly less painful when the poll tax is introduced? Nevertheless, people will still remember that the poll tax is a Tory tax.

The Government will continue to try to undermine local democracy and the morale of councillors and council officers alike. What they cannot do is hide the effect of their actions from the public, who can see through the Government's philosophy of private affluence for some and public squalor for all.

Mr. Gummer: It is very difficult to take such comments seriously when we have just announced a grant increase of 9 per cent., and when we have said clearly that the average rate increase that is necessary as a result of the announcement is 2 per cent.—considerably below the inflation rate. It is also extremely difficult to take the hon. Gentleman's comments seriously when he has not understood the position regarding the GDP deflator, which we and others have used in these circumstances and which is taken into account in the figures announced today. It is even more difficult to take seriously the comments of someone who represents some of the most overspending authorities in the country.

There is a very simple way in which rates can be brought down: by Labour authorities spending as they need rather than much more than they need, as they do now. If local authorities under Labour control collected their rents, for example, they could cut their rates. They

could cut their rates if they ran their systems efficiently. As we revealed last week, had we put the community charge in place this year it would be £100 per person more expensive to live in a Labour borough than to live in a Conservative borough. That is because Labour authorities are in general less efficient.

As for the hon. Gentleman's comments about community charge, if we were trying to force up rates we would not produce 9 per cent. extra in grant, nor would we be able to announce that the average rate increase need be only 2 per cent. I do not mind being accused of being devious, but to be accused of being both incompetent and devious seems to me to be a wholly unacceptable accusation. We are neither incompetent nor devious. The figures are clear and the hon. Gentleman is wrong.

There is no need to rate-cap any authority that spends sensibly. A large number of authorities—but now many fewer—do not spend sensibly. Camden, for example, spends 47 per cent. above its class average. That local authority has been rate-selected for the fifth successive year because its spending is 30 per cent. above its needs. How can we do anything but try to hold the rate down for the people who live in Camden? Old, poor and vulnerable people in Camden are being killed every day because of the effects of Camden's rate increases. Unless we hold the rate down, those people will find it impossible to pay their rates. I very much hope that we shall not have to rate-cap any authorities, but it is for Labour local authorities to decide whether they intend to charge too much for the services that they provide.

Mr. Tim Rathbone (Lewes): I am sure that my right hon. Friend has struck a fair balance by increasing the rate support grant by £27 million nationally, but I fear that I have to inject a sour note on behalf of the two rural districts in my constituency, Lewes district council and the Wealden district council. My hon. Friend and political neighbour, the Member for Wealden (Sir G. Johnson Smith) shares my concern. They have been treated in a way that is quite incomprehensible, compared with the nation as a whole and the adjacent borough authorities. My right hon. Friend knows that there is immense concern in those authorities. I hope that the figures—I do not have them yet to hand—will reflect a change of heart on my right hon. Friend's part for 1989-90. Whatever the outcome for 1989-90, is my right hon. Friend able to reassure me that that will not be the base that is used for whatever the rate support grant is to be called after the community charge is introduced? That would be doubly unfair.

Mr. Gummer: I can certainly give my hon. Friend that assurance. The new grant will be called the needs grant. It will be based upon the needs of the local authority rather than upon any previous spending pattern. If we take together the effect of the arrangements that we have announced today on Lewes and Wealden and on East Sussex, it should mean that the Lewes district council could cut its rate by 2 per cent. and that the Wealden district council could cut its rate by 4 per cent. When my hon. Friend looks at the figures I think that he will see that, overall, his area has been very well treated.

Mr. Simon Hughes (Southwark and Bermondsey): Does the Minister not accept that the figures that he has not given us are those that show that the Government contribution to local authority services in the next financial year will increase by only 4.6 per cent., which is

substantially less than the rate of inflation, and that the overall Government contribution to local authorities will be down to about 43 per cent., which is 3 per cent. less than this year—a real cut in both cases? As this is the first time, to my recollection, that the right hon. Gentleman is imposing conditions on local authorities—I do not object to those at all—will he in return make sure that they have the money that they really need and that they have asked for to implement the community charge? If, lastly, as a result of the court case that affects Southwark and its social services, we see that there is a substantial need for additional investment there, may I come back to the right hon. Gentleman on that specific constituency matter?

Mr. Gummer: I am sure that the hon. Gentleman will agree with me that I cannot comment on the court case, but he is always welcome to come and see me on any constituency problems and I shall listen most carefully to him. I think that his point about rate-capped authorities is met by the fact that, by law, I have to look carefully at all the factors that affect each of those authorities. As a result of doing so, I have produced these figures. Many of the ties that I have imposed on those local authorities are designed to help them to make a number of difficult decisions over priorities. I think that the hon. Gentleman would agree that in a number of cases—not only in his own area but elsewhere—they were not unreasonable matters to which to draw attention. The whole basis of the law is that one has to take fully into account the ability to reach these ends and to spend at that level. That is why I have made this determination.

As to the hon. Gentleman's point about the amount that local authorities need for the community charge and the amount that they have asked for, he speaks as though the two were exactly the same. They are not. However, the settlement provides for about the same amount of money as local authorities have asked for. They asked for £107 million and they have got £110 million. There has been a change in the rate of inflation in the meantime, but in general it is the same amount as was asked for. We have also provided what the independent Price Waterhouse report suggested was a reasonable figure. It would not be possible to provide everything that every local authority said that it thought it might need for these activities. The hon. Gentleman would probably agree that that would be surprising. However, we have tried to provide a realistic amount, and I hope that local authorities will work within it.

Sir Peter Emery (Honiton): Does my right hon. Friend accept that any objective person must view his statement with some degree of pleasure? He has certainly gone out of his way to meet most of the problems. Certain local authorities, such as the East Devon district authority will be able to hold their rates at exactly the same level as last year. The East Devon district authority has pursued that policy for many years with considerable success. It is a properly managed Conservative council. What will happen with the county rate heaven alone knows. However, may I ask my right hon. Friend to look again, with the authorities that have been co-operating with him, at the amount that they are able to spend out of the capital sum that they have obtained from selling council houses? My authority wants to spend more than has been allowed

[*Sir Peter Emery*]

for by the Treasury. It is the authority's money and it believes, having co-operated with the Government, that it ought to be allowed to do so.

Mr. Gummer: I very much respect my hon. Friend's points, but I am not sure whether all the receipts are, in all cases, the authority's money. Much of that money has come from things that have been sold, for which there was a Government grant in the first place. To a certain degree that money belongs to the district authority but also to a certain degree there is a wider remit. I shall look carefully at that point when we consider the new capital arrangements that will be announced in January. I can reassure my hon. Friend that East Devon district authority should be able to keep its rate at the same level and that if Devon county council were to hold its rate at the same level it would be doing only what this settlement makes possible. If Devon county council does not hold its rate, it will be quite clear that it is not giving value for money. It is also clear that because of the spending in Devon during the last two or three years there ought to be some areas in which expenditure cuts should be made, if the county council were more prudent. However, under the resettlement, Devon county council should certainly be able to hold its rate at the present level.

Mr. Kevin Barron (Rother Valley): During the last four years the Rotherham metropolitan borough council has consistently suffered cuts in its housing investment programme. That has created grave housing problems. This year the council has been made responsible by this Government for buying back, under the Housing Act 1988, defective houses that were sold by other public bodies in my constituency. It is causing many problems. It is holding up vital housing programmes, such as those for the elderly and the single in the Rotherham metropolitan borough. Because of our problems, these cuts cannot continue.

Mr. Gummer: The Government have given a great deal of help in that direction, but if the hon. Gentleman feels that the Government have not looked sufficiently at Rotherham's problems I shall be very happy to consider them. I remind the hon. Gentleman that under the settlement that I have just announced it ought to be possible for the rates in Rotherham to be increased by no more than 3 per cent.

Mr. Phillip Oppenheim (Amber Valley): Will my right hon. Friend confirm that, if the rates in Derbyshire increase by more than the rate of inflation, bearing in mind that Derbyshire is already the highest-rated county in England, it will be solely the responsibility of the irresponsible and profligate leadership of the county council? Will my right hon. Friend further confirm that the first Government actually to cut the rate support grant was the last Labour Government?

Mr. Gummer: Under the settlement, Derbyshire ought to be able to cut its rate by about 6 per cent., the rate in Amber Valley should be able to go down by 4 per cent. and the rate in Erewash by 5 per cent. Derbyshire is being given a particularly favourable arrangement because we have removed the cap. Therefore I very much hope that Mr. Bookbinder will take it as a personal offer and make sure that he cuts the rate this year.

Mr. Tony Banks (Newham, North-West): Did the Minister really say that old people in Camden are being killed because of the impact of high rates? I am sure that the Minister said that, and I am sure that he will want to withdraw it. Quite frankly, that is a grotesque thing to say about any local authority. He must realise that Camden has some of the worst homelessness and social services problems in London, so it is really not surprising that it is unable to meet the Government's spending target. However, for the Minister to say that it is responsible for killing old people in that borough is grotesque, irresponsible and should be withdrawn immediately.

Mr. Gummer: I am happy to withdraw any such imputation. I am absolutely willing to withdraw it and the hon. Gentleman need not make all that humbug and noise about it. I am very sorry if that is what he took it to mean. He knows perfectly well that I was using that expression in a particular way and I am very sorry that it upsets him. However, I am not sorry to say that Camden is perfectly able to provide proper services at considerably less cost. It is a badly organised and badly run local authority. That is why it spends 30 per cent. more than it should.

Mr. Richard Holt (Langbaugh): Does my right hon. Friend accept that there will be considerable disappointment in my constituency of Langbaugh? People will fail to understand how, after representations to five different Ministers in four years, the Government have come up with two and a half times as much money for Stockton-on-Tees, four times as much money for Hartlepool, and even allowing for the technical college, 10 times as much for Middlesbrough. Does the Minister think that the answer came out of the same multiplier of 1.0322304, and would it have been manifestly different if it had been 1.032303?

Mr. Gummer: It might not have been manifestly different, but it would have been less accurate. I know the problem. Any local authority looking at its neighbours will feel that it should have as much money as those neighbours when it has considered and measured their needs. However, we have to apply certain national methods of trying to measure people's needs. What we give to Stockton and what we give to Langbaugh is based upon needs which are assessed not by me but by some objective standards and criteria, from which one cannot move.

That is how we do it. My difficulty is that it does not help Suffolk very much and I am not terribly able to help Suffolk Coastal, but I cannot change the statistics to fit our constituencies. However, on the basis of the settlement, it should be possible for Langbaugh to keep its rate increases to within 2 per cent. That does not seem unreasonable in the present circumstances, and I hope that my hon. Friend will encourage his local authority to recognise that next year when we move to a better system and when we have a new method of assessing needs, if there is some reality in the argument of his local authority, it may well be reflected there. I cannot promise him that we will move from an objective to a subjective system, although, like my hon. Friend, I sometimes wish that we could, because then I could help Suffolk Coastal rather more.

Mr. Bernie Grant (Tottenham): Did the Minister say that he was ordering an 11 per cent. cut in the rates of

rate-capped authorities? If he said so, is that a standard figure for all the rate-capped authorities and how did he reach that figure? Secondly, what figure did he use for inflation? It is well known that local authority inflation is much higher than national inflation.

Mr. Gummer: I deny that the second factor is well known. It is actually not true and it is not acceptable. Local authorities have much more control over their own spending. They can decide their level of staffing and service, and they also do much of the negotiations for wage increases, so they have very direct control over their costs. If the hon. Gentleman had been here, he would have heard me say that the effect of the implied change in local rates of the rate-capping which I announced ranged around a whole series of figures. For example, in Tower Hamlets it might well mean a cut of 46 per cent. and in Greenwich there would be a rate increase of 10 per cent., so it is not a fixed figure. It depends on what expenditure level is set. Therefore, I have explained it very clearly. I hope that the hon. Gentleman will notice that the effect of the settlement on his own borough of Haringey should mean that Haringey could cut its rate by 6 per cent. I hope that he will encourage it to do that, because Haringey needs to give something back to the people living in that authority by way of the quality of the service it provides and value for money in providing that service.

Mr. Bernie Grant: On a point of order, Mr. Speaker. The Minister implied that I was not here during his statement. I have been here throughout these exchanges and I ask him to withdraw that remark.

Mr. Speaker: I do not know whether that was said.

Mr. Gummer: I apologise if I implied that.

Mrs. Teresa Gorman (Billericay): I thank my right hon. Friend's Department for its work in the past in holding down the rates in spendthrift boroughs. Part of my constituency is covered by Basildon council which is known as "Moscow on the Thames" for its politics and as the "Rockerfeller foundation" for the way in which it doles out public money to all and sundry. Two constituents who came to my surgery at the weekend pointed out that Basildon is threatening a rate increase of more than 40 per cent. because it had previously been rate-capped and kept below the required figure. How will those families manage and what will the Government do should Basildon impose such an increase? A family currently paying £200 a month in rates would simply have to move house in order to manage in future. How will my right hon. Friend's announcement help those people?

Mr. Gummer: As a result of the settlement Basildon ought not to increase its rate at all. That is what the settlement implies. Therefore, if it increases its rate, local people will know that that will be because it is providing a greater number of services, or because it is overspending. It will be for local people to decide which explanation applies. Under the community charge, it will be very much more clear when a local authority is spending beyond its needs or when it is spending more than its neighbours. The electorate will have a much clearer understanding of the accountability of its local authority and I suspect that Basildon will have to think very carefully, in a way that it has not had to until now, as to whether it is sensible to spend ratepayers' money in the way in which it has in the

past. Therefore, I am sure that my hon. Friend will use her undoubted publicity abilities to make sure that people in Basildon know that there need be no rate increase—I shall not apologise for that—and that in neighbouring Thurrock the increase could be kept to about 2 per cent.

Mr. Bob Cryer (Bradford, South): Will the Minister assure the House that the settlement has taken fully into account soaring interest rates under the present Government which have imposed large increases in charges on local authorities? Will the rate support grant settlement for Bradford mean that Bradford city council will be sufficiently confident about the future not to sack the 13 remedial teachers, as it has it in mind to dispose of their services at the end of the year? Will it be able to embark on a building programme to replace at least some of the 500 temporary classrooms which accommodate schoolchildren in Bradford? Some of those classrooms are so old that the money allocated for permanent buildings is being used to repair temporary classrooms, and that seems a funny priority.

Mr. Gummer: Lest he feels that I have been particularly favourable towards Bradford, I can assure the hon. Gentleman that Bradford is in the same position as Derbyshire. Because of the removal of rate capping, Bradford should be able to reduce its rate by 6 per cent. as a result of the settlement. From what I understand of Bradford council's proposals, it ought soon to begin to enjoy the advantages of good housekeeping and value for money, for which it elected and which, I believe, it will achieve. The hon. Gentleman will no doubt continue to provide examples of Bradford city council's activities and I am sure that I shall hear some as well. When the time comes, the electorate will make its decision.

Mr. Harry Greenway (Ealing, North): Will my right hon. Friend give some thought to the long-suffering ratepayers of Ealing? Does he agree that their rates ought to be reduced under this generous settlement? Ealing's rates increased by 65 per cent. in 1987 and were reduced by rate capping by 25 per cent. in 1988. We have been promised a rate increase of between 25 per cent. and 50 per cent., perhaps more, next year by the Labour council. Will the Minister confirm that the abolition of the police and equal opportunities unit would save £5 million tomorrow? Also, if people who had lived in the borough for a certain period or who had been born there, were accepted as homeless by a restoration of residents' points, the high cost of homelessness would be reduced and people would be spared much suffering.

Mr. Gummer: I have a particular interest in the London borough of Ealing because I live there during the week. I noticed the enormous rate increase that occurred when the Labour party was elected, and I benefited from the cut in that rate increase when rate capping took place. This settlement should mean that Ealing can keep its rate increase to within 5 per cent.—rather than the sums mentioned by my hon. Friend—based on expected spending. Ealing borough council has undertaken a series of activities that are expensive for the ratepayer and he has only mentioned some of them. There is considerable scope for Ealing borough council to reduce its expenditure, improve its services and cut its rates.

Mr. A. J. Beith (Berwick-upon-Tweed): What has the Minister done about the injustice—to which I referred in

[Mr. A. J. Beith]

a letter—under which Northumberland county council faces a £400,000 bill, over and above the amount it has previously paid for advanced further education under the changed AFE arrangements? Bearing in mind that the Exchequer's share of the county's expenditure has gone down from 61 per cent. to 37 per cent. since 1981, what will the Minister do about it? I hope that he will not stray too far into party politics and remember that his party is supporting mine in trying to ensure that the council is well run.

Mr. Gummer: I hope that I do not. Northumberland has a £1.8 million increase in its grant under the settlement. Therefore, the county should be responsible for an increase of about 6 per cent. In Alnwick, the increase would be 4 per cent., in Berwick it would be 7 per cent. and in Castle Morpeth it would be 2 per cent. Therefore, the hon. Gentleman is talking about reasonable sums that are about the same as the rise in inflation. He should not be upset about that. The hon. Gentleman's point is perfectly reasonable. He knows that when we adjust for the payments for polytechnics, that were previously carried by local authorities, the position is slightly distorted because some authorities are out of grant. That means that Northumberland feels that it is carrying more than it would otherwise. In those circumstances, local government will bear the same burden of the cost of polytechnics as it used to. That is not unreasonable.

Mr. Kenneth Hind (Lancashire, West): Is my right hon. Friend aware that his 9 per cent. increase will be greatly welcomed in Lancashire? What advice does he have for the Labour leaders of Lancashire county council who increased rates by 18 per cent. last year in areas of high unemployment, thereby increasing industry's costs and making it more difficult to attract new investment? What does he have to say to them about this settlement for next year's rate?

Mr. Gummer: Lancashire has made a point of encouraging enterprise and finding ways of bringing new firms to replace old jobs. If it kept its rate within the 2 per cent., which is what seems to be necessary, that would help jobs and enable west Lancashire, my hon. Friend's constituency, to keep its rate increase to about 5 per cent. That would be reasonable and it would help jobs in Lancashire. I am sure that my hon. Friend will want to explain that to the Labour leaders of Lancashire county council.

Mr. Harry Barnes (Derbyshire, North-East): In answering the hon. Member for Amber Valley (Mr. Oppenheim) the Minister criticised Derbyshire county

council. The hon. Member for Amber Valley claimed that it was the higher-rated shire county in the country. If one looks at the rateable value per head of population, which will be relevant to the community charge, one can see that it is not in that position. Would the Minister advise it to cut its education standards by destroying one of the best staff-student ratios in the country or should it increase the cost of meals which are provided efficiently and at the lowest cost of all shire counties?

Mr. Gummer: Derbyshire should do what any efficient local authority would do. It should see how many of its services could be better run by others in competition. It should not waste money by stamping, "Nuclear-free zone" on school writing paper. It should spend less money on the advertising procedures of Derbyshire county council, which seems particularly keen on advertising its leader. It should dispel public disquiet by saying on what terms Mr. Reg Race was taken on and removed as the chief executive of the county council and it might also explain why it was necessary to appoint a chief executive, or similar figure, who came from a party political background. It could do all that.

Mr. Michael Lord (Suffolk, Central): My right hon. Friend has already mentioned Suffolk, in which both he and I have an interest. He knows that it is far from being a profligate county. On the basis of today's statement, how will Suffolk county council and mid-Suffolk district council fare next year? What will their rate levels be, since they both feel that they are being treated unfairly yet again?

Mr. Gummer: The county council, which my hon. Friend and I share and which we believe to be a well-run local authority, is less happy than many about this settlement. It is less happy partly because it feels that it should be possible for me to provide it with a better deal. Under this settlement it will be possible to keep the rate increase to about 5 per cent. In Ipswich, there will have to be about a 7 per cent. increase and in mid-Suffolk about a 5 per cent. increase. In other words, the increases will be about the same as the cost of living increase.

I know that that is a difficult answer for Suffolk. It feels that there should be an increase because of its prudence over the years. I have explained that the comments of my hon. Friend the Member for Langbaugh (Mr. Holt) parallel those of my local authority but I have to say again that the purpose of changing to a needs grant is that it will help us to give according to the needs of local authorities rather than according to historic expenditure levels. We should give

"to each according to his needs."

That has always seemed to be a good phrase.