

DOUGLAS ROBERTSON DL
CHAIRMAN

SURREY COUNTY COUNCIL
CHAIRMAN'S ROOM
COUNTY HALL
KINGSTON UPON THAMES
KT1 2DN
TELEPHONE 01-541 9009

1 December 1989

TO ALL SURREY MEMBERS OF PARLIAMENT

Dear Guffey,

COMMUNITY CHARGE

We have now analysed the Department of the Environment's announcement of their Standing Spending Assessment [SSA] for Surrey. I have enclosed herewith copies of the following correspondence of today's date :

- 1 My letter to Chris Patten
- 2 My letter to David Hunt
- 3 Mrs Gerrard's letter, as Chairman of the appropriate committee, to David Hunt

I have also enclosed tables which show the likely community charges to be issued in each of the Surrey Districts. I cannot comment on the decisions which the Borough and District Councils will make when preparing their own budgets nor do I know what use they can make of balances.

As far as Surrey's use of balances is concerned we have not built up unnecessary balances but have always passed on any surplus to benefit the ratepayers; in 1988/89 £18.6m and in 1989/90 £21.6m. were used to help the ratepayer. Balances are not available in 1990/91 as described in the letter to the Secretary of State.

The County Council has determined that its 1990/91 budget will contain no new growth and seek efficiency savings. The capital programme has been cut back and effectively a three year programme has become a four year programme. The service committees have been directed to keep spending within a budget limit of £485m. This however equates with a Government assessment of our needs of £448.6m, a difference of £36.4m or 8.1%. The County Council do not see how cuts of an average of £3.3m. can be found in each of your constituencies.

Any expenditure above the Department's assessments can only be met from the Community Charge Payer. I do not believe that the County Council can do more than I have described and the only solution lies in revising the SSA. The comparisons with neighbouring councils, some of which are the subject of boundary reviews, shows how badly Surrey is affected.

Although the correspondence to the Secretary of State argues the points, I am not confident of success unless the Surrey Members of Parliament exert the strongest political persuasion.

The objective must be to raise the Surrey SSA to £488m The arguments to support this case are as follows:

- 1 The SSA places insufficient emphasis upon the high costs of being located close to London in one of the most expensive parts of the south east. Full employment makes staff recruitment very costly.
- 2 Land, construction, and building rental and running costs are as high as anywhere outside the City and congestion adds to the burden.
- 3 A particular aspect of our higher costs arises from disproportion caused by the constant turnover of staff in the middle and lower ranks. Local authorities are unable to avoid these difficulties by moving away from the clients they serve into a less expensive part of the country.
- 4 The failure of the formula to allow anything for the capital receipts we have spent to maintain a reasonable capital programme is also unfair since it is essential that we provide adequately to meet our capital needs when we run out of surplus disposable assets.
- 5 The volume of waste which we collect is considerably above the average and we do not have the sites in which to dispose of it; moreover, there are considerable planning difficulties in ensuring that the maximum waste is disposed of locally.
- 6 We have a higher than average number of statemented children, yet the governments' allowance for additional education needs has been distributed in such a way that Surrey loses £16m. from its SSA.
- 7 Even though a high proportion of Surrey children are educated in the private sector, many of them start their school life in our schools, leaving after a few years, only to return to do 'A' Levels in our sixth forms. This pattern of attendance disrupts education planning and makes it difficult for us to achieve a full unit cost reduction as pupils transfer.
- 8 The Surrey Fire Service costs appear high by comparison with other local authorities, but it must be appreciated that the employment position is such that it is not possible to recruit retained firemen satisfactorily, which means that the service is much more dependent upon full time staff than many other fire services.
- 9 The particular location of the county with its close proximity to two of the largest international airports in the world, brings about numerous development pressures which require careful handling and considerably adds to our transportation, planning and development control costs.

If there is anything further that I can do, further briefing, joint deputations to Chris Patten, or whatever, then I and my colleagues are only too anxious to be of assistance.

Yours sincerely

Douglas

Community Charge, Safetynet and variation from Needs Assessment

	Community Charge £	Safety Net £	Total £	Needs District %	Variation County %
Elmbridge Borough Council	433	75	508	110%	9%
Epsom and Ewell Borough Council	433	59	492	97%	9%
Guildford Borough Council	339	74	413	-12%	8%
Mole Valley District Council	365	44	409	28%	8%
Reigate and Banstead Borough Council	386	59	445	45%	8%
Runnymede Borough Council	302	46	348	-39%	8%
Spelthorne Borough Council	374	41	415	29%	9%
Surrey Heath Borough Council	339	52	391	-11%	8%
Tandridge District Council	380	19	399	42%	8%
Waverley Borough Council	346	73	419	11-7%	8%
Woking Borough Council	363	47	410	20%	8%

The range of Community Charges within 11 districts is from

	Charge	Safety net	Total
Runnymede Borough Council,	£ 302	£ 46	£ 348
to			
Elmbridge Borough Council	£ 433	£ 75	£ 508

Adult Population ('000) after loss on registration

	'000
Total for All Districts	742.1466
Total for County Police area	552.3182
Total for Metropolitan Police area	189.8284

The Rt.Hon. C Patten
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

1 December 1989

Dear

Some weeks ago Cranley Onslow passed me a copy of your letter to him regarding the likely level of Surrey's SSA and budget for 1990/91. I had intended to respond to you earlier but thought it prudent to await your announcement regarding the revenue support grant settlement, details of which have now been received and analysed to the best of our understanding.

EDUCATION ELEMENTS OF SSA

The first part of your letter refers to the SSA which you have now announced is to be £448.6M for Surrey County Council. I do appreciate the greater recognition of the high costs of a South Eastern location which is included in the settlement but I am afraid the amount allowed in the SSA is not sufficient to enable us to meet our higher bills. Virtually every item of expenditure whether provided in house or by contractors is higher than it would be if we were able to relocate ourselves in the provinces; for instance, labour costs, 65% of what we spend, are higher by factors of between 10% to 25%.

We are, of course, aware of the impact upon our education budget of the lower number of pupils because of the greater use of public schools in Surrey. It cannot be ignored however that an increasing number of parents return their children to Surrey's LEA schools at 16 where they seem to view the local authority service provision as being better than the alternatives.

We have above average numbers of children needing special education yet the factor for additional education needs removes £16m from our SSA calculation. There must be something wrong here which only you can correct.

CAPITAL ELEMENT OF SSA

Another very important factor for Surrey is the extent to which we are dependent upon selling surplus property to pay for our Capital Programme. Our programme amounts to some £140m over the next four years yet we expect to be able to fund only half of that at best using credit approvals. There is no scope for revenue funding which was discouraged by the former capital

control arrangements, therefore, we will have to raise £160m from asset sales and revenue over the next four years if our programme is to survive. You will realise we cannot continue to sell our assets at this rate for evermore and must provide for the day when the gap has to be made up from revenue. In order to do this we are charging committees for the capital receipts they spend. In this way, gradually, we will build up a sufficient balance to make up the difference as asset sales reduce. I might add that, at £30-£35m per annum, our capital programme is small, especially when you take into account the very high costs we have to pay for construction work in this area. It provides only for essential renewals and reorganisations arising from the need to deal with school size and closure reviews and the changing emphasis as the needs of Social Service clients change. We have very few major highway schemes which do not receive Department of Transport support, apart from the small accident provision and tidying up schemes. Most of our capital expenditure does not add to our asset base. To give the receipts to committees would be tantamount to "selling the family silver", a criticism already levelled against the Council which to date has been honestly rejected.

SSA AND INFLATION

In addition to these two local factors the overall level of the SSA is inadequate to meet local authority cost increases. This is a position we have found ourselves in almost every year but the gap this year is particularly wide, 5% or so, much more than can be achieved by efficiency reductions, given all the extra pressures from government, local management of schools, national curriculum, Griffiths, competition, highway structural maintenance, et.al. These factors together more than compensate for the difference between your proposed SSA and our likely budget of £485m-£490m.

"SENSIBLE SPENDING" BASE AND USE OF BALANCES

Your letter made reference to Surrey's spending of £408m in 1989/90 and questioned the need for an increase of £80m to meet existing commitments in 1990/91. I am particularly dismayed by this statement since your officials will be aware that the figure you quote for 1989/90 is after deduction of balances of £21m. Our real spending level this year will be around £442m. This is £10m more than we expected when we set our budget, the difference being accounted for by higher pay, prices and interest costs. Given the extra we shall now have to find, it will be impossible for us to repeat a contribution from balances in 1990/91. Our balances for next year will be between £16m - £20m, barely adequate for a budget approaching £490m with the uncertainties as regards interest rates, pay awards, as well as price inflation and the loss of buoyancy from the rate system. Balances at this level must be seen as borderline.

Turning now to the way the allocation from the rate system to the new charge system has been exemplified, we are most upset to see that the department's methodology is based upon their assessment that our spending in 1989/90 is only £408m. This fictitious base, which it calls "sensible spending", implies that we will be able to set our 1990/91 budget at £426m, that is £22m less than the proposed SSA of £448.6m. Apart from the balances issue, the main reason is that you have only allowed a 4.7% increase for our extra costs. This is absurd, especially when you have allowed us an 11% increase in our SSA against last year's GREA.

"SENSIBLE SPENDING", SAFETY NETS AND TRANSITIONAL RELIEF

Another outcome which is unfair as well as being misleading is that the fictitious budget is used as the base for both the safety net calculations and the transitional help announced at the Conservative Party Conference. The majority of our charge payers will have to make higher safety net contributions than would be the case if the SSA had been used as the base - about £15 per head, and there will be a significant number facing increases beyond £3 per week with no protection because of the base used in constructing the start figure.

You will appreciate my very genuine concern. Surrey County Council's Conservative majority has consistently stated publicly that they support the introduction of Community Charge. When the charge was first announced they expected that low spending authorities such as Surrey would benefit. Indeed, there were a number of ministerial statements at the time indicating that this would be the outcome. In the event, this is not now the case.

Attached to this letter you will see the projected Surrey community charge position, compared to the anticipated charges for surrounding counties and London boroughs. These figures have been calculated by our Treasurer. They show that Surrey is likely to be levying one of the highest community charges. There must be something wrong with a system that does this.

SURREY'S SPENDING

Surrey, by anyone's standards is a low spending authority despite the much above average costs we face in South East England, and the considerable extra burdens brought about by traffic congestion, over used roads and large volumes of waste. In 1989/90 our spending is the sixth lowest of any shire county. We are very much aware that our spending in one or two areas appears to be high, but these are difficult to reduce. For instance, the high proportion of children being educated in the private sector creates organisational difficulties since many of them transfer between the ages of seven and eleven and then return to our sixth forms. These transfers make it difficult for the full unit cost reduction to be achieved. Moreover, the high proportion transferring is a reflection of the high standards expected by Surrey parents. Clearly it would be virtually impossible for us to reduce our present education spending without there being a significant reaction in the community.

The Surrey Fire Service also has high costs but the employment position is such that the lower costs achievable in some counties by employing "retained" firemen cannot be achieved in Surrey.

Our approach to 1990/91 is to set a standstill budget requiring committees to absorb the cost of any change in priorities. Since I have been a County Councillor the authority has sought and made efficiency reductions. I believe we have a well justified case for better treatment and I am requesting from you an urgent review of our proposed SSA of £448.6 million.

Much has been said about the improved accountability which the system will bring about. Our Treasurer's figures show that two thirds of our two person households will be losers. As a result, our electors are likely to be highly critical of the change and will see it as a failure.

Yours sincerely

DOUGLAS ROBERTSON

Confidential

Anticipated Community Charges

	SSA per Head £	Spending per Head £	Community Charge £	Safety Net Contribution £	Comments
Berkshire	740-850	700-790	250-300	34-69	
Hampshire	710-800	720-780	260-310	7-57	Good SSA settlement
Kent	740-780	720-750	230-300	0-32	
Bromley	764	786	300	0	
Croydon	945	908	300	59	
Kingston	855	943	380	9	Includes expected use of balances
Richmond	747	903	470	36	
Sutton	834	943	400	13	
Surrey	690-757	730-890	350-500	19-75	

Anticipated charges assume no use of balances unless otherwise stated

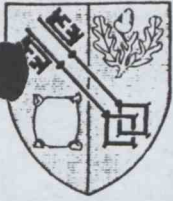
Figures are indicative only

Quoted figures are at chargepayer level

Calculated by County Treasurers Dept

Surrey County Council

1-Dec-89



DOUGLAS ROBERTSON DL
CHAIRMAN

SURREY COUNTY COUNCIL
CHAIRMAN'S ROOM
COUNTY HALL
KINGSTON UPON THAMES
KT1 2DN
TELEPHONE 01-541 9009

David Hunt Esq MP
Minister for Local Government
& Inner Cities
Department of the Environment
2 Marsham Street
London SW1P 3EB

Dear Minister,

COMMUNITY CHARGE

Thank you very much for your letter of 31 October. I have not replied sooner because I wished to respond in detail to the Departments' SSA announcements. I also received a letter through Cranley Onslow which the Secretary of State had sent. I have enclosed a copy of my letter addressed to Mr Patten which I hope will serve as a reply to both.

The figures which we have now calculated are not much different from those which I presented to you when we met on 13 September. Community charges in Surrey are likely to be in the order of £400 for the majority of Surrey districts and nearly £500 in two of them.

Yours sincerely,

Douglas Robertson

D Hunt Esq MP
Minister of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

1 December 1989

Dear *Minister*

REVENUE SUPPORT GRANT SETTLEMENT: CONSULTATION COMMENT

My purpose in writing to you is to bring to your attention the County Council's views of the settlements and its impact upon Surrey's residents.

Let me first say that we are appreciative of the greater recognition which has been given to the higher costs South Eastern authorities have to meet. The extra £17m included in the SSA will go some way towards our higher costs, although I believe we need more.

Nevertheless, the benefit from this change is almost wiped out by the increased allowances for additional educational needs. I cannot understand why this should happen since we have a higher than average number of children needing special education. At worst I would have expected the effect for us to be neutral.

An important factor in the SSA calculation is the treatment of capital financing costs. Your calculation appears to imply that where capital receipts are spent on capital projects no financing charge should be made to the service committee. We are concerned that your approach is compelling us to "sell the family silver". This is a very important issue for us. Our only mechanism for increasing our capital spending above the credit approval to a reasonable level is by using the proceeds from our asset sales, since there is no scope in our revenue budget. We do not have an unlimited supply of surplus assets and the financing charge we make to service committees will enable us to continue our capital investment at a reasonable level. Our planned capital spending around £140m over the next four years is primarily to meet school reorganisation costs, structural highway and building maintenance. Very little in the way of new capital building is envisaged apart from the new highway works, most of which are TSG backed and for which there is enormous pressure to improve traffic conditions. It is important that we replace our spent receipts and that some allowance is made in the SSA. Approximately £25m is to be charged to committees next year for receipts used to purchase capital items in Surrey and explains a major reason for the difference between our planned budget and the SSA.

We take little comfort from the base used to exemplify the standard community charge, calculated safety nets and transitional relief. This base, called "sensible spending" uses the level of precept levied in 1989/90 plus 4.7%. In 1989/90 we took £21m from balances to reduce the rate bill as we had done the previous year. When we stopped receiving any block grant in 1987/88 we needed to use our balances to cushion the impact of this loss.

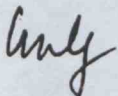
The basis used in your exemplifications implies that Surrey can continue to provide £21m from balances. This is not possible. We have never believed in holding on to, nor taking money from ratepayers unnecessarily. Our present balances at £18m approximately will be barely sufficient to meet our working balances needs and leave nothing to spare to cushion the community charge impact.

The use of the "sensible spending" budget calculation results in safety net contributions being £15 per head greater than they would be for many Surrey residents and fewer people qualifying for transitional relief than, if, for instance the SSA were to be employed as the base. Our calculations show that only about one third of two person households will benefit from the new system. This proportion would be increased significantly if the SSA were to be used.

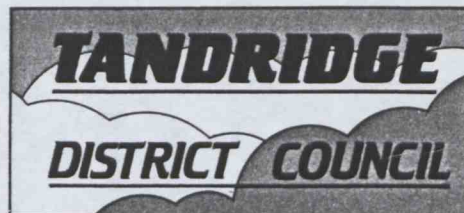
Having made many efficiency savings in the past and continuing to do so, and having one of the lowest per capita expenditures of a shire county - in spite of operating public services in high cost areas near London - we will be shown on our community charge bill to be overspenders, and, moreover Surrey ratepayers could face increases of £5 per week before becoming eligible for relief.

The difference between our present target budget for 1990/91 of £485m and your Department's SSA for Surrey of £448.6m is about £40m. We are, and have always been, a low spending, prudent authority conscious of the need to get value for money as trustees of the public purse. We cannot see any way in which Surrey residents would wish us to reduce by £40 million the level of services we provide.

Yours sincerely



CECILIA GERRARD
Vice Chairman Policy Committee



Council Offices, Station Road East, Oxted, Surrey RH8 0BT
Telephone: 0883 722000, Fax: 0883 722015, Dx: 39359 OXTED

Our Ref: CWR/AP

The Rt. Hon. Sir Geoffrey Howe, QC, MP,
House of Commons,
London, SW1A 0AA.

Your Ref:

When calling or telephoning
please ask for:-

Mr. Rockall

21st December 1989

Dear Sir Geoffrey

Revenue Support Grant Settlement and
Community Charge Levels for 1990/91

I refer to the recent announcement by the Secretary of State concerning Revenue Support Grant for 1990/91 and related issues.

Since this announcement is provisional I felt that it would be appropriate for me to express at this stage, on the Council's behalf, serious concern on certain issues, before matters are finalised in the new year.

Based upon these provisional figures, the community charge levels within the Surrey County area would range from £350 to £500 and, in particular, this Council has a potential community charge of £393. This clearly is far in excess of the Government's published average figure of £278.

My main areas of concern are related to -

- (a) the low level of standard spending assessment (SSA) allocated to both the Surrey County Council and to this Council;
- (b) the resultant loss of grant; and
- (c) the implications on community charge levels.

Whilst the County Council will be making their own representations on issues which concern them, I believe that the following figures underline inconsistency in the determination of SSA's for counties bordering Greater London:

County	SSA per head of adult population
Surrey	£619
Berkshire	£681

<u>County</u>	<u>SSA per head of adult population</u>
Buckinghamshire	£691
Essex	£655
Kent	£669
Hertfordshire	£646

The Surrey figure is not only the lowest in terms of SSA per head of adult population but in comparison with Buckinghamshire and Berkshire is significantly lower. The level of SSA directly influences revenue support grant entitlement and consequent community charge levels. I believe that such a wide variation between authorities which by and large have similar problems, needs and cost adjustments, should be investigated.

As far as Tandridge is concerned the following figures for 1990/91 are extremely relevant.

	£	<u>Per head of adult pop. using OPCS figures</u> £
Planned expenditure	6,350,000	114
SSA	4,361,000	79

As you will be aware the per head figures will appear on the community charge demand note and will require explanation. The calculation of SSA for district councils is based upon a complex formula, but is largely allocated according to population levels and a social need factor. It would appear from my understanding of the social needs factor that this Council's SSA has been reduced by some £1.7M and, indeed, the 11 districts in Surrey find their SSA's lower by an aggregate amount of some £20M.

The social needs factors taken into account are -

1. non self contained accommodation;
2. lacking bath/WC;
3. Single adult households;
4. overcrowding; and
5. immigrants.

Whilst I appreciate that social needs will differ between authorities, I find it difficult to accept that this authority would increase its spending by £1.7M if it were deemed to have an average need in the areas outlined above. Indeed, if the £1.7M figure had not been deducted from the SSA, the assessment for Tandridge would be £6,061,000 which is a more realistic assessment compared with planned expenditure of £6,350,000.

Overall the loss of grant as a result of low SSA's at County and District level results in loss of grant of some £50 and £35 per head respectively.

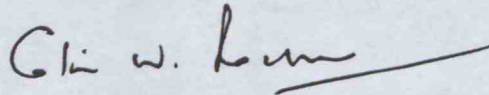
Continued/... 3

As a percentage of standard spending assessments, revenue support grant nationally meets some 32% of spend, whereas within the Surrey area, only 20% of SSA's is met by grant.

I am sure you will appreciate the concerns felt locally regarding the potential community charge levels, and would request your assistance in ensuring that these issues are taken up in the appropriate place before final settlement figures are announced.

If I can provide any further information please do not hesitate to let me know.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'C.W. Rockall', with a horizontal line extending to the right.

C.W. Rockall
Chief Executive & Clerk



County Treasurer's Department
P.O. Box 5
County Hall
Kingston upon Thames
KT1 2EA

R. Wolstenholme, I.P.F.A.
County Treasurer

Telex 263312
DX 31509 KINGSTON
FAX 01-541 9005

All Surrey Members of Parliament

Your ref:

Our ref: RW/AC

Date: 7 August 1989

If telephoning please ask for:

R Wolstenholme

Direct Line: 01-541 } 9200
or Guildford 51 }
(Switchboard 01-541 8800)

Dear Member

BUDGET OUTLOOK FOR THE FIRST YEAR OF THE COMMUNITY CHARGE

The Chairman of the Policy Committee made a statement at last week's meeting of the County Council. It gave a preliminary assessment of the Council's position, taking into account the recent announcement by the Secretary of State for the Environment (Mr Ridley).

The announcement gave aggregate figures only, and it is not expected that the final needs assessment figures for individual local authorities will be announced until the autumn. The Chairman has also written to the new Secretary of State (Mr Patten) expressing concern that the new simplified needs assessment will not give sufficient weighting to factors that increase the costs of providing services within the County area and which are outside the control of the Council.

The Chairman has asked me to let you have copies of both documents for your information and hopes you will be able to support the Council's request to be fairly treated when the needs assessments for individual authorities are finalised.

If you would like any further information or clarification of the issues involved please let me know.

Yours sincerely

COUNTY TREASURER

c.c. Douglas Robertson Esq DL
Mrs Cecilia Gerrard
Ernest Wright Esq

Christopher Patten Esq MP
Secretary of State for Environment
House of Commons
LONDON SW1 1AA

27 July 1989

Dear Secretary of State

I greatly welcome and congratulate you on your appointment as Secretary of State. You are taking on a very demanding portfolio, but I hope that in due course there will be an opportunity for you to visit Surrey and meet Members of the County Council and see first hand how we go about local government in this County.

In the meantime, we were pleased to hear in your opening speech on 25 July of your willingness to look very carefully at the arrangements for introducing the community charge. As a contribution to that examination, may I raise four points.

First of all, the figures announced by your predecessor seem to depart from the widely stated Government position that Aggregate External Finance would equal 75% of the Needs Assessment. There appears to be a shortfall nationally of £1.7 billion or .5%. It has been stated many times that monies from Government and Business sources would meet threequarters of the local government's approved spending level, with the community charge funding the remaining quarter. The announcement immediately raises the proportion falling upon the community charge. I acknowledge that this relationship may change over time, but surely there is a very strong justification in expecting that understanding to be in place at the launch of the new scheme.

My second point relates to the safety netting and grant capping arrangements to cope with the transitional period. I should make my position clear in saying that in principle I do not see the arrangements currently proposed as unfair.

I also acknowledge that a four year transition is reasonable. My main concern is much more to do with image and public perception. Surrey is a low spending County, and yet because of the working of the presently existing grant arrangements the domestic rates currently payable per household are well above the national average, and well above many of our neighbours. This is a direct consequence of our high average rateable values and our low perceived need to spend, and yet this has been adopted as the starting point of the new system.

Because of the working of the proposed grant capping arrangements, Surrey's community charge (County and District) will be above the national average and certainly well above any nationally announced norm. The public will find this very confusing as we shall continue to claim that we are a low spending authority. My case for funding the cost of the safety nets by specific grant is not based upon unfairness, but much more on a desire that the launch of the new system should be successful by showing low spending authorities as having a low community charge.

My third point is that the Grant Related Expenditure Assessment for Surrey has been historically low, because in our view it has always failed to take account of pressures on services such as education, highways, and fire and police, arising from the economic success in Surrey and consequent higher expectations. People of Surrey expect to be able to move around a congested County and to have well trained and equipped Police and Fire Services. At the same time they do produce well above the national average quantity of waste which is very expensive to dispose of. There are many other illustrations. There is also no doubt that costs in the South-East are higher than in the rest of the country. Whereas GRE was used as a basis for calculating grant entitlement, the assessed spending need is much more central and of concern because it is the basis of accountability and will appear on the community charge bill. I believe the assessed spending need must properly reflect these factors.

We are now embarked on the planning of the County Council's progress for the next four years, and the revenue budget and capital programme for the first of those years, Regrettably, however, at this stage there remains a very large area of uncertainty in the proposed arrangements and the need for prompt release of information from your department. Effective planning cannot proceed without the early availability of figures for individual authorities of assessed spending need, together with provisional indications of their Grant and Uniform Business Rate entitlements and, in addition, your proposed capital credit approvals. There is an early need for you to address this, my fourth point.

I hope you regard these comments as constructive, and would value hearing your response at an early date.

Yours sincerely

Gerald Mortimer
Chairman of Policy Committee

STATEMENT BY CHAIRMAN OF POLICY COMMITTEE

PARAGRAPH B STRATEGIC DIRECTION

The Council will know that on 19 July 1989 the former Secretary of State for the Environment made his expected announcement about the Revenue Support Grant Settlement for 1990/91. This will have an impact on the Policy Committee's deliberations about the Council's medium-term planning and strategic direction as well as its short-term revenue and capital budget guidelines. I am taking this opportunity to inform the Council of the broad implications as we see them.

Part of the statement related to the Government's view of total local authority expenditure in 1990/91, and the total amount which the Government would contribute, either by way of grant, or from the Uniform Business Rate. Until we know more about the distribution formula, on which the Government will be consulting local authorities in the autumn, it is not possible to make firm or detailed predictions of how much Surrey's share will be. What is clear is that the Government will still expect local authorities to restrain their expenditure, and that the mechanism of the community charge will make this equally clear to authorities and the public.

The first point to which I would like to draw attention relates to the safety net arrangements about which there has already been much heated - but sometimes ill-informed discussion. I hope I can shed some light on it for the Council and the press.

In the past, Surrey County Council and its district councils have received Block Grant from the Government (however little it may recently have become) and they have collected, directly or indirectly, the non-domestic rate from industry and commerce. In future, each District Council, as collecting authority, will receive from the Government a share of the new Revenue Support Grant (which will replace Block Grant) and a share of the national total of non-domestic rates. That is the uniform business rate. These two shares, which are not at this stage separately identified, will comprise the "external contribution" towards the spending needs of each district together with its parishes and its proportion of its own County Council's spending - the rest of the cost, of course, having to be found from the Community Charge and sundry revenue. In consequence the net community charge can be expected to vary widely between our eleven districts as can be seen in tabulation released by Mr Ridley and published in the press on 20 July. I would stress the figures were based on 1989/90 budgets and were intended to be for illustration only.

Some authorities nationally will gain and others will lose from the combined effects of the new grant system and the new way of distributing non-domestic rates when compared with their position under the current rating system. The Government have confirmed their intention to phase in these gains and losses over a period of four years. The protection given to losing authorities is known as the safety net, and this will be financed by delaying the benefits to be received by the gainers.

The change made by Mr Ridley was to speed up the rate at which the gains are released, while giving some further protection to some losers. What is important from Surrey's point of view is that all districts will gain from the new system, and some will receive more of their gains in the first year than we had previously expected. There is room for argument that Mr Ridley could have gone even further, but I must stress that all Surrey districts will benefit from the new system and the changes just recently announced, and will receive a substantial share of their gains in the first year.

Taking as examples Runnymede and Spelthorne which appear, from figures released so far, to gain the least, community charge payers are shown in the Government's tables as contributing £47 per adult towards the safety net, but this will be less than their total gain and means that they will be at least a net £30 per adult better off immediately than they would have been under the old system of grant and non domestic rates. After the four year's transitional period, they will be about £80 per adult better off.

In all other districts the immediate and eventual benefits will be greater. Those districts which are shown as paying £75 per adult to the safety net, namely Elmbridge, Epsom & Ewell, Surrey Heath and Waverley, should receive net immediate benefits of at least £50, rising ultimately to at least £125 per adult. I would emphasise once more this gain comes from the new grant arrangements and the Uniform Business Rate combined. The total amount involved is indeed significant. Taking Surrey as a whole, the gain in the first year should be over £30 million compared with that which would result from the present rating system and this benefit should rise to more than £80 million by the fifth year.

The message from Mr Ridley's statement is that the changes in the safety net arrangements are good news for Surrey.

I now return to the overall financial picture. The Government have announced the total amount of expenditure which they expect to see spent by local government as a whole, and the total amount which they intend to meet from government Grant and the Uniform Business Rate. These figures are important, not only because, as I have indicated, they will fix the amount of external support which Surrey receives, but also they will determine the level of assessed need against which each local authority will be required to justify its own expenditure.

No decisions for 1990/91 have yet been taken by the Government on individual authority needs assessments or grant receipts. However we know that in 1989/90 the County Council is spending about 8% more than its GRE, and the latter, to the best of our knowledge, is likely to be the basis of the County's future needs assessment. Accordingly, we could find ourselves being shown as spending significantly more than the Government's view of our need to spend. This is important as the whole of any expenditure above the new needs assessment falls wholly on the community charge. The Policy Committee must therefore, as it always does, give very careful consideration to expenditure levels. I must emphasise that this does not mean that Surrey is a high spending authority. We still spend less per head than almost every other County Council. We will be looking carefully at the needs assessment when it becomes available, and we will argue the case for an

increase wherever we believe we can show that the assessment is inadequate. However, it is very likely that a significant gap will still remain for the County to face. This is also likely to be the case for many districts as their average gap above GRE appears to be even wider in percentage terms.

Looking at next year and the immediately following years, we have to consider the relative justification and priorities for, firstly, our revenue spending for maintaining good levels of services, then, secondly, the capital spending required for our significant programme of new construction and basic maintenance and, thirdly, the needs of new items, often initiated by Government, which we see as necessary or highly desirable. Together these amount to a formidable total. In addition we need to take stock of the present balance of spending between services. We must seek to identify those areas of spending which are of lower priority, and find ways of delivering existing services at lower cost. This will help us to balance the new priorities against the old within a level of expenditure which the community charge payers will find acceptable. Can I, however, assure Council that there is nothing which suggests to me the need to reduce the standards of our services to the Surrey public in areas which we judge to be important.

If I may summarise, the safety net arrangements are better than we expected, and as the transitional arrangements work through, the benefits of the new community charge system to the average Surrey ratepayer will increase still further. On the other hand, we as Councillors cannot be entirely

happy with the needs assessment we may face as a target for our already tightly controlled spending levels. We have already made our views known to the former DOE team and I have now written to the new Secretary of State, Mr Patten, drawing attention to this point and others we have identified as needing his consideration - so we remain hopeful.

Our initial view is that the grant settlement and the needs assessment, both of which seem likely to depend on our GRE, will require us to work very hard at ensuring that all our expenditure is wholly justified. We shall have - as we have had now for a number of years - a difficult task of assessing the competing priorities for our services and the need to balance these pressures with a reasonable charge to our Community Charge payers, but I am confident we shall work out a sound plan.

GERALD MORTIMER CBE
Chairman, Policy Committee

1 August 1989



COUNCILLOR PETER EVA
Leader of the Council
Royal Borough of Windsor and Maidenhead

20 Maidenhead Court Park, Maidenhead, Berks SL6 8HN
Telephone Maidenhead (0628) 34955

LORD PRESIDENT
OF THE COUNCIL
RECEIVED

4 JAN 1990

Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,
Lord President of the Council and
Leader of the House of Commons,
House of Commons,
Westminster,
LONDON. SW1A 0AA

Date: 3rd January 1990

Dear Deputy Prime Minister,

COMMUNITY CHARGE

My Council has now had a serious look at the implications for our residents of the Community Charge and I have to say they are staggering. I am certain they are not what the Government intended when it embarked on the reform of local government finance.

Whilst we accept the concept of a Standard Spending Assessment for each authority as a basis for distributing grant, the actual formula used, certainly for non-metropolitan district councils, is little short of absurd. This is easily illustrated by the fact that the formula indicates that our neighbour, Slough, needs to spend twice as much per head of adult population as we do to provide the same services; and these are not services where social and environmental factors have any real significance.

We also find the arithmetical mechanics of the system quite amazing. For example, the OPCS estimate of an adult population was about 93,000. Because our registration staff have done an excellent job we have registered about 99,000 potential charge payers.

We now understand that the Government intends to reflect this increased number in the grant distribution, but not in the S.S.A.s. This means that the SSA per head reduces and we shall lose about £45 per head in grant at a stroke! This in turn will put up the Community Charge by £45 and it is now likely to be significantly above £500 per head.

This is all against a background of us being told in the early stages that we were a 'gaining' authority and this is still reflected in the requirement that we should pay £69 per head into the safety net.

As far as my authority is concerned the nonsensical grant distribution arrangements have completely undermined the credibility of the principle of Community Charge, which until now I have supported.

I regret to say that in the present circumstances I can see no basis on which I and my Council can defend or justify the system, which in our case will lead to quite unacceptable, and in many cases unaffordable bills. I fervently hope that it is not too late for some action to be taken to assist us.

Yours sincerely,

Peter Eva
Leader of the Council