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ODDI WRTH YSGRIFENNYDD
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GWLADOL CYMRU

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

CF pc.
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18/12

CONFIDENTIAL

18 December 1989

Dustin,

STATEMENT ON LOCAL GOVERNMENT FINANCE IN WALES

... Further to my letter ^{attached} earlier today, I now attach a final text of my Secretary of State's statement. This contains 2 minor amendments to the earlier version, in paras 7 and 10.

/ Copies go to Paul Gray at No 10 and to the Private Secretaries to the Secretaries of State for Scotland and for the Environment, to the Chief Secretary and to the Chief Whip.

Yr menydy,
Steph Williams

S R WILLIAMS

Tim Sutton Esq
Private Secretary to the
Lord President of the Council
Privy Council Office
Whitehall
London

**LOCAL GOVERNMENT FINANCE IN WALES: PARLIAMENTARY STATEMENT
BY SECRETARY OF STATE FOR WALES, 18 DECEMBER 1989**

1. With permission, Mr Speaker, I would like to make a statement about local government finance in Wales. I have already made it clear that in order to assist local authorities in Wales I would announce the 1990/91 grant Settlement before Christmas. I propose to lay the Reports for 1990/91 on Wednesday; but I am today placing in the library a paper detailing my Settlement decisions. I will be sending copies of the Reports and of further technical data to all Welsh local authorities on Wednesday.

2. In summary, the Settlement provides for a realistic level of Total Standard Spending of £2,114.5m, well up on the equivalent figure for 1989/90. Aggregate External Finance at £1,738.5m is increased by no less than 8.6%. Within this, and as compared with my provisional estimates in November, Revenue Support Grant has been increased by a further £10.4m to £1141.3m, and the distributable amount from the non-domestic rating account has been reduced by the same amount to £443m.

3. This is an excellent Settlement. It is good for non-domestic ratepayers because a uniform poundage of 36.8p across Wales will provide the certainty and stability they have been seeking and because their contribution of £443m, which is only 20% of local government spending, is over £10m lower than I predicted in November.

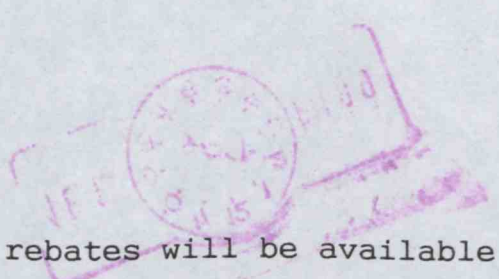
4. It is good for community chargepayers because it presents local authorities with an outstanding opportunity to keep community charges down. They know, and their electorate will know, that the burden of overspending is borne entirely by chargepayers. This will bring realism to the local authority budgeting process.

5. The increase in Total Standard Spending should allow authorities to maintain and, where appropriate, to develop services - particularly if councils achieve the efficiency savings which the Audit Commission has identified and which, commendably, they have been seeking.

6. There is no reason for local authorities to budget to exceed Total Standard Spending and no reason for the average community charge in Wales to be more than £173. This is the true measure of the excellence of this Settlement for the Principality.

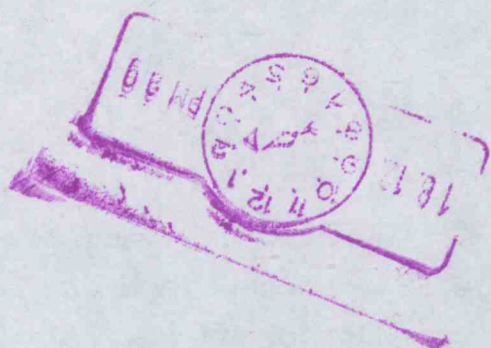
7. Chargepayers will expect their councils to set their community charges in line with this Settlement. They will very quickly appreciate that expenditure increases which exceed this will result in higher charges and will wish to satisfy themselves that they are not being asked to pay the price of overspending and inefficiency. It will be for councils, and particularly those whose spending exceeds their standard spending assessment and who set higher charges, to justify their decisions to their electorate. Similarly chargepayers will not expect those councils whose spending falls below their standard spending assessment to increase their spending by more than I have allowed for if they are already efficiently providing an appropriate level of service.

8. I intend to introduce a scheme of community charge transitional relief, carefully tailored to reflect Welsh circumstances. For 1990/91 I am providing £20m in grant to fund this scheme; resources will also be made available for the following two years. This scheme replaces and improves upon the safety-net I proposed in July: it is carefully targeted and cost-effective. I have placed in the Library provisional details of the communities which may receive additional grant. The scheme is fully funded by the Government and an area safety net will not be required. This additional grant will reduce the average community charge which should be payable in Wales to about £165.



9. In addition community charge rebates will be available for those on low incomes and I urge all chargepayers who may be eligible for a rebate to apply for one to their local councils. Those on the lowest incomes in Wales will actually be better off with the community charge than if they had received a 100% rebate under the old rating system.

10. Under this excellent Settlement central government and non domestic ratepayers will together finance around 85% of local government revenue expenditure in the Principality. It follows that only 15% of local government expenditure will be met by chargepayers. In the light of this chargepayers have every right to expect their local councils to protect their interests by budgeting sensibly, by containing their spending to affordable levels and by keeping the community charge low.



cc Dan, PH, Pt. d'Arco, Q

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

CF - pc.

CONFIDENTIAL

AMG
18/12

18 December 1989

Dear Tim,

STATEMENT ON LOCAL GOVERNMENT FINANCE IN WALES

We spoke on Friday afternoon about the Lord President's request that my Secretary of State should bring forward his statement from Wednesday to this afternoon. My Secretary of State reluctantly agreed and I now attach the text of our statement.

- / Copies go to Paul Gray at No 10 and to the Private Secretaries to the Secretaries of State for Scotland and for the Environment, to the Chief Secretary and to the Chief Whip.

Yr menyly,
S R Williams

S R WILLIAMS

Tim Sutton Esq
Private Secretary to the
Lord President of the Council
Privy Council Office
Whitehall
London

**LOCAL GOVERNMENT FINANCE IN WALES: PARLIAMENTARY STATEMENT
BY SECRETARY OF STATE FOR WALES, 18 DECEMBER 1989**

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5. The increase in Total Standard Spending should allow authorities to maintain and, where appropriate, to develop services - particularly if councils achieve the efficiency savings which the Audit Commission has identified and which, commendably, they have been seeking.

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MEM (WELSH)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 November 1989

Dear Stephen,

LOCAL GOVERNMENT FINANCE

Thank you for your letter of 3 November enclosing the announcements which your Secretary of State proposes to make today. The Prime Minister has seen this material which she has noted without comment.

I am sending copies of this letter to Steven Catling (Lord President's Office), Jim Gallagher (Scottish Office), Roger Bright (Department of the Environment), Peter Wanless (Chief Secretary's Office) Miss Gillian Kirton (Lord Privy Seal's Office) and to Trevor Woolley (Cabinet Office).

PAUL GRAY

Stephen Williams, Esq.,
Welsh Office

MEM

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

Prime Minister²

REC 6
3/11

3 November 1989

Dev Paul,

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LOCAL GOVERNMENT FINANCE: WALES

I can now confirm that my Secretary of State proposes to make announcements on Monday, by way of two Written Answers, on the scheme of community charge transitional relief to be introduced in Wales, and on revenue support grant matters. The answers will be released immediately following Mr Patten's statement on the English local authority grant settlement. The Answer on the transitional relief scheme will be released simultaneously in the Lords to meet a commitment given by Lord Hesketh during the Lords consideration of the Local Government and Housing Bill.

I attach a draft of the answers, which have already been agreed by officials in the Treasury and the Department of the Environment, and which my Secretary of State will be considering over the weekend.

/ I am sending copies of this to the Private Secretaries to the Lord President, the Secretary of State for Scotland, the Secretary of State for the Environment, the Chief Secretary and the Lord Privy Seal, and to Trevor Woolley (Cabinet Office).

Stephen Williams

STEPHEN WILLIAMS

Paul Gray
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

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TRANSITIONAL RELIEF: DRAFT PARLIAMENTARY QUESTION AND ANSWER**TO ASK THE SECRETARY OF STATE FOR WALES WHAT ARE HIS PLANS FOR A SCHEME OF TRANSITIONAL RELIEF TO HELP COMMUNITY CHARGEPAVERS IN WALES; AND IF HE WILL MAKE A STATEMENT****Answer:**

In July I announced that the average community charge in Wales for 1990/91 would be £175, provided that Welsh local authorities budgeted in line with my plans. This will benefit all Welsh community chargepayers. In addition to this a three-year scheme of community charge transitional relief is to be introduced which will provide further assistance to personal chargepayers in Wales. The cost of the scheme will be £17.5m in 1990/91.

I am placing in the Library copies of a paper setting out my proposals, which have been the subject of consultation with the Welsh local authority associations. The scheme gives protection to those facing significant increases over their 1989/90 domestic rates bills, while ensuring that no significant additional administrative burdens are imposed upon district councils. It will provide broadly the same protection as that provided by a district safety net but without the need for contributions from chargepayers.

The scheme I am announcing today will mean that in 1990/91 personal chargepayers in communities where domestic rateable values are low will face an increase of no more than £25 per year - less than 50p a week - over the average 1989/90 domestic rates bill for each adult in their community area, provided that local authorities spend in line with my plans. Residents of many communities, including most communities in the Valleys, many rural communities and some inner city communities will be protected from large increases as we introduce the new system.

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In bringing forward these proposals, I must emphasise the important responsibility which now falls upon Welsh local authorities in their budget-making for 1990/91. The announcement I have made must not be taken by authorities as a signal to increase spending; rather, I look to Welsh local authorities to ensure, in setting their budgets for 1990/91, that the full benefits of these new arrangements flow through to chargepayers.

REVENUE SUPPORT GRANT

Q: To ask the Secretary of State for Wales at what level he proposes to set the total of revenue support grant, the NNDR multiplier, and the distributable amount of NNDR for Wales and if he will make a statement.

A: I announced on 20 July that I proposed to set the total of Aggregate External Finance (the level of central government support for local authority revenue spending) at £1,733 million, an increase of 8.6 per cent over the comparable level for 1989/90. This support comprises three component elements : revenue support grant, the NNDR distributable amount and relevant specific grants.

I now estimate that the amount of business rates to be distributed in 1990/91 (the distributable amount) will be £454 million. This is the amount (adjusted to allow for certain technical factors) which I expect charging authorities to receive in respect of rates paid by private businesses, nationalised industries, and local authorities themselves, together with a contribution in respect of Crown property. This amount includes an element from the business sector which is broadly the same in real terms as the equivalent amount for 1989/90. In arriving at the distributable amount I have estimated that the national non-domestic rate multiplier for 1990/91 will be 38 pence; but this figure will be provisional until I have final information about the effects of the revaluation and other relevant factors.

I estimate that relevant specific grants towards local authority revenue expenditure will total £154.2 million. Further details will be available at the time of the Autumn Statement.

I propose that the total of revenue support grant should be £1124.8 million. I am today consulting Welsh local authorities and their associations on this amount.

I will also shortly be notifying the associations of my proposals for the Distribution and Population Reports, together with exemplifications of the likely effect of my proposals on individual authorities. These will be based on provisional population figures from community charge registers. The Welsh local authority associations share the view that it would not be helpful to publish exemplifications at this stage.

THE COMMUNITY CHARGE

PROPOSALS FOR TRANSITIONAL ARRANGEMENTS FOR WALES

1. This paper sets out proposals for a targeted scheme of transitional relief to operate on introduction of the community charge in Wales. The relief would take the form of a reduction in the community charge liability of personal chargepayers in communities with low average domestic rateable values. The scheme would thus help those communities which could otherwise face the highest increases as the new system takes effect.
2. The transitional relief would be phased out over three years 1990/91, 1991/92 and 1992/93 and would be funded by specific grant.
3. The proposed scheme would be provided for by an enabling power in the Local Government and Housing Bill, followed by regulations, and by Directions under the Local Government Finance Act 1988.

How the scheme would work

4. An average domestic rate bill per adult would be calculated by the Secretary of State for each community area in each Welsh district using information supplied to him by the district councils. He would then compare the average domestic rate bill per adult for each community to the community charge for the appropriate district, assuming spending increases in line with his plans for 1990/91. Each personal community chargepayer in communities where the assumed community charge was calculated to exceed average domestic rate bills per adult by more than a specified threshold amount would receive relief equal to the excess.
5. The threshold amount would be set in regulations and would depend upon data which local authorities would be asked to provide on average domestic rateable values and relevant population. The Secretary of State would also specify in the regulations the deductions to be made from community charges for each of the communities eligible for relief for each of the years in which the scheme would apply.

6. Funding for the community level transitional relief scheme would be met by Government specific grant. The sums available for this purpose will be £17.5m in 1990/91, to include reasonable administration costs.

7. An example of how the transitional relief scheme would benefit chargepayers in Community A, which is located within District X, is set out below. For the purposes of this illustration the threshold figure is set at £25.

	£
Average domestic rate bills per adult in Community A in 1989/90	120
Assumed community charge in District X in 1990/91 (assuming spending in line with the Secretary of State's assumptions)	175
Increase compared to average rates per adult in Community A 1989/90: 1990/91	55
Less Community transitional relief for excess over £25	30
1990/91 community charge in Community A if relevant authorities spend in line with the Secretary of State's assumptions.	145

Administration of the Scheme at Community Level

8. To administer the scheme at community level, each district would need to be able to identify the community in which each personal community chargepayer lives (whether or not there is a community council for that area). Every district council would provide the Secretary of State with an average domestic rateable value and the registered population (from its community charge register) for each of its constituent communities. Preliminary soundings indicate that this information is readily available and can be extracted from existing data bases with minimal effort.

9. Where possible, community charge bills would be calculated net of any relief due under the transitional relief arrangements. This would mean that chargepayers would receive relief from the start of the year, and no retrospective amendment to bills should be necessary. Chargepayers may also be entitled to community charge benefit, which would be calculated on the amount of their liability net of any transitional relief and would serve to reduce further the amount they must pay. Bills would be issued net of community charge benefit wherever possible.

10. In the communities which qualify for transitional relief, the relief arrangements would apply to all chargepayers who are liable to the personal charge. Students, who will only be liable to 20% of the personal charge, would receive 20% of any community transitional relief.

11. In formulating the transitional relief proposals, an important consideration has been to keep the administrative costs associated with their implementation to a minimum. Reasonable administration costs incurred by the district councils in running this scheme would be met in full.