



Minister for Local Government
and Inner Cities

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-276 3000

30 MAR 1990

Dear Paul

Thank you for your letter of 23 March seeking briefing for the Prime Minister's meeting with Mr Iain Mills MP and Mr John Taylor MP on Tuesday 3 April to discuss the community charge.

I attach a brief for this meeting. I have included full background information but, if you wish to keep the volume of material to a minimum, the bull points at flag A would suffice. The message of the remainder of the tables and papers in the brief is summarised on a single page at flag B. Please let me know if you require anything further.

I can confirm that Mr Hunt will be glad to join the Prime Minister at the meeting.

Yours

Trevor

TREVOR BEATTIE
Private Secretary

Paul Gray Esq
Private Secretary to
The Rt Hon Mrs Margaret Thatcher MP



RECYCLED PAPER

BULL POINTS

Community Charge

1. Solihull has set a community charge of £393. This implies spending of £43 per adult (or 6%) over their SSA, and represents an increase of 18% over their 1989/90 rate and grant income, adjusted for changes in function.
2. The 1990/91 settlement implies a community charge for Solihull of only £233 per adult before the safety net. This is nearly £100 lower than the 1989/90 average rate bill per adult (increased by 4%).
3. Solihull contributes £52 per adult to the safety net in 1990/91. This contribution is for one year only. They should reap the full benefit of the gain (some £97 per adult) from the new system in 1991/92.
4. If Solihull were to spend in line with the settlement assumptions then the community charge in 1990/91 (including the safety net) need be no more than £285.

Standard Spending Assessment(SSA)

5. Solihull's own SSA of £103.7 million is 3.3% (or £22 per adult) higher in cash terms than their 1989/90 GRE (adjusted for changes in function). This compares with the average increase of 7.1% (or £55 per adult) for metropolitan districts as a whole.
6. In real terms their SSA is a reduction of £41 per adult compared with their adjusted 1989/90 GRE. This is due mainly to the Education assessment (a reduction of £34 per adult), and is the largest reduction for any LEA except the Isles of Scilly. £13 of this is due to changes in the scope of the area cost adjustment and the extra weighting given to additional educational needs(AEN). The remaining £21 is accounted for by the above average fall in Solihull's AEN score and in the number of school children it supports. The increase in weighting came from recent research evidence and extensive discussions with the local authority associations. Ministers resisted pressure for a higher AEN.
7. Solihull will receive £449 per adult of external support (business rates plus grant) in 1990/91. This is some 16% more compared with this year. The average increase for metropolitan areas is only 4%.

Relief and Rebates

8. For the transitional relief scheme, the Government will meet 100% of the difference between the settlement community charge and the 1989/90

rate bill per adult (increased by 4%) if that difference is greater than £3 per week. Special arrangements exist for pensioners and the disabled who previously did not pay rates. Their liability will be limited to £3 per week.

9. Around 1 in 4 chargepayers will get a rebate on a sliding scale of up to 80% according to their means. This scheme is more generous than rate rebates. Income support recipients will get extra help to pay the 20% for which they are responsible.

BACKGROUND INFORMATION

1. Solihull has complained about its SSA position. In their view they did poorly on the old GREs and expected to do better with SSAs; they now believe their SSA has left them in a worse position.
2. Mr Hunt and Mr Patten have both met delegations of MPs and officials from Solihull, on 15 November and 13 December respectively last year to discuss the settlement proposals and their implications. All the points made at these meetings were carefully considered before final decisions were made. Mr Hunt also visited Solihull on Friday 23 March.
3. The meeting with Mr Patten was followed up by a letter (see FLAG E) from Mrs Chipping describing how the indicator data on income support were derived. This stemmed from a particular concern that their SSA was understated because of the method of calculating the number of children of claimants and elderly on income support.
4. Solihull see themselves as a low spending authority being forced to set themselves a charge possibly higher than neighbouring authorities. According to the latest information the figures for neighbouring authorities are generally of the same order of magnitude; this suggests that spending needs have been assessed fairly across these authorities.
5. The SSA calculations do reflect the relevant characteristics of Solihull as a whole, including the latest estimated numbers of the elderly population. Annex A of the Distribution Report gives the full details.
6. The proposals for the new financing arrangements for Community Care are not due to be implemented until 1991/92. Discussions are currently taking place with the interested parties to establish how best to incorporate the proposals into next year's settlement.

1990/91 RSG SETTLEMENT BRIEFING SHEET FOR SOLIHULL

SSAs: CHANGES FROM 1989/90 GREs	1990/91 SSA (£m)	1990/91 SSA (£/adult)	Change from cash 1989/90 GRE (£/adult)	Change from rescaled 1989/90 GRE (£/adult)
Education	60.504	403	3	-34
PSS	11.645	78	13	6
Highway Maintenance	6.398	43	7	5
Other Services	17.676	118	-6	-15
Capital Financing	7.442	50	5	-2
TOTAL	103.664	691	22	-41

ASSUMED OVERSPENDS	SSA (£m)	Assumed expenditure figure (£m)	Implied overspend vs SSA (£m)	Implied overspend vs SSA (£/adult)
Solihull	103.664	97.421	-6.243	-42
West Midlands Police Authority	112.329	107.195	-5.135	-3
West Midlands Fire & CD Authority	53.496	51.846	-1.649	-1
Birmingham	724.135	659.393	-64.742	-95
Coventry	190.129	201.300	11.171	51
Dudley	156.866	155.826	-1.040	-4
Sandwell	192.024	183.541	-8.483	-38
Walsall	156.946	157.305	0.359	2
Wolverhampton	172.773	163.004	-9.769	-52

COMMUNITY CHARGES	1989/90 average rate bill per adult (£)	1990/91 CC without safety net (£)	1990/91 safety net receipt (£/adult)	1990/91 CC with safety net etc (£)
Solihull	317	233	-52	285
Birmingham	296	180	-69	248
Coventry	319	326	-4	329
Dudley	285	270	-14	284
Sandwell	274	236	-26	262
Walsall	304	276	-21	298
Wolverhampton	298	222	-47	269

SOLIHULL'S

TOTAL EXTERNAL SUPPORT FOR 1990/91

	fm	£/adult
Income from NNDR pool	43.861	293
RSG before safety net	31.294	209
Safety net contribution	7.785	52
Grant after safety net	23.509	157
Total External Support	67.370	449

SOLIHULL'S PERFORMANCE IN 1989/90

	Reported total expend- iture	Use of balances	Rate income plus grant	RFC to HRA	Rate income plus grant less RFC to HRA	Total GRE	E7 GRE	Total GRE less E7 GRE
fm	89.756	1.724	88.032	-	88.032	96.096	-	96.096
£/adult	599	11	587	-	587	641	-	641

ADJUSTED 1989/90 FIGURES FOR SOLIHULL
FOR COMPARISON WITH 1990/91 FIGURES

Adjusted rate income plus grant (fm)	Adjusted total expenditure (fm)
93.098	94.821

TABLE A : INDICATOR VALUES USED IN THE CALCULATION OF STANDARD SPENDING ASSESSMENTS FOR 1990/91.
INDICATORS ARE THOSE DEFINED IN ANNEX A OF THE REVENUE SUPPORT GRANT DISTRIBUTION REPORT (ENGLAND).

LOCAL AUTHORITY : Solihull

Authority code : 362

	Column 1	Column 2	Column 3
I. EDUCATION			
PUPILS AGED 5-10			14338
PUPILS AGED 11-15			12150
STUDENTS AGED 16+			3911.938718
Pupils aged 16+		1690	
FE students under 19 on Group A courses		815.75	
FE students under 19 on Group B courses		839.25	
FE students aged 19+ on Group A courses		223.92	
FE students aged 19+ on Group B courses		140.08	
FE students attending YTS course		113.10	
HE students on Group A courses		1.70	
HE students on Group B courses		40.50	
ADDITIONAL NEEDS			0.43445
Children of lone parents (proportion)		0.1270	
Children of claimants (number)	6381.875		
Residents aged 0-17	47742		
Children of claimants (proportion)		0.1337	
Children whose HOH born outside UK/IRE/US or Old Commonwealth		0.0434	
FREE MEALS			0.1337
SPARSITY			0.1094
Proportion of population in wards with 1e 0.5 persons per hectare		0.0000	
Proportion of population in wards gt 0.5 and 1e 4.0 persons per hectare		0.1094	
RESIDENT POPULATION AGED 0-4			12509
RESIDENT POPULATION AGED 11+			176857
AREA COST ADJUSTMENT FOR EDUCATION			1.000000
II. PERSONAL SOCIAL SERVICES			
CHILDREN AT RISK			1937.938490
Residents aged 0-17		47742	
Children of lone parents (proportion)		0.1270	
Children of claimants (number)	6381.875		
Residents aged 0-17	47742		
Children of claimants (proportion)		0.1337	
Proportion of children in rented accomm.		0.3368	
CHILDREN'S SOCIAL INDEX			-1.3508
Proportion of children of lone parents		0.1270	
Annual average population decline (p/h)		0.0000	
Proportion of persons sharing		0.0009	
Proportion of children whose HOH born in NC/Pakistan		0.0271	
Ward weighted density (x 10)		33.9881	

For descriptions of columns 1 to 3 see notes on final page.

LOCAL AUTHORITY : Solihull

Authority code : 362

	Column 1	Column 2	Column 3
II. PERSONAL SOCIAL SERVICES (continued)			
POTENTIAL ELDERLY SUPPORTED RESIDENTS			401.085297
Elderly living alone (proportion)		0.3011	
Elderly on income support (number)	4290.125		
Residents aged 65+	27938		
Elderly on income support (proportion)		0.1536	
Residents aged 65+ in registered homes	242		
Residents aged 65+	27938		
Proportion of persons in reg. homes		0.0087	
Residents aged 65-74	16808		
Residents aged 75-84	9102		
Residents aged 85+	2028		
Elderly population (weighted)		93776	
NATIONAL AVERAGE EXPENDITURE ON RESIDENTIAL SUPPORT(p/h)			8720
INCOME FROM RESIDENTIAL CHARGES(p/h)			2616
Income from residential charges		753326	
LA supported residents		288	
POTENTIAL ELDERLY DOMICILIARY CLIENTS			2040.504912
Residents aged 65+		27938	
Residents aged 85+	2028		
Residents aged 65+	27938		
Proportion of persons aged 65+ who are 85+		0.0726	
Proportion of persons aged 65+ privately renting		0.1076	
Proportion of elderly living alone		0.3011	
Elderly on income support	4290.125		
Residents aged 65+	27938		
Elderly on income support (proportion)		0.1536	
RESIDENT POPULATION AGED 18-64			129363
ALL AGES SOCIAL INDEX			-2.1873
Proportion of persons sharing		0.0009	
Proportion of persons lacking bath or inside WC		0.0044	
Proportion of persons in lone parent families		0.0254	
Proportion of persons at density >1ppr		0.0599	
Proportion of persons whose HOH born in New Commonwealth/Pakistan		0.0185	
AREA COST ADJUSTMENT FOR GENERAL PSS			1.000000
AREA COST ADJUSTMENT FOR DOMICILIARY PSS			1.000000

For descriptions of columns 1 to 3 see notes on final page.

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LOCAL AUTHORITY : Solihull

Authority code : 362

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
<u>II. POLICE</u>			
POLICE ESTABLISHMENT			n/a
POLICE GRANT RATE			n/a
AREA COST ADJUSTMENT FOR POLICE			n/a
<u>IV. FIRE AND CIVIL DEFENCE</u>			
RESIDENT POPULATION			n/a
WARD WEIGHTED DENSITY			n/a
FIRE AND FALSE ALARM CALLS(p/h)			n/a
Fire and false alarm calls (number)		n/a	
Resident population		n/a	
'A' RISK AREA (per head)			n/a
'A' risk area (number)		n/a	
Resident population		n/a	
AREA COST ADJUSTMENT FOR FIRE AND CIVIL DEFENCE			n/a
<u>V. HIGHWAY MAINTENANCE</u>			
WEIGHTED ROAD LENGTHS			1423.7
Principal built-up roads		19.4	
Principal non built-up roads		31.0	
Other built-up roads		529.3	
Other non built-up roads		155.7	
TRAFFIC FLOW ABOVE THRESHOLD LEVEL			5863.010
Annual average flow of all vehicles			
on principal roads (000s)		5720.458	
Annual average flow of HGVs			
on principal roads (000s)		366.046	
POPULATION ABOVE THRESHOLD			169.116127
Resident population		205043	
Net inflow of persons		-28540	
Unweighted road lengths		735.4	
DAYS WITH SNOW LYING			14.9
AREA COST ADJUSTMENT FOR HIGHWAY MAINTENANCE			1.000000

For descriptions of columns 1 to 3 see notes on final page.

TABLE A : INDICATOR VALUES USED IN THE CALCULATION OF STANDARD SPENDING ASSESSMENTS FOR 1990/91.
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LOCAL AUTHORITY : Solihull

Authority code : 362

	Column 1	Column 2	Column 3
VI. ALL OTHER SERVICES			
ENHANCED POPULATION			198685.397260
Resident population		205043	
Net inflow of persons		-28540	
Annual average of nights stayed by visitors		1135000	
WARD WEIGHTED DENSITY			3.39881
ALL AGES SOCIAL INDEX			-2.1873
Proportion of persons sharing		0.0009	
Proportion of persons lacking bath or inside WC		0.0044	
Proportion of persons in lone parent families		0.0254	
Proportion of persons at density > 1 person per room		0.0599	
Proportion of persons with HOH born in New Commonwealth/Pakistan		0.0185	
SPARSITY			0.1094
Proportion of population in wards with le 0.5 persons per hectare		0.0000	
Proportion of population in wards with gt 0.5 and le 4 persons per hectare		0.1094	
ADULTS			149949
FLOOD DEFENCE EXPENDITURE (£000)			431
Current expenditure (1989/90 prices)		31	
Precept expenditure		400	
Internal drainage board expenditure		0	
COAST PROTECTION EXPENDITURE (£000)			0
AREA COST ADJUSTMENT FOR ALL OTHER SERVICES			1.000000
VII. CAPITAL FINANCING			
DEBT (£)			50388156
CREDIT APPROVALS (£)			2584464

Notes:-

1. Column 1 shows the base data needed to derive some of the components of the specified indicators in column 2.
2. Column 2 shows the data components used to derive the specified indicators shown in column 3.
3. Column 3 shows the value of the indicators used in the calculation of SSAs. These are usually calculated to full precision but for presentational purposes are shown to less (6 decimal places) where necessary.

DOE : JANUARY 1990

SOLIHULL

(B1) SERVICE AND SUB-SERVICE COMPONENTS OF SSAs

Primary Education (£m)	20.215914
Secondary Education (£m)	24.328107
Post-16 Education (£m)	11.081806
Under 5 Education (£m)	2.172575
Other Education (£m)	2.705373
TOTAL Education (£m)	60.503774
Children's PSS (£m)	4.038557
Elderly Residential PSS (£m)	2.446891
Elderly Domiciliary PSS (£m)	2.722701
Other PSS (£m)	2.436543
TOTAL PSS (£m)	11.644692
Highway Maintenance (£m)	6.397598
Other Services - District Level (£m)	13.591564
Other Services - County Level (£m)	5.477035
Rail (£m)	1.015716
Flood Defence (£m)	0.436350
Coast Protection (£m)	-
Interest Receipts (£m)	-2.844980
Boundary Changes Adjustment (£m)	-
TOTAL Other Services (£m)	17.675685
Debt Charges (£m)	7.211578
Capital Expenditure charged to Revenue Account (£m)	0.778982
Interest on Capital Receipts (£m)	-0.548179
TOTAL Capital Financing (£m)	7.442380
TOTAL SSA (£m)	103.664130

TABLE B: 1990/91 SETTLEMENT DATA

SOLIHULL

(B3) DATA USED TO CALCULATE EXPENDITURE ASSUMPTION

(B3a)	1989/90 Estimated Penny Rate Product (£m)	0.334000
(B3b)	1989/90 Estimated Average Local Rate or Precept (p)	195.72
(B3c)	Estimated Rate Income [B3a x B3b] (£m)	65.370480
(B3d)	1989/90 Estimated Block Grant after LRES (£m)	22.661490
(B3e)	Estimated Rate Income plus Grant [B3c+B3d] (£m)	88.031970
(B3f)	1989/90 RFRAC to HRA (£m)	-
(B3g)	1989/90 Net expenditure on Rent Rebates (£m)	0.347
(B3h)	1989/90 Net expenditure on Mandatory Student Awards (£m)	0.386
(B3i)	Other Adjustments eg to/from PCFC (£m)	-
(B3j)	Assumed Spending Inherited from ILEA/PTA (£m)	5.799263
(B3k)	Adjusted Rate Income plus Grant [B3e-B3f-B3g-B3h-B3i+B3j] (£m)	93.098233
(B3l)	Boundary Changes Adjustment (£m)	-
(B3m)	Expenditure Assumption [(B3k+B3l) x 1.04643049585694] (£m)	97.420831

The data at lines B3a, B3b, B3f, B3g and B3h are the best available to the Secretary of State on 19 July 1989. In general they are the figures reported on form RER90.

The calculation follows the description in the Annex to the Transition Report.

(B4) DATA USED TO ESTIMATE AVERAGE RATE BILL PER ADULT + 4%

(B4a)	1989/90 Penny Rate Product (£m)	0.334000
(B4b)	1989/90 Average General Rate (p)	234.40
(B4c)	1989/90 Transport Board Payments (£m)	0.159303
(B4d)	1 April 1988 Domestic Rateable Value (£m)	21.161877
(B4e)	1 April 1988 Gross Rateable Value (£m)	32.095617
(B4f)	Domestic Rate Income [((B4a x B4b)-B4c) x (B4d/B4e)] (£m)	51.514315
(B4g)	1989/90 Domestic Rate Relief Grant (£m)	4.002870
(B4h)	Boundary Changes Adjustment (£m)	-
(B4i)	Estimated Domestic Contribution [B4f-B4g+B4h] (£m)	47.511445
(B4j)	Relevant population (m)	0.149949
(B4k)	1989/90 Average rate bill per adult [B4i/B4j] (£)	316.850698
(B4l)	Average rate bill per adult + 4% [B4k x 1.04] (£)	329.524726

The data at lines B4a and B4b above are the best available to the Secretary of State on 19 July 1989. In general they are the figures reported on form RER90.

The calculation follows the description in the Annex to the Transition Report.

TABLE C: 1990/91 SETTLEMENT SCALING FACTORS

Primary Education: 0.999997608088873
Secondary Education: 1.00000302142846
Post-16 Education: 0.999997123020877
Under 5 Education: 0.999999385376896
Other Education: 1.00026898014558

Children's PSS: 1.00000076166512
Elderly residential PSS: 0.999455449128694
Elderly domiciliary PSS: 0.999997693248915
Other PSS: 0.999976590394325

Police: 1.0000000836736

Fire: 0.999210311847682

Highway Maintenance: 0.997437651867036

Other Services - District Level: 0.99990808273415
Other Services - County Level: 1.10472780524206
Flood Defence: 1.01241389750965
Coast Protection: 1.01928806648895
Interest Receipts: -0.028717811002438

Debt charges: 0.956589518343124
Capital Expenditure Charged to Revenue Account: 0.30140945399544
Interest on Capital Receipts for shire districts: -0.392610727575267.
Interest on Capital Receipts for shire counties: -0.020245646368106
Interest on Capital Receipts for other authorities: -0.076013747757806

10

Mr Osborn

MEETING WITH SOLIHULL METROPOLITAN BOROUGH COUNCIL ON 15 NOVEMBER

You were present on 15 November when Mr Hunt met Mr John Taylor MP, Cllr Meacham (Leader of Solihull Borough Council), Cllr Kelly, Mr Scampion and Mr Howson. Mrs Phillips, Mr Sharp and Mr Smith were also present.

Cllr Meacham said that the estimate of Solihull's expenditure upon which its estimated community charge figure for 1990/91 had been based was derieved from the level of its rates last year, not what it had actually spent. There was a considerable difference between these figures because the Council had used surplus balances to hold the rates down. The Council had only received a 3.2% increase in the Settlement, which fell far short of the amount necessary to cover increased costs. An increase of at least 4.75% was required to cover inflation, plus at least 2% growth to accommodate the effects of new legislation. Solihull's spending had always been around 5% below GREa but it would not be possible to get their community charge to £278 without substantial cuts.

Solihull suggested that past spending patterns had influenced the distribution of grant and argued that a safety net contribution was inappropriate for an area which had always kept its spending tightly under control. They also sought details of the composition of the Other Services block and were reminded that details were set out in the distribution report.

It was agreed that officials would meet to discuss how Solihull's SSA had been constructed and to consider figures submitted by the delegation.

Trevor Beattie

TREVOR BEATTIE
PS/Mr Hunt

16 November 1989

cc: Mr Sharp
Mrs Phillips
Mr Rowsell
Mr Compton
→ Mr C M Smith (FLER)



Solihull

METROPOLITAN BOROUGH COUNCIL

COUNCILLOR R.K. MEACHAM O.B.E.
LEADER OF THE COUNCIL

P.O. Box 18 Council House
Solihull West Midlands B91 3QS

Telephone 021-704 6000

David Hunt, M.P.
Department of Environment,
2, Marsham Street,
LONDON
SW1P 3EB

17th November, 1989

Dear Minister,

I would like to thank you for sparing the time to meet me and my colleagues last Wednesday. With so many changes to Local Government Finance now imminent, I imagine that you must receive numerous requests to meet representatives from other Councils so I do appreciate your finding time to discuss our problems.

As I explained, my main concern is that Solihull Council will find it virtually impossible to deliver a Community Charge at the standard level of £278 with the amount of Revenue Support Grant as currently proposed. The modest increase of 3.2% in our Standard Spending Assessment is totally inadequate when compared with inflation of approximately 8% and growth of 4%. Some 2% of the 4% growth is being imposed by legislation, the balance is mainly resulting from the capital programme.

I believe that we have a reputation for being careful with ratepayers money, but unfortunately for many years our ratepayers have been deprived of the benefits of our low spending by adverse settlements of Rate Support Grant. I was hoping that the introduction of the Community Charge would bring an end to this problem by producing a charge well below average.

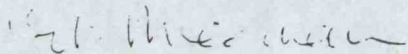
Unfortunately, it seems that we may well be forced to impose a Community Charge well in excess of your forecasts and this will, I fear, be most damaging to my Group and to the credibility of the Government if even a low-spending Conservative Council like Solihull fails to deliver any real benefits to chargepayers.

Cont'd/....

I hope our officials can find some way of avoiding this nightmare, but I doubt if anything significant could be achieved unless you change certain factors such as the weighting for additional education needs back in our favour. Perhaps you could find some way of recognising the special needs of the North of the Borough, which in part is very much a Birmingham City overspill development and also the significant new developments in the South which have necessitated new infrastructure including a new primary school when surplus places were available elsewhere!

I am sorry to burden you with my problems but I do hope that you will "push a few buttons" in our direction.

Yours sincerely,



Councillor R.K. Meacham O.B.E.

Mr Rowsell - with papers

**NOTE OF MEETING WITH SOLIHULL MBC ABOUT RATE SUPPORT GRANT ON
1 DECEMBER**

You and Mr Apps were present on 1 December when Mr Gummer met Iain Mills MP together with Solihull MBC representatives Cllr Meacham (Leader), Cllr Kellie (Deputy Leader), Mr Scampion (Chief Executive) and Mr Jennings (Director of Finance) to discuss the authority's proposed RSG entitlement for 1989/90.

Mr Mills said that Solihull were an efficient authority who did their best to implement Government policies but who suffered falls in grant every year. He asked whether something could be done to secure some extra grant for them.

Cllr Meacham said that he understood that all authorities wanted more grant but that Solihull's position was particularly bad and feelings were running very high. People could not understand why efficient Solihull were losing grant while profligate Birmingham were gaining.

Mr Scampion said that Solihull had lost education GRE because overall it had a fall on school population: however it was simultaneously experiencing an increase in school population in a "new town" in the Solihull area and this had not been accounted for in the borough's GRE. He suggested that this and other possible data errors had cost the authority £1m, and asked whether anything could be done to adjust the data used and restore the grant. Mr Jennings agreed that Solihull seemed to be losing out because of something in the way GREs were constructed. He said Solihull was the only one of the metropolitan districts to be losing grant in 1989/90. Cllr Meacham added that he hoped those GRE elements which disadvantaged Solihull would not be carried through into the new needs assessments and asked for an indication of Solihull's likely grant entitlement in 1990-91.

Cllr Kellie repeated the view that Solihull were an efficient authority. He claimed that when Mr Gummer had visited Solihull in October he had indicated that Solihull would be satisfied with the Settlement.

In response to Cllr Kellie's last point Mr Gummer said that he had been referring to the Settlement as a whole. He had not been aware of Solihull's particular likely grant entitlement. More generally he said:

- (i) the RSG system worked by law on the basis of general principles - it was not possible for him to make changes to individual authorities' grant entitlements without changing the assumptions on which the Settlement as a whole was based. Changes could be made where data had been used in error

and Mr Gummer asked officials to look at the data used for Solihull's education GRE: but he offered very little hope of comfort for them;

(ii) the present system took account of authorities' resources and Solihull, being a resource rich authority, tended to lose grant as a result;

(iii) for those authorities which received a relatively low proportion of grant, small cash changes in grant entitlement tended to have a disproportionate affect;

(iv) there was an unfortunate presentational problem for Solihull in that inefficient authorities tended to receive more grant while Solihull received less: but this was certainly not because the authority was underspending, it was the result of the attempt to direct grant at need. The new local government finance system would ensure that the system was more transparent show more clearly where the responsibility for overspending lay;

(v) it was quite possible that some of the present GRE elements which disadvantaged Solihull would be carried through to the new system. However on present exemplifications Solihull's community charge would be significantly lower than the present average rate bill per adult, even while the safety net was in operation. As it unwound Solihull's community would, all other things being equal, fall each year. vi) The Minister said he would ask officials to look at Solihull's likely grant entitlement for 1990-91 but thought there was very little prospect of giving any indication at this stage of what it may be.

Mr Gummer would be grateful for advice on the two follow-up points (see paras (i) and (vi) above) and a draft letter to send to Solihull.

Lyinger
P.T. P BETTS
APS/Mr Gummer

7 December 1988

cc: Mr Ellis-Rees (for info)
Mr D Roberts
Mr J Roberts
Mr Apps

Mr Howson
Solihull Metropolitan Borough Council
PO Box 9
Council House
Solihull
West Midlands
B931 3QR

Room N5/09
Tel (01) 276 3069

22 December 1989

Dear Mr Howson

LOCAL GOVERNMENT FINANCE (ENGLAND)
REVENUE SUPPORT GRANT FOR 1990/91 : UNDERLYING DATA

I refer to your letter of 1 December 1989 and the meeting between Chris Patten, Ian Mills MP and John Taylor and representatives of Solihull which took place on 13 December. I thought it would be helpful if I wrote to give you more background on the income support data we have used in the calculation of Standard Spending Assessments.

The income support data are an important element in the calculation of the Education and Personal Social Services Assessments, reflecting an established association between low income and special educational needs and social service provision. These data are the only ones available which are compiled consistently across all relevant authorities and can be updated annually.

You mention in your letter that you have discussed the basis of the income support data with an official in the Department of Social Security. While there is some general truth in the statements that the task of drawing the sample is not the main concern of the Social Security Offices and the task is undertaken by low grade staff, I am not aware that this is necessarily the case in respect of Solihull. In practice the quarterly sample is a systematic random sample of 1% of claimants' case papers from which their characteristics and those of their dependents are extracted for statistical purposes. The size of the sample is quite respectable given the overall number of claimants which is currently over 4 million; and the sample is considered to be a representative one.

I note that you will be writing to the Department of Social Security about a method to verify the income support data. This will supplement our own checks on the data. We compare,

for example, the figures for successive quarters for all relevant authorities and refer back to the Department of Social Security when we feel it is necessary. One of the things we particularly look for is apparent discontinuities between successive quarters which affect both the numbers of children of claimants and elderly claimants. However, I should point out that in using an administrative system there is always scope for changes in administrative procedures to influence the data so derived. If it can be demonstrated that the figures are influenced by any significant non-sampling errors then we would consider adjusting the data accordingly.

For the future, I understand that the Department of Social Security will be able to improve the general quality of the income support data for local authorities. This will be achieved through the computerisation of the Social Security Offices over the next few years and the use of a postcode directory to automatically assign addresses to local authority areas from the postcodes given on claimant forms.

I am copying this reply to Mr Proctor at the Department of Social Security.

Yours sincerely,

H J CHIPPING (MRS)
LOCAL GOVERNMENT FINANCE



Solihull

METROPOLITAN BOROUGH COUNCIL

Mr J E Roberts
Finance (Local Authority Grants) Division
Department of the Environment
2 Marsham Street
London
SW1P 3EB

D. HOWSON, I.P.F.A.
ACTING DIRECTOR OF FINANCE

P.O. Box 9 Council House
Solihull West Midlands B91 3QR
WHEN CALLING PLEASE ASK FOR:

Mr P Field

Direct line 021 704 6225

Date 1 December 1989

Your ref.

Our ref. PF/KMD

Dear Sir

Revenue Support Grant 1990/91

I refer to your letter of 6 November 1989 detailing the Secretary of State's proposals for the Revenue Support Grant Settlement 1990/91.

The Leader of the Council, Councillor R K Meacham OBE, will be writing to the Local Government Minister direct concerning the political implications of the proposed settlement. The purpose of this letter is to comment upon the underlying data used to reflect social need in the Education and Social Services assessments.

I have been concerned for some time that Solihull's assessment is understated because of the method of calculating the number of children of claimants and the elderly on Income Support. This concern was expressed when the Leader of the Council, Town Clerk and myself met David Hunt MP on 15 November 1989. The Department of Social Security have subsequently informed the Council of the method of calculating these figures, and this has only strengthened my view that they are inaccurate and penalise the Council.

As you probably know, the number of children of claimants and elderly on Income Support are estimated from a one percent sample taken by local Department of Social Security offices each quarter. The accuracy of this sample depends upon:-

- (a) whether the sample is representative;
- (b) the local knowledge of the person completing the task;
- (c) the importance attached to the task; and
- (d) the verification of results.

/Continued

1 December 1989

It is clear, from a conversation with an officer at Department of Social Security, that little importance is attached to this task, and at a national level no verification is carried out to ensure some degree of accuracy. Given that in Solihull there are significant areas with a postal address of Birmingham, for example, Bickenhill, Castle Bromwich, Chelmsley Wood, Fordbridge, Kingshurst, Marston Green and Smiths Wood, and also some areas with a Coventry postal address such as Berkswell and Meriden, it is very likely that claimants in these areas are included in the wrong local authority area.

I intend to write to the Department of Social Security direct to try to establish a method of verifying the data used. Could I ask you to investigate if improvements can be made to the data used and request that an undertaking is made to adjust Solihull needs assessment for 1990/91 if the current data is proved to be inaccurate.

Yours faithfully

J. H. H. H. H.

ACTING DIRECTOR OF FINANCE

RSG/ADFA

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DRAFT REPLY FOR PS/PM (MILLER) TO SEND TO COUNCILLOR MRS
M HARRIS, SOLIHULL MBC, COUNCIL HOUSE, SOLIHULL, WEST MIDLANDS,
B91 3QS

Thank you for your letter of 16 January to the Prime Minister about Rate Support Grant (RSG) and Solihull MBC. I have been asked to reply.

You will know that the Minister for Local Government, John Gummer, met a delegation from your Council, accompanied by Iain Mills MP, on 1 December. All the points made at that meeting, and subsequently, were carefully considered but Ministers concluded that the best they could do in the last year of the present unsatisfactory system was the RSG Settlement which they have in fact now made.

As John Gummer explained at the meeting, the Government fully recognise the inadequacies of the present system - that is why they are changing to a better one. And they understand the disappointment and sense of frustration which the Settlement next year has generated in Solihull. But it is necessary to work with the present system for one more year until the new system of community charges, needs grant, and business rates can be introduced.

That new system does away with the iniquitous system of resource equalisation, whereby high rateable value areas such as Solihull effectively subsidise lower rateable value areas. The introduction of the community charge in 1990 will provide the opportunity for you to show quite clearly the benefits to chargepayers of the prudent approach to budgeting which has been the hallmark of your Council in recent years. On the basis of 1988/89 figures, we estimate that the full community charge in Solihull would have been around £180 - some £100 less than average rate bills per adult.

LOCAL COURT

Community Charge

Pt 17.

