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CCNO



Private Minutes (2)

To note. Treasury are content

Note: Told John Bellard PM had seen and noted these proposals

AT "12

AT 12/2

MT

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

11 February 1985

Dear Willie,

**RATE LIMITATION: FINALISATION OF RATE LIMITS FOR RATING AUTHORITIES**

Following the setting of precept limits, this letter informs colleagues of the rate limits which (subject to any late representations giving rise to changes) I propose to include in the draft Affirmative Order covering the 13 designated rating authorities (ie all except Portsmouth) who have not accepted their proposed rate limit.

It is necessary for me to set final rate limits by 1 March; otherwise the interim limit procedure would come into play. Given the Parliamentary timing constraints, I should therefore lay the draft rating Order by Wednesday 13 February. (Even this timetable, for the precept limit Order, gave rise to a complaint from the Chairman of the Scrutiny Committee in the House before the debate). However I have for legal reasons had to keep my mind open throughout to possible representations from the authorities; and as you know they have deliberately adopted delaying tactics. It is for that reason that I am writing at very short notice, for which I apologise.

For the majority of authorities we have had little new information since setting the proposed rate limits, and there are no grounds for substantial alterations (which can only be upwards). There is a minor change in Islington's limit for technical reasons. There are three authorities however where new factors have emerged arguing for a change in the limit. These are Hackney, Lewisham and Leicester. (There are informal indications that Haringey may be intending to provide further information; but in the absence of new material I see no grounds at present for changing their limit.)

In the case of Hackney, the Council has sent us a letter from the District Auditor warning them that they may be heading for a deficit this year of £6m and asking them to take steps to offset it. Because of their creative accounting this year, for which I made partial allowance in their proposed rate limit, their true level of spending this year is likely to be considerably higher than their EL. Indeed, if we were to make complete allowance in a revised rate limit for their possible deficit, their rate limit would rise from its present 114.09p to no less than 179.37p implying a 50% rate increase. Public statements by Hackney councillors, however, suggest that they could well make no rate at all, or possibly one no higher than the rate of inflation. In any case, the deficit could in the event be smaller. In these circumstances I have considered carefully what rate limit is appropriate. To leave the rate limit at its present level would imply

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requiring Hackney to make very large real terms cuts. On the other hand, to allow a 50% rate increase looks unrealistic and could be over-generous. I therefore consider that, while we should recognise the existence of a deficit for which there is independent evidence from the District Auditor, we cannot be certain of its size; we should therefore allow for the financing of some £4m of shortfall this year and a carry-over of some £2m into next year's spending base. On this basis the rate limit would rise to 147.18p, implying a rate increase of 23.3% over this year's figure.

Lewisham have given me further information within the last few days which improves my understanding of the extensive creative accounting measures they have undertaken this year, and which also indicates the existence of a deficit. They have made a good case for my considering a larger part of their creative accounting than I previously allowed for in the context of a "Merseyside" adjustment for substantial use of special funds (from which they did not previously benefit). On this basis their rate limit would increase. I also propose to make partial allowance for the possible deficit this year. On these grounds I propose to raise Lewisham's RL from its original level of 87.49p to a figure of around 105p, which would still imply a reduction of 9.5% on this year's rate. (The new rate limit implies that at ratepayer level, allowing for likely changes in the GLC, ILEA, Metropolitan Police and LRT elements, there would be virtually no change in Lewisham's overall rate demand.)

In respect of Leicester, we have further information which indicates that, while their reserves are very large by comparison with similar authorities, they are not as large as originally thought. Furthermore some funds would appear to be earmarked for specific purposes. By making a reduced assumption in respect of reserves available to support the rate (an assumption which leaves over 40% of their annual spend in Leicester's reserves) I propose to increase their rate limit from 16.27p to 25.22p, still implying a 34% reduction in this year's rate.

The rates limits I propose to include in the draft Order are shown in the table annexed, together (for completeness) with the agreed precept limits. None of the changes I am proposing has any substantial expenditure effects.

I must ask for comments by 10.00AM on Tuesday 12 February at the latest in order to enable the draft Order to be finalised.

I am copying this letter to the Prime Minister, members of E(LA), John Biffen, John Wakeham and Sir Robert Armstrong.

*You see  
Pat*

PATRICK JENKIN

The Rt Hon the Lord Whitelaw CH MC

## 1985/6 RATE LIMITS

## ANNEX A

Expenditure level	1984/5 local rate	1985/6 rate limit	Rate poundage increase implied by rate limit	
Basildon	£ 13.662m	42.80p	50.33p	17.59%
Bournemouth	£ 16.751m	27.20p	26.88p	-1.16%
Leicester	£ 24.392m	37.50p	25.22p	-32.74%
Shaesdown	£ 14.199m	54.19p	57.22p	5.55%
Sheffield	£ 216.573m	208.24p	207.07p	-0.56%
Caaden	£ 117.429m	91.94p	92.02p	.09%
Greenwich	£ 66.584m	118.91p	96.42p	-18.91%
Hackney	£ 82.315m	119.30p	147.18p	23.37%
Islington	£ 85.564m	122.74p	112.07p	-9.69%
Lambeth	£ 113.558m	122.34p	107.57p	-12.07%
Lewisham	£ 79.301m	115.74p	104.70p	-9.54%
Southwark	£ 108.437m	149.74p	112.69p	-24.74%
Brent	£ 140.021m	193.42p	196.42p	1.55%
Haringey	£ 128.658m	229.16p	222.17p	-3.05%
Merseyside	£ 205.180m	65.00p	82.86p	27.48%
South Yorkshire	£ 178.291m	83.30p	81.32p	-2.39%
GLC	£ 785.233m	36.55p	36.52p	-.08%
ILEA	£ 900.366m	90.00p	77.25p	-13.44%

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