



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Secretary of State for Social Services

CONFIDENTIAL

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Dear Paul,

IMPLICATIONS OF THE RAWP REVIEW RECOMMENDATIONS FOR REGIONS

You asked me to let you know how the recommended changes in the RAWP formula would affect the position of individual Regions.

I am enclosing a table which shows what the impact would have been of applying the revised formula as compared with the present position. A score of 100 would represent a Region whose allocation equalled its RAWP target. Thus, for example, Northern Region which is currently at 98.4% of its RAWP target (and therefore a significant gainer from the RAWP process) would under the changed formula be at 99.5% of target and therefore would stand to gain rather less in future from the RAWP process.

More widely the main effects for individual Regions are:

- the target shares of N E Thames and S E Thames both increase, bringing N E Thames closer to target and moving S E Thames from above to below target. This indicates a case for higher allocations than in the past for S E Thames in particular. The changes for the other Thames Regions are less significant.
- the Regions with growing elderly populations - East Anglian, Wessex and South Western - emerge as the Regions furthest below target and will expect this to be reflected in due course in increased allocations.
- the Regions of the Midlands and the North generally see some reduction in their targets and hence in their expectations for future growth (although Yorkshire is an exception). The main losers, Trent and West Midlands, whose targets fall by more than 2 per cent, have been forewarned of this.

Admx

Lulu Bawle

- Oxford's target falls by some 1.5 per cent, but the Region's rapidly growing population means that it is likely nonetheless to continue to attract relatively high resource increases.

The report will thus be helpful in easing the difficulties presented by resource allocation policy. The new position will be that the Northern regions generally will be nearly on target or even above it, while one of the Thames Regions will be below it, and that the larger term gainers will be the Regions with rapidly growing populations. We shall always need a mechanism to channel above average growth to such Regions.

N.W.

Impacts on Annual Allocations

The Review's remit was deliberately confined to the calculation of Regional targets. The pace at which allocations are adjusted year by year to bring them into line with targets has always been a matter for Ministerial judgement. It rests with Ministers, therefore, to decide how to handle the impact of the Review on allocations. The Report on the Review acknowledges this and recommends that, if its proposals for revisions to the formula are accepted, the implementation process should be carefully phased to avoid major disruption to Regions' existing plans.

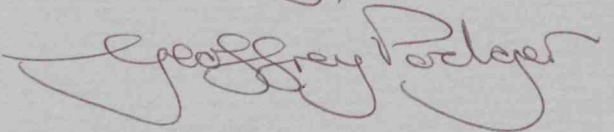
It is proposed that, in announcing publication of the Report, Ministers should state that this recommendation is accepted; that 1988-89 allocations will remain unchanged; and that they will give careful consideration to the future pace of change. Updated Regional planning assumptions for 1989-90 are due to be issued soon and will offer Ministers a first opportunity to indicate their plans for phasing in the Review changes. This would minimise the period of uncertainty for the Review "losers". Final decisions on how best, within the resources available nationally, to balance the interests of those Regions which gain from the Review and those whose growth expectations decrease, will be taken when allocations are made following the Autumn Statement.

No



E.R.

The approach outlined above is proposed with a view to easing the reception of the Report. Publication without any indication of a response from Ministers could invite unhelpful public lobbying from areas such as Trent and the West Midlands (and could put the Regions themselves in a difficult position). A commitment to careful phasing in of the effects of the Review on Regional allocations is judged to offer the best prospect of a reasonably positive and low key response to the Report.

Yours sincerely,


G J F PODGER
Private Secretary

EFFECT OF THE REVIEW RECOMMENDATIONS ON REGIONS' DISTANCE FROM RAWP TARGET, 1988-89

	<u>Actual Post- Allocation Distance from Target</u>	<u>Post Review Distance from Target</u>
Northern	98.4	99.5
Yorkshire	98.6	97.8
Trent	97.3	99.6
East Anglian	96.0	95.4
N W Thames	104.5	105.0
N E Thames	107.3	104.6
S E Thames	101.7	98.7
S W Thames	101.0	101.4
Wessex	98.2	95.7
Oxford	97.4	99.0
South Western	98.6	96.8
W Midlands	98.7	100.8
Mersey	101.5	102.7
North Western	98.6	99.7

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