



Prime Minister

RSG HOLDBACK IN 1982/83

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1. Further to Michael Heseltine's minute of 19 May the Chief Secretary has asked me to circulate some further exemplifications of different ways in which additional holdback of grant for 1982/83 might be imposed.
 2. The Chief Secretary has suggested that the objective should be to impose the additional holdback in such a way as to exempt all authorities spending below GRE. The new exemplifications have been constructed on this basis. They would take nothing from authorities spending below GRE, but would take increasing amounts from those spending above GRE.
 3. The technical note beneath explains the main effects of the two alternative forms of additional holdback now exemplified. Both versions would only impose about £120m of additional holdback.
 4. The distribution of this additional holdback might be more attractive to our supporters in that it would let off all those below GRE. But it would be open to two very serious objections:
 - i. There are 36 authorities who although they are spending above GRE have met our targets for the year-on-year reduction that we set them. They have been promised that if they met their targets we would exempt them from further differential penalty. Since this proposal has such a strongly differential element its imposition would be seen as a clear breach of faith.
 - ii. Overspend against our targets is spread across all classes of authority. On average those below GRE have exceeded their targets just as much as those above. To concentrate all the penalties on those who are above GRE will be seen



as unfair and discriminatory. It will also be seen as contrary to the spirit of the assurance I gave in February during the Committee Stage of the Local Government Finance Bill that differential holdback penalties would not be increased during a year.

5. I am copying this minute to the members of E Committee, George Younger, Nicholas Edwards, Norman Fowler, the Attorney General, the Lord Advocate and Sir Robert Armstrong.

Leslie Hicks
(Private Secretary)

for TOM KING

(Approved by the Minister
and signed in his absence)

24th May 1982

AUTHORITIES ABOVE GRE MEETING EXPENDITURE TARGETS

i) Major Spending Authorities

Havering

Rotherham

Wakefield

ii) Non Metropolitan Districts

Peterborough

Congleton

Halton

Stockton-on-Tees

Allerdale

Barrow in furness

High Peak

Derwentside

Sedgefield

Wear Valley

Eastbourne

Basingstoke and Deane

Fareham

Rushmoor

Southampton

Wychavon

Hertsmere

Three Rivers

Boothferry

South Wight

Canterbury

Dartford

Sevenoaks

Shepway

Tonbridge and Malling

Northampton

Harrogate

Richmondshire

Bassetlaw

Nottingham

Rushcliffe

The Wrekin

Epsom and Ewell

HOLDBACK: EXEMPLIFICATION OF "TREASURY OPTIONS"

(Annex B)

1. The attached table/ shows the effect of two further options as requested by the Chief Secretary.
2. Both options start from a schedule fixed at the level of the close-ended schedule after taking account of BG3 grant claims. The option headed "Zero threshold" has a taper of 25% on that schedule, starting at GRE. Total holdback under this option is about £120m falling entirely on authorities spending above GRE. Holdback is an equal poundage within each class for authorities spending above the 10% threshold.
3. The second option headed "Double kink" is similar to the previous option but with a slope of 0.65 between GRE and the 10% threshold and a slope of 0.825 (37.5% taper) above that threshold. This is less severe than the zero threshold option on those spending between GRE and threshold and more severe on those above threshold above holdback increases with overspending. Total holdback under this option is £121m.
4. The main effects of these two options are summarized below:-
 - (1) Further holdback, under either of these options, is borne by authorities who have budgetted to spend above GRE. Since most of these authorities (except in the case of non met. districts) are already subject to differential holdback, the effect of these options is to increase the amount of differential holdback. Thus in the case of non met. counties, the 12 authorities already subject to differential holdback lose a further £35m under the first of these schemes.

(2) Authorities overspending their targets who are below GRE

are treated more favourably than authorities above GRE who used targets. Such authorities are Rotherham, Wakefield and Havering, and 33 non-met districts listed at Annex A.

(3) The form of holdback increases the benefit of the GRE exemption and would be seen as a further step towards using GRE as the target. It would further weaken the credibility of the 1982/83 targets and would make it more difficult to maintain targets which were different from GRE's in 1983/84. It would reinforce the view that performance in relation to GRE was more important than performance in relation to target.

(4) The 'double kink' option is more favourable to non met. counties and metropolitan districts, but worse for London than the zero threshold option. This is because its effects are less severe in authorities between GRE and threshold, but more severe on those above the threshold. Thus Tower Hamlets which has budgeted to spend 70% above GRE (but 14% above target) loses £2.9m in further holdback under the double kink option compared with £0.5m with the zero threshold option. Manchester loses more under either of these options of further holdback than under the original holdback scheme and its total holdback under the double kink option is more than twice its overspend.

(5) Both options undermine the concept of leaving a 10% threshold above GRE before the poundage schedule becomes steeper. This margin was deliberately left in after discussion with the local authority associations because of the inevitable element of approximation in the calculation of grant-related expenditure. To abolish the margin at this stage would give undue credence to GREs as the proper and exact measure of what local authorities ought to be spending.

Effect of holdback with fixed schedule below GRE

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differ- ential holdback Col 3	Further holdback with		Overspend effective target Col 6
				Zero threshold Col 4	Double kink Col 5	
TOTAL England	£1,451.305m	£3,673.846m	£311.912m	£120.546m	£120.774m	£688.863m
non-met districts	£49.933m	£626.768m	£14.136m	£8.503m	£10.148m	£-84.924m
non-met counties	£573.174m	£4,080.836m	£114.507m	£33.750m	£11.525m	£102.883m
metropolitan districts	£216.487m	£2,110.486m	£68.354m	£29.663m	£18.637m	£115.256m
metropolitan counties	£136.731m	£519.111m	£38.783m	£15.454m	£19.797m	£136.590m
non-met total	£623.107m	£4,707.604m	£128.643m	£42.253m	£21.673m	£17.959m
metropolitan total	£353.218m	£2,629.597m	£107.138m	£45.117m	£38.434m	£251.846m
City & Westminster	£5.888m	£-63.612m	-	-	-	£2.423m
West of Inner London	£54.091m	£396.285m	£14.235m	£6.009m	£17.269m	£53.562m
Inner London inc ILEA	£153.032m	£332.673m	£14.235m	£6.009m	£17.269m	£149.038m
Outer London	£83.486m	£790.726m	£32.444m	£15.432m	£13.204m	£67.924m
M.C. & Met Police	£238.399m	£212.516m	£29.452m	£11.735m	£30.195m	£202.126m
London total	£474.917m	£1,335.916m	£76.132m	£33.176m	£60.668m	£419.088m
Partnership authorities	£103.355m	£881.807m	£33.357m	£16.284m	£25.989m	£92.220m
Programme authorities	£98.878m	£740.673m	£23.122m	£9.037m	£7.641m	£60.947m
Partnership & programme	£202.233m	£1,622.480m	£56.479m	£25.321m	£33.630m	£153.167m

Effect of holdback with fixed schedule below GRE

Authority	Overspend on target Col 1	Grant before holdback Col 2	Differ- ential holdback Col 3	Further holdback with		
				Zero threshold Col 4	Double kink Col 5	Overspend effective target Col 6
ISLES OF SCILLY	£0.063m	£0.730m	-	-	-	£-0.030m
SHIRE COUNTIES						
Avon	£33.566m	£137.074m	£15.005m	£4.563m	£1.521m	£24.342m
Bedfordshire	£19.701m	£63.714m	£10.537m	£4.199m	£1.553m	£18.594m
Berkshire	£24.798m	£57.017m	£12.171m	£2.204m	£0.735m	£8.437m
Buckinghamshire	£13.781m	£58.704m	-	-	-	£-0.056m
Cambridgeshire	£11.207m	£75.299m	-	-	-	£-2.804m
Cheshire	£28.761m	£138.067m	£17.052m	£5.677m	£1.892m	£26.761m
Cleveland	£18.486m	£110.591m	£9.683m	£3.858m	£1.408m	£18.486m
Cornwall	£5.870m	£70.667m	-	-	-	£-6.629m
Cumbria	£6.771m	£95.372m	£3.938m	£0.744m	£0.248m	£5.132m
Derbyshire	£24.527m	£154.944m	£7.530m	£1.380m	£0.460m	£8.219m
Devon	£13.313m	£142.889m	-	-	-	£-12.942m
Dorset	£-1.135m	£66.273m	-	-	-	£-1.135m
Durham	£6.539m	£124.050m	£4.622m	£1.531m	£0.510m	£6.539m
East Sussex	£4.401m	£66.806m	-	-	-	£-0.023m
Essex	£34.903m	£151.665m	-	-	-	£-1.376m
Gloucestershire	£7.111m	£71.233m	-	-	-	£-0.499m
Hampshire	£20.085m	£187.912m	-	-	-	-
Hereford and Worcester	£12.562m	£87.058m	-	-	-	£-0.020m
Hertfordshire	£5.394m	£84.016m	-	-	-	-
Humberside	£34.444m	£175.944m	£11.922m	£3.427m	£1.142m	£21.148m
Isle of Wight	£2.647m	£19.898m	-	-	-	£-0.002m
Kent	£15.046m	£212.903m	-	-	-	£-21.789m
Lancashire	£23.677m	£271.935m	-	-	-	£-0.033m
Leicestershire	£27.789m	£132.177m	-	-	-	£-0.055m
Lincolnshire	£10.209m	£96.004m	-	-	-	£-0.567m
Norfolk	£10.006m	£94.567m	-	-	-	£-4.307m
Northamptonshire	£18.928m	£83.572m	-	-	-	£-0.081m
Northumberland	£3.305m	£55.884m	£2.652m	£0.509m	£0.170m	£3.126m
North Yorkshire	£7.827m	£111.727m	-	-	-	-
Notttinghamshire	£39.768m	£176.590m	£15.214m	£4.877m	£1.626m	£27.002m
Oxfordshire	£3.855m	£55.482m	-	-	-	£-0.341m
Shropshire	£8.591m	£65.603m	-	-	-	£-2.228m
Somerset	£7.773m	£65.886m	-	-	-	£-0.287m
Staffordshire	£16.534m	£164.397m	£4.180m	£0.781m	£0.260m	£4.284m
Suffolk	£12.638m	£79.884m	-	-	-	£-0.015m
Surrey	£9.566m	£67.041m	-	-	-	£-5.030m
Warwickshire	£10.824m	£62.429m	-	-	-	-
West Sussex	£9.958m	£58.713m	-	-	-	£-5.266m
Wiltshire	£9.147m	£86.847m	-	-	-	£-3.701m

Effect of holdback with fixed schedule below GRE

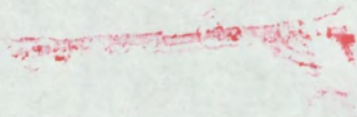
Authority	Overspend on target Col 1	Grant before holdback Col 2	Differ- ential holdback Col 3	Further holdback with		Overspend effective target Col 6
				Zero threshold Col 4	Double kink Col 5	
GREATER LONDON						
City of London	£2.423m	£-40.809m	-	-	-	£2.423m
Camden	£0.497m	£12.039m	-	-	-	£0.497m
Greenwich	£4.450m	£30.313m	£1.208m	£0.481m	£1.354m	£4.450m
Hackney	£13.811m	£44.987m	£1.360m	£0.542m	£2.188m	£13.811m
Hammersmith and Fulham	£7.912m	£35.449m	£1.246m	£0.497m	£1.267m	£7.912m
Islington	£4.957m	£31.757m	£1.954m	£0.779m	£2.428m	£4.957m
Kensington and Chelsea	£2.051m	£16.665m	£2.160m	£0.752m	£0.251m	£1.522m
Lambeth	£6.160m	£57.553m	£2.175m	£0.867m	£2.732m	£6.160m
Lewisham	£3.524m	£47.144m	£1.268m	£0.505m	£1.744m	£3.524m
Southwark	£2.692m	£45.712m	£1.360m	£0.830m	£2.395m	£2.692m
Tower Hamlets	£7.462m	£27.069m	£1.195m	£0.476m	£2.817m	£7.462m
Wandsworth	£0.574m	£47.596m	£0.307m	£0.280m	£0.093m	£0.574m
Westminster	£3.465m	£-22.803m	-	-	-	-
Barking and Dagenham	£0.879m	£24.875m	£0.765m	£0.974m	£0.667m	£0.879m
Barnet	£1.846m	£36.954m	-	-	-	£-0.036m
Bexley	£3.632m	£42.881m	£2.827m	£1.147m	£0.463m	£3.632m
Brent	£15.387m	£61.725m	£4.838m	£1.928m	£2.255m	£15.387m
Bromley	£-0.355m	£43.928m	-	-	-	£-1.468m
Croydon	£-0.038m	£46.749m	-	-	-	£-7.728m
Ealing	£2.968m	£55.062m	£1.178m	£0.292m	£0.097m	£1.221m
Enfield	£2.654m	£40.815m	£2.757m	£0.838m	£0.279m	£2.654m
Haringey	£15.779m	£61.136m	£3.334m	£1.329m	£2.672m	£15.779m
Harrow	£5.896m	£30.692m	£3.237m	£1.290m	£0.703m	£5.896m
Havering	-	£40.636m	-	£0.834m	£0.278m	-
Hillingdon	£2.145m	£23.350m	£2.581m	£1.982m	£0.949m	£2.145m
Hounslow	£5.306m	£25.039m	£4.539m	£1.809m	£1.253m	£5.306m
Kingston-upon-Thames	£-1.320m	£17.135m	-	£0.065m	£0.022m	£-1.320m
Merton	£0.037m	£26.496m	£0.036m	£0.195m	£0.065m	£0.037m
Newham	£12.557m	£71.205m	£3.371m	£1.343m	£1.456m	£12.557m
Redbridge	£2.007m	£38.248m	-	-	-	£-0.004m
Richmond-upon-Thames	£0.034m	£20.113m	£0.038m	£0.234m	£0.078m	£0.034m
Sutton	£1.113m	£25.237m	-	-	-	£-0.006m
Waltham Forest	£12.961m	£58.450m	£2.943m	£1.173m	£1.965m	£12.961m
GLC	£238.399m	£72.930m	£29.453m	£11.735m	£30.195m	£202.126m
ILEA	£93.053m	-	-	-	-	£93.053m
Metropolitan Police	-	£139.586m	£-0.001m	-	-	-

Effect of holdback with fixed schedule below GRE

Authority	Overspend	Grant	Differ-	Further holdback with		Overspend effective target Col 6
	on	before	ential	Zero	Double	
	target Col 1	holdback Col 2	holdback Col 3	threshold Col 4	kink Col 5	
EAST MANCHESTER						
Colton	£5.144m	£52.182m	-	-	-	£-1.150m
Bury	£4.880m	£31.604m	£2.306m	£0.784m	£0.261m	£4.880m
Manchester	£2.891m	£102.680m	£2.181m	£3.462m	£3.971m	£2.891m
Oldham	£3.699m	£49.760m	-	-	-	-
Rochdale	£9.272m	£50.382m	£2.469m	£0.984m	£0.703m	£9.272m
Salford	£2.524m	£54.708m	£1.814m	£0.835m	£0.278m	£2.524m
Stockport	£3.017m	£40.045m	-	-	-	£-1.473m
Tameside	£5.543m	£47.212m	£2.609m	£0.991m	£0.330m	£5.543m
Trafford	£1.618m	£24.109m	-	-	-	£-2.670m
Wigan	£7.335m	£63.409m	£3.751m	£1.206m	£0.402m	£7.335m
IRSEYD						
Knowsley	£3.255m	£39.082m	£1.639m	£0.372m	£0.124m	£2.042m
Liverpool	£13.328m	£120.607m	£7.865m	£3.134m	£1.371m	£13.328m
St Helens	£2.355m	£35.742m	£2.018m	£0.700m	£0.233m	£2.355m
Sefton	£0.904m	£46.166m	-	-	-	£-7.391m
Mirral	£2.461m	£55.862m	£0.235m	£0.046m	£0.015m	£0.249m
SOUTH YORKSHIRE						
Barnsley	£3.356m	£48.659m	£2.088m	£0.896m	£0.351m	£3.356m
Doncaster	£3.277m	£58.040m	£2.381m	£1.414m	£0.584m	£3.277m
Rotherham	-	£52.060m	-	£0.590m	£0.197m	-
Sheffield	£17.866m	£94.454m	£7.884m	£3.141m	£3.265m	£17.866m
TYNE AND WEAR						
Gateshead	£6.857m	£43.557m	£2.556m	£1.019m	£0.500m	£6.857m
Newcastle upon Tyne	£11.251m	£42.216m	£5.047m	£2.011m	£2.754m	£11.251m
North Tyneside	£8.467m	£39.034m	£2.491m	£0.993m	£0.894m	£8.467m
South Tyneside	£1.668m	£39.255m	£1.034m	£0.648m	£0.216m	£1.668m
Sunderland	£6.231m	£64.104m	£3.307m	£1.296m	£0.432m	£6.231m
WEST MIDLANDS						
Birmingham	£10.891m	£162.298m	-	-	-	£-0.244m
Coventry	£6.662m	£58.862m	£0.925m	£0.190m	£0.063m	£0.980m
Dudley	£3.679m	£31.456m	-	-	-	£-6.308m
Sandwell	£3.629m	£44.422m	£1.882m	£0.400m	£0.133m	£1.655m
Solihull	£2.405m	£26.705m	-	-	-	£-3.750m
Walsall	£11.646m	£41.404m	£4.744m	£1.890m	£0.671m	£8.870m
Wolverhampton	£3.184m	£43.694m	-	-	-	-
WEST YORKSHIRE						
Bradford	£18.081m	£109.125m	£5.231m	£1.674m	£0.558m	£12.039m
Calderdale	£5.321m	£43.295m	£1.898m	£0.696m	£0.232m	£5.321m
Kirklees	£7.304m	£82.954m	-	-	-	-
Leeds	£16.499m	£118.092m	-	-	-	-
Wakefield	£-0.012m	£53.248m	-	£0.291m	£0.097m	£-0.012m

Effect of holdback with fixed schedule below GRE

Authority	Overspend	Grant	Differ-	Zero	Further holdback with	Overspend
	on	before	ential	threshold	Double	effective
	target	holdback	holdback		kink	target
	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
METROPOLITAN COUNTIES						
Greater Manchester	£21.223m	£112.423m	£9.047m	£3.605m	£3.119m	£21.223m
Merseyside	£26.052m	£75.043m	£5.266m	£2.098m	£3.543m	£26.052m
South Yorkshire	£14.246m	£72.227m	£3.685m	£1.468m	£5.140m	£14.246m
Tyne and Wear	£13.929m	£76.887m	£3.528m	£1.406m	£2.322m	£13.929m
West Midlands	£33.094m	£81.285m	£11.372m	£4.531m	£2.978m	£32.953m
West Yorkshire	£28.187m	£101.245m	£5.886m	£2.345m	£2.694m	£28.187m



24 MAY 1962

