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"Part 7

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Relations between Central & Local Govt.
Local Authority Expenditure
Accounts Commission for LA Audit

LOCAL GOVERNMENT

Pt 1: May 79
Pt 7: Nov 81

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.11.81~~							
~~5.11.81~~							
~~12.11.81~~							
~~25.11.81~~							
~~30.11.81~~							
1.12.81							
— Pt 7 Ends —							

PREM 19/517

PART 7 ends:-

Environment to CST's Office 1/12

PART 8 begins:-

P. Gregson (CO) Brief PO602 2/12

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(81) 31st Meeting, Minutes, Item 1 (with LCA) and	
Item 2	2.11.81
E (81) 110	4.11.81
E (81) 32nd Meeting, Minutes, with LCA	5.11.81
C (81) 54	10.11.81
C (81) 55	10.11.81
CC (81) 36th Conclusions, Item 1	12.11.81
H (81) 62	18.11.81
E (81) 117, and corrigendum	20.11.81
E (81) 118	23.11.81
E (81) 35th Meeting, Minutes, with LCA for Item 1	25.11.81
E (81) 125	1.12.81
E (81) 126	1.12.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed OWayland Date 9 June 2011

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Local Government Finance Bill,
HMSO, 6 November 1981

Signed CWayland Date 9 June 2011

PREM Records Team

Local Govt Relations

URGENT: COVERING CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

1 December 1981

Dear Terry

DOE WRITTEN ANSWERS: 2 DECEMBER 1981

I enclose copies of the proposed answers to be given by my Secretary of State tomorrow. The first is on RSG; the second is on the determination of recognisable income for 1982/83 in relation to housing subsidy. (The annnexed consultation paper is still subject to amendment.)

If you or any of those to whom this is copied have any comments it would be helpful to receive them by 5.00 pm today.

I am copying this to Willie Ricketts at No 10, the Private Secretaries to all members of Cabinet, the Private Secretary to the Chief Whip, and the Private Secretary to Sir Robert Armstrong.

Yours ever

David

D A EDMONDS
Private Secretary

Terry Mathews Esq
PS/Chief Secretary

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Q. To ask the Secretary of State for the Environment if he will make a statement about the 1981 rate support grant settlement.

ANSWER

1. I have today sent the local authority associations my proposals for some of the main elements of the rate support grant settlement for 1982-83, and some proposed adjustments to the grants for 1980-81 and 1981-82.

2. For 1982-83 I am proposing a figure of £18 billion for local authorities' current expenditure in England. That would be a cash increase of about 2% over authorities' revised budgets for 1981-82. It implies a continuing need for significant reductions in the volume of current expenditure. I am proposing a number of specific measures to that end.

3. The proposed allocation of the £18 billion between services is as follows:

	£m cash
Education	8,865
School Meals and Milk	325
Libraries, Museums and Art Galleries	302
Personal Social Services	1,857
Port Health	3
Police	2,031
Fire	449
Other Home Office Services	278
Local Transport	1,423
Consumer Protection	48
Local Environmental Services	2,262
Employment	64
Other Housing	93
TOTAL CURRENT EXPENDITURE	18,000

4. With the addition of revenue contributions to capital outlay, loan charges, rate fund contributions to housing revenue accounts and interest receipts, the total of relevant expenditure would be £20,422 million. The Government propose

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to reduce the rate of Exchequer grant from 59.1% to 56%. Aggregate Exchequer grant for 1982-83 would thus be £11,426 million.

5. I envisage giving each authority individual expenditure guidance for 1982-83, in the form of a target figure for the total expenditure falling on the rates. Targets would be calculated as follows. Each authority's total expenditure in 1981-82 would be scaled up to 1982-83 levels, using an appropriate factor for each class of authority, and then adjusted according to performance in 1981-82. For each 1% by which an authority's repriced 1981-82 expenditure figure is below (or exceeds) its 1982-83 GRE, that figure would be increased (or reduced) by 0.2 percentage points to reach the target for 1982-83. And for each 1% by which the 1981-82 expenditure figure is below (or exceeds) its volume target for 1981-82, that figure will again be increased (or reduced) by 0.2% to reach the target. The resulting targets would, however, be subject to a ceiling and a floor: no authority would be asked for more than a 7% real terms reduction; and no authority would be expected to increase real terms expenditure from the 1981-82 level.

6. I propose in addition to the normal operation of block grant there should be a special scheme of grant abatement for authorities whose expenditure exceeds both their targets, (as defined in paragraph 5) and their GRE. Such authorities would be subject to a progressive reduction of grant up to a maximum reduction; that maximum would be a loss of grant equivalent to a 15p rate for those spending 5% or more above target, divided between tiers.

7. I am proposing that GREs should in general be calculated in accordance with the methodology already discussed with local authority associations. Housing expenditure however would be treated differently. The calculations are based provisionall on an average rent increase of £2.50 per dwelling per week, but where the application of this formula shows a potential surplus on the housing revenue account, it would be assumed that there should be no negative GRE's for housing, and the GRE component for housing would therefore be set at zero.

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No authority would thus have its overall GRE for other services reduced because of an assessed surplus on its housing revenue account. (I am today issuing a consultation paper on the possible determination of reckonable income for 1982-83 for housing subsidy purposes).

8. For 1981-82, I am proposing to make a number of changes in a Supplementary Report. Relevant expenditure for 1981-82 would be increased by £45 million to take account of the pay settlement for the police. A further increase of £122 million would be made to take account of cost variations that are outside the cash limit. I am also proposing some minor modifications to the distribution of block grant, which have been discussed with the local authority associations.

9. For 1980-81, I am proposing a second Increase Order to make two changes. £85 million grant would be paid outside the cash limit to take account of variable items. A deduction of £1 million would be made in respect of payments in 1980-81 under the special scheme to compensate authorities affected by sharp losses of rate income as a result of steel plant closures. In September 1980 I announced a proposal to withhold £200m grant until outturn figures for 1980-81 became available. Returns from most authorities now indicate that the volume of current expenditure in 1980-81 was some 2½% above the settlement provision. On that basis I now propose not to pay any of the £200m.

10. In making these proposals I recognize that local government has made a start in reducing its current expenditure in line with Government policy. But further reductions are still required, and the proposals will continue to give local authorities an incentive to restrain spending. I am arranging for next week a meeting of the Consultative Council on Local Government Finance to discuss them. I envisage publishing before Christmas more detailed proposals for individual authorities' GREs and targets.

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CONSULTATION PAPER

LOCAL AUTHORITY HOUSING SUBSIDY SYSTEM

DETERMINATION OF RECKONABLE INCOME FOR 1982/83

Department of the Environment

Welsh Office

2 December 1981

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DETERMINATION OF RECKONABLE INCOME FOR 1982/83

Introduction

1. The Housing Act 1980 recast the pattern of distribution of subsidies so as to take into account the needs of individual authorities together with their ability to meet their own housing costs from local sources. This paper provides the basis for consultation with the Local Authority Associations on the determination of reckonable income for 1982/83 which the Secretary of State proposes to make for all authorities under Section 100 of the Act.

The statutory background

2. Section 100 of the Act governs the amount which local authorities are assumed to contribute from local sources to their housing costs. That amount is to be calculated annually by reference to changes in their assumed income. In statutory terms, each authority's local contribution differential is the difference between its reckonable income for the year of account and its reckonable income for the previous year. Reckonable income is that amount which the Secretary of State determines is to be assumed as credited to the authority's Housing Revenue Account. He has to make known his determinations of reckonable income relevant to a year of account during the preceding yea

3. The Secretary of State's proposals for determining reckonable income for 1982/83 are based on the framework already adopted in his determination of reckonable income for 1981/82. The key elements of that framework are mentioned at relevant points in this consultation paper.

Reckonable income for 1981/82

4. Annex A to this consultation paper reproduces the determination already made by the Secretary of State for all authorities' reckonable income for 1981/82, including its reliance on a determination of the reckonable income for 1980/81.

Reckonable income for 1982/83

5. The Secretary of State proposes that each authority's reckonable income for 1982/83 should be arrived at by means of the following calculation:-

A = reckonable income for 1981/82

PLUS

B = an increase based on the number of dwellings in its Part V housing stock multiplied by an amount per dwellin

MINUS

C = a reduction based on the number of dwellings disposed of;

PLUS or MINUS

D = a sum calculated by reference to any change in their allowance for empty dwellings.

Effectively, therefore, the local contribution differential (ie the change in income to be taken into account in 1982/83) will be the result of B - C $\pm$ D.

6. The number of dwellings proposed to be taken into account in calculating item B above would be the average number of dwellings at the mid-point of the preceding year ie 1981/82. The proposed rules for calculating what constitutes a dwelling are given in Annex B. They are not altered from those which were applied in the determination of reckonable income for 1981/82. The sum of money by which it is proposed that number should be multiplied would, as for 1981/82, be a flat rate figure irrespective of the type of dwelling or region. It can readily be expressed as an amount per dwelling per week.

7. The reduction at item C would be calculated by adding the amount per dwelling in item B of paragraph 5 to the local authority's average rent per dwelling for the previous year. That sum would then be multiplied by the number of dwellings disposed of. Since for any year the number of dwellings in an authority's housing stock is to be taken as the average over the year it is proposed that the number of disposals for this purpose would be 50% of the disposals in the previous year plus 50% of the disposals in the year of account.

8. The proposed adjustment at item D of para 5 would be a sum of money based on the calculation of the change in the number allowed to count as empty dwellings ("voids") between the year of account and the preceding year. A description of the circumstances in which a dwelling would count as empty are given in Annex C. These circumstances are not altered from those covered by the determination of reckonable income for 1981/82.

Modification due to transfers of property

9. The arrangements described in paragraphs 5 to 8 above will, however, need to be modified to take account of the effect of transfers of housing. Changes in reckonable income due to transfers will have to be calculated from the date of the transfer in question.

Factors to which the Secretary of State proposes to have regard in making his determination

10. In making his determination, the Secretary of State proposes to include the following among the factors to which he will have regard -

a. past and expected movements in incomes, costs, and prices including the relationship between the average levels of local authority rents and earnings;

b. the Government's public expenditure plans, and the extent to which housing capital programmes should be safeguarded within those plans;

c. the incidence of housing costs which authorities bear from local income unsupported by Exchequer subsidy;

d. the availability of rent rebates and supplementary benefit for those in need of assistance in meeting their rents, with some 50% of council house tenants taking advantage of this assistance on latest available information.

11. Taking the above-mentioned considerations into account the Secretary of State has in mind making a determination prescribing a flat rate increase figure of £2.50 pence per dwelling per week. However, before reaching a decision, he wishes to know the views of the associations on whether they would wish to press for the flat rate figure to be fixed at some other level. This figure relates exclusively to calculation of housing subsidy. In addition there will be some housing costs which are not subsidisable which also have to be met from local sources.

Forthcoming decisions

12. This paper provides the associations with the opportunity to make known to the Secretary of State their views on his proposals for determination of reckonable income generally, and on the flat rate annual amount in particular. The Secretary of State for his part appreciates that authorities are, for their budgeting purposes, concerned to know the decisions which he will incorporate into his determinations, and he hopes that he will be able to make an announcement as soon as is consistent with consideration of the views of the local authority associations.

ANNEX A

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Department of the Environment
2 Marsham Street London SW1
Telephone 01-212 3434

Welsh Office
Cathays Park Cardiff CF1 3NQ
Telephone 0222 825111

DETERMINATIONS OF RECKONABLE INCOME
FOR THE YEARS 1980-1981 AND 1981-1982

The Secretary of State for the Environment as respects all local authorities in England and the Secretary of State for Wales as respects all local authorities in Wales, in exercise of their powers under section 100 of the Housing Act 1980 and all other powers enabling them in that behalf, hereby make the following determinations:-

Interpretation

(1) The Table appended to these determinations shall be deemed to form part of the determinations.

(2) The Interpretation Act 1978 shall apply for the interpretation of these determinations as it applies for the interpretation of an Act of Parliament.

(3) In these determinations:

"average number of dwellings" means for any year specified in the determinations the sum of the number of dwellings held on 1 April of that year and 31 March of the same year, divided by two;

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"cluster" means a group of rooms serving as separate accommodation but sharing common kitchen, bathroom and lavatory;

"disposed" means disposed of by way of sale, appropriation, exchange or lease (including a disposal by way of a shared-ownership lease), or by assignment or surrender of a lease, or by gift;

"gross rent" means the sum of rent credited to the Housing Revenue Account; the modified rent rebate subsidy granted under section 3 of the Housing Rents and Subsidies Act 1975 and the rent rebate rate fund contributions made under the same provisions excluding the contribution under section 3(4)(c), as amended for the year 1981-1982 by section 117 of the Housing Act 1980;

"shared ownership lease" means a lease where the purchaser acquires a leasehold interest for a premium calculated by reference to a portion of the value of the dwelling and the provisions of the Leasehold Reform Act 1967 do not apply by virtue of section 140 of the Housing Act 1980;

otherwise expressions have, unless a contrary intention appears, the same respective meanings as they have for the Housing Act 1980.

(4) A "dwelling" for the purposes of these determinations is a dwelling if it is occupied by a single family unit,

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that is to say an individual or a family (in either case together with any lodger), a house in multiple occupation, accommodation for up to 6 persons in a cluster (or where more than 6 persons are accommodated in a cluster each multiple or part-multiple of 6 in addition to the first 6), and each complete multiple of 3 bed spaces in any hostel accommodation, but excluding for the years 1980-1981 and 1981-1982 any dwelling:

(a) which has been de-rated; or

(b) in respect of which a formal resolution to demolish has been passed, during those years only.

(5) For the purposes of the determination of reckonable income for 1981-1982, a dwelling shall be taken as having been demolished when the contract or other arrangements for its demolition is made.

Reckonable Income for 1980-1981

(6) This determination is made having regard to the figures shown in the Table appended to these determinations.

(7) Local authorities will have decided on their housing income for the year 1980-1981 in the light of circumstances prevailing in that year and influenced by decisions taken in the preceding year. A local authority's reckonable income in England and Wales for the year 1980-1981 is accordingly assumed to be the amount which is derived from the gross rent from its

dwellings in that year, and its reckonable income for that year is accordingly the income which on that basis it carried to its Housing Revenue Account.

(8) Paragraphs (6) and (7) above comprise the determination of reckonable income for the year 1980-1981.

Reckonable Income for 1981-1982

(9) This determination is made having regard to the assumptions and other factors for England and Wales set out in paragraph (10) below; also to the figures shown in the Table appended to these determinations, and to the formulation set out in paragraph (11) below.

(10) The assumptions and other factors for the year 1981-1982 upon which this determination is based are that:

- reductions made to local authority sector housing programmes in the interest of the national economy should not be concentrated on capital programmes;

- the increase per dwelling in local contribution occasioned by this determination will be met entirely from rents;

- in addition to housing contributions which are reckonable for subsidy purposes, local authorities will have to meet some further housing expenditure which is not reckonable and which will be financed by increases in rent;

- although for the year 1980-1981 there has been a small increase in the proportion of average rents to average earnings, over the period 1974-1975 to 1980-1981 average rents have declined as a proportion of average earnings;

- the latest available data on pay settlement patterns shows that average increases have declined sharply in recent months, and that many settlements are in single figures. The beginnings of this decline are reflected in the latest figure (20 per cent) for the increase in average earnings across the economy as recorded by the Index of Average Earnings, although the construction of the Index means that it will be some time before the new settlement patterns are fully reflected. It is assumed that the lower settlement pattern indicated by the settlement data will be the dominant one affecting the rate of rise in earnings during the period covered by this determination;

- the rate support grant cash limits for 1981-1982 include provision for increases of 6 per cent in the level of earnings for annual settlements due between 1 November 1980 and 31 July 1981;

- an estimated 25 per cent of tenants have at the date of this determination household incomesof £8,000 per annum or more;

- about 45 per cent of tenants take advantage of the availability of rent rebates and supplementary benefits; and

- in the year 1981-1982 as compared with the year 1980-1981 increases in costs and prices will be compatible with the 11 per cent increase in the average level of prices between the 2 years allowed for in the rate support grant settlements for 1981-1982.

(11) Subject to the allowance provided for by paragraph (12) below, a local authority's reckonable income for the year 1981-1982 is the sum of:

(a) the authority's reckonable income for the year 1980-1981; and

(b) £153.8 per dwelling per annum (£2.95 x $52\frac{1}{7}$) multiplied by the average number of dwellings held by the authority for 1980-1981, provided that the resulting amount shall be reduced by -

the sum of £153.8 per dwelling per annum (£2.95 x $52\frac{1}{7}$) and the authority's reckonable income per dwelling for 1980-1981 multiplied by the sum of half the number of dwellings demolished or disposed of in the year 1980-1981 and half the number of dwellings demolished or disposed of in the year 1981-1982.

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(12) For the purposes of making an allowance for dwellings held by a local authority which are unoccupied, the sum arrived at in paragraph (11)(b) above shall be decreased by 2 per cent, provided that where the average number of dwellings which are unoccupied in 1981-1982 exceeds 2 per cent of the average number of dwellings held by the authority for that year, the percentage shall be 2 per cent plus half of the excess between 2 per cent and the average percentage of unoccupied dwellings but in no case shall it exceed 3 per cent.

(13) Paragraphs (9), (10), (11) and (12) comprise the determination of reckonable income for the year 1981-1982.

Citation and Commencement

(14) These determinations apply to the year of account 1981-1982 and may be cited as the Reckonable Income Determination for the Year 1980-1981 and the Reckonable Income Determination for the Year 1981-1982 respectively, and shall come into operation for the year commencing on 1 April 1981.

D O McCREADIE
Assistant Secretary
Department of the Environment

W A BEAUMONT
Assistant Secretary
Welsh Office

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19 December, 1980

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	General Index of Retail Prices All Items: January 1974 = 100	General Index of Retail Prices All Items: April 1974 = 100	Tax and Price Index: January 1978 = 100	Tax and Price Index: April 1974 = 100	General Index of Retail Prices Housing: Materials and Charges for Repairs and Maintainance: January 1974 = 100	General Index of Retail Prices Housing: Materials and Charges for Repairs and Maintainance: April 1974 = 100		Price Index of Public Sector House Building England and Wales: 1975 = 100	Price Index of Public Sector House Building England and Wales: 1974 Q2 = 100
April 1974	106.1	100	54.3	100	106	100	1974 Q2	90	100
April 1975	129.1	122	68.5	126	145	137	1975 Q2	98	109
April 1976	153.5	145	82.9	153	171	161	1976 Q2	106	118
April 1977	180.3	170	96.4	178	196	185	1977 Q2	116	129
April 1978	194.6	183	98.4	181	215.6	203	1978 Q2	134	149
April 1979	214.2	202	110.5	203	239.1	226	1979 Q2	153	170
April 1980	260.8	246	130.8	241	291.[illegible]	275	1980 Q2	183	209

(Q = quarter)

	Average Weekly Earnings £ (2): £	Average Weekly Earnings £ (2): April 1974 = 100	Average Weekly Unrebated Rents of Local Authority Dwellings (4): £	Average Weekly Unrebated Rents of Local Authority Dwellings (4): January 1974 = 100	Average Rent as a Percentage of Average Earnings (5)
April 1974	47.7	100	3.75 (1)	100	7.9
April 1975	60.8	127	4.16	111	6.8
April 1976	71.8	151	4.77	127	6.6
April 1977	78.6	165	5.52	147	7.0
April 1978	89.1	187	5.85	156	6.6
April 1979	101.4	213	6.40 (3)	171	6.3
April 1980	124.5	261	7.71	206	6.2

(1) As at January 1974.

(2) Full time men 21 years and over, all occupations GB.

(3) Provisional

(4) England and Wales

(5) The table gives figures for April of each year. Average ren[t] figures are also published for October of each year. The arithmetical average of the April and October figures for each year (October only for 1974) is thought to give a reas[onable] estimate of average rent for the financial year. These fina[ncial] year averages are as follows:

(6) Estimated for the purpose of these determinations.

	Average Weekly Rent £	As % of Earnin[gs]
1974/75	3.81	8.0
1975/76	4.28	7.0
1976/77	4.91	6.8
1977/78	5.58	7.1
1978/79	5.90	6.6
1979/80	6.48	6.4
1980/81 (6)	8.10	6.5

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Sources and Notes

1. General Index of Retail Prices

(a) all items

(b) housing: materials and charges for repairs and maintenance

are taken from the Monthly Digest of Statistics (various issues). The geographical coverage of the RPI is UK. For each index, the first column shown is as published, with the second column being derived from the first column. Up till and including April 1977, (b) is described as "charges for repairs and maintenance, and materials for home repairs and decorations".

2. Tax and Price Index is taken from the Monthly Digest of Statistics (August 1980). The geographical coverage is UK. The first column shows the TPI as published, with the second column being derived from the first column.

3. Price Index of Public Sector House Building (England and Wales) is taken from Housing and Construction Statistics (various issues). The first column shows the index as published, with the second column being derived from the first column.

4. Average Weekly Earnings are taken from Employment Gazette October 1980. The figures are from the New Earnings Survey, geographical coverage Great Britain. The figures are for all industries and services covered, and for full time men, 21 years and over, in manual and nonmanual occupations, excluding those whose pay was affected by absence.

5. Average Weekly Unrebated Rents are taken from Housing and Construction Statistics (1969-1979). The October figures used in preparing the footnote (6) are as follows:

October	1974	£3.81
October	1975	£4.40
October	1976	£5.05
October	1977	£5.64
October	1978	£5.95
October	1979	£6.56

These are published in Housing and Construction Statistics No 32.

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CALCULATION OF RECKONABLE INCOME

Types of Accommodation to be Covered

1. In determinations of reckonable income, a dwelling, or any alternative wording, should include the following types of accommodation:

a. subject to paragraph 3 below, a dwelling in the single occupation of one family unit (ie a person, plus any family and/or lodgers);

b. a dwelling house in multiple occupation;

c. in hostels, each complete multiple of 3 bed spaces;

d. in cluster houses and flats, a cluster providing accommodation for up to six persons (in clusters providing accommodation for more than six persons, each multiple or part-multiple of six in addition to the first six would count as an additional dwelling).

2. The following dwellings should not be included. Dwellings:

a. disposed of on shared ownership leases;
b. derated by the District Valuer;
c. first scheduled for demolition, but only by a decision of the authority taken in the year of account or the preceding year.

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ANNEX C

TREATMENT OF UNOCCUPIED DWELLINGS ("VOIDS")

Allowance for Voids

1. The Secretary of State proposes to allow for unoccupied property ("voids") as follows. A percentage for 1982/83 should be calculated on the number of dwellings remaining in an authority's stock once the dwellings described at paragraph 2 of Annex B have been excluded. The percentage should be:

a. for all authorities - 2% of remaining dwellings (2% being the average national void rate on latest available information)

b. for authorities with a void rate above 2% of remaining dwellings - half the excess between 2% and the actual level or 4%, whichever is the lower.

2. The percentage would be applied so as to reduce the increase in reckonable income which would have resulted from applying the flat rate increase to the average number of dwellings for the year, minus reduction for demolitions and disposals. The percentage reduction in respect of voids would thus be achieved in the same way as for 1981/82 - see paragraphs 11b. and 12 of the determination of reckonable income for 1981/82 at Annex A.

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Prime Minister

MCS 3/12

✓ JV
AW
AD

(4)

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

MS

My ref:

Your ref:

1 December 1981

Dear Geoffrey

cut flap on Pt 3

You will remember that in E(80)93 I explained my intention to withold approval of additions to urban programme expenditure by certain local authorities which were persistent overspenders.

This was done and, while it had some effect in limiting expenditure, it also had the effect of curtailing work which we would otherwise have wished to do. One of the authorities involved - the London Borough of Hackney - has now threatened to bring proceedings against me over the way in which the decision was taken. I have consulted the Attorney General who agrees with the Treasury Counsel's opinion that we would be unlikely to win.

I have therefore decided that for the rest of this year I would change my policy and act as if these penalties had not been imposed. The effect of this will be that expenditure will increase by a certain amount, though the year has progressed so far that the penalties have had most of their effect. I would expect to be able to find the very small PES cover necessary from resources available in my Department's programmes, and my officials will be in touch about this.

I propose to make my change of policy known tomorrow by way of the attached Parliamentary answer.

I am copying this letter to the members of E Committee, the Secretary of State for Social Services, the Attorney General, and to Sir Robert Armstrong.

Yours ever

Michael

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe QC MP

DRAFT WRITTEN ANSWER

Lord Scarman has made a major contribution to our understanding of inner cities. It is too soon to say what the full impact will be. But I am reconsidering a number of policies in conjunction with the Report. First I am examining the distribution of Urban Programme resources. Secondly, I am considering how best to involve minority groups in the work of the Merseyside Task Force and elsewhere. Thirdly, I have been considering the representatiions made over the last year about my decision to hold back some Urban programme funds from over-spending authorities, one of which has recently threatened legal challenge. I have decided that it would now be right to approve new Urban Programme projects in Lambeth, Hackney and Tower Hamlets.

THE PUBLIC TRANSPORT DEBATE

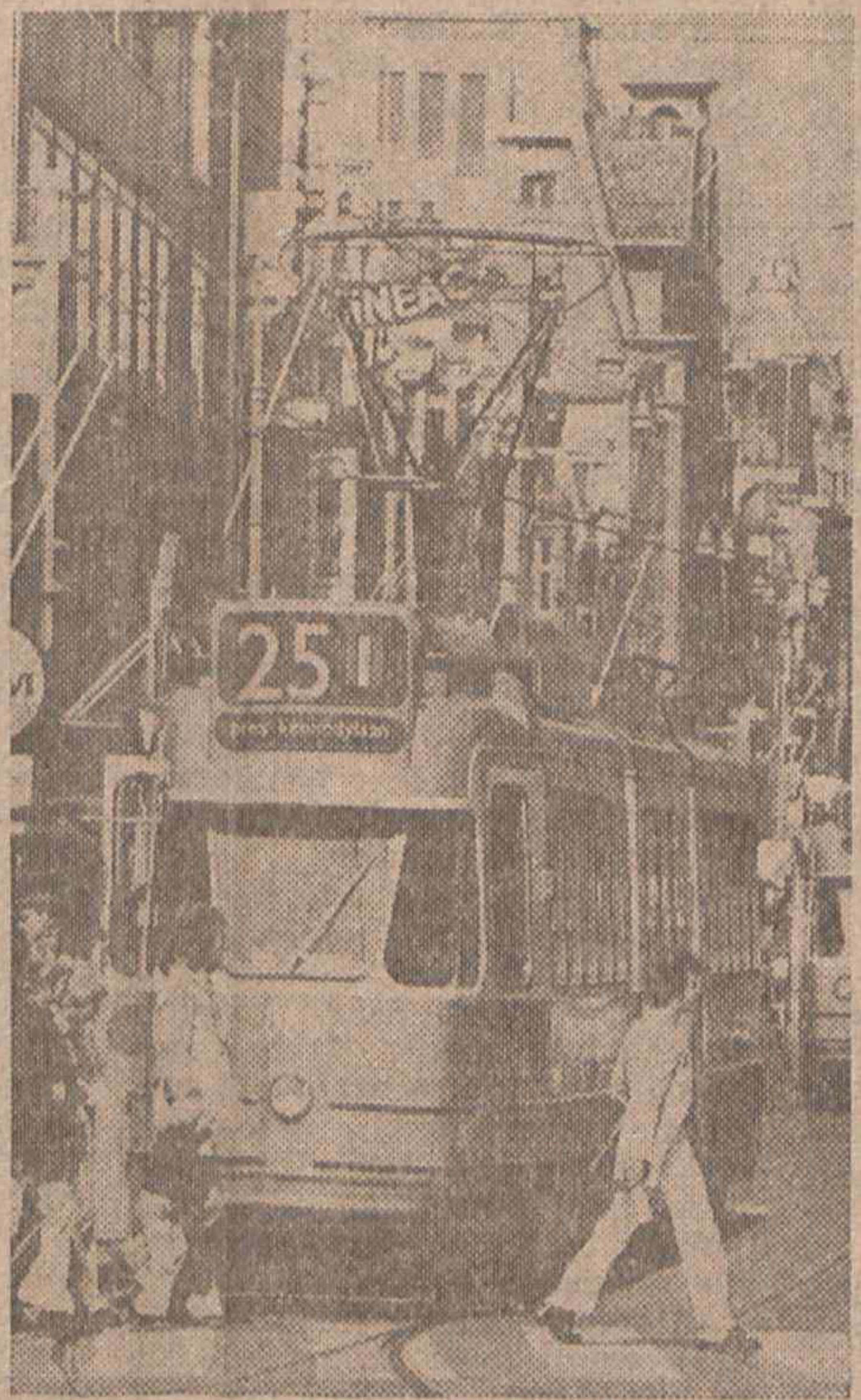
High fares, low fares, no fares . . .

By Lynton McLain, Transport Correspondent

TO SUBSIDISE or not to subsidise? And if to subsidise, by how much? This is the issue at the heart of the current case in the House of Lords between the Greater London Council, which has cut London fares by 32 per cent, and Bromley Borough Council. Bromley argued successfully in the Appeal Court that extra subsidies for London Transport, the world's biggest urban transport system, were illegal. The verdict is expected this week.

It is a debate which has echoes all over Europe from Berne, where the council pays only 14 per cent of the cost of the local system, to Rotterdam where the city pays 78 per cent.

City transport authorities all over the Continent have experimented with low fares, high fares, flat fares, payroll taxes and much more. The most dramatic experiment was in Rome where the city abolished fares altogether in an attempt to see if it could entice motorists into buses and off Rome's traffic-choked streets. It was a flop — there was no appreciable fall in car traffic and the scheme was abandoned.



In European terms, London Transport is something of a special case

Rome, like every other major city, faces steadily-rising costs, and during the 1970s most cities have been forced to rely on increasing levels of subsidy. A London Transport survey in 1971 showed that eight out of 34 public transport systems in Europe and North America could operate without subsidies. Only one had a subsidy of more than 50 per cent of operating costs.

By 1979 the picture had changed. A survey of 44 operators revealed that none was viable financially and that 19 were relying on subsidies of more than 50 per cent of total operating costs.

In 1979 London Transport received only 25 per cent of its operating costs from subsidies. The policy was to raise fares even if this drove passengers away from the system. But Labour's GLC victory earlier this year was followed by a rapid cut, of 32 per cent overall, in London fares and the writing-off of the £48.7m deficit forecast for this year. The gap was to have been—and may be—met with a supplementary rate levied on all Londoners.

If London Transport, which this year has an operating budget of £562m is allowed to keep its fares at present levels its passengers will generate only enough income to meet about 53 per cent of its operating costs. This would be roughly equivalent to the "average" figure that is now prevailing in the rest of the world, according to Mr Jeffrey Allen, finance director of London's 260-mile underground railway network.

His survey of 40 operators in 16 European countries and in North America suggests that local councils and governments are increasing their aid to urban transport, but that "the rate of increase has declined." Local authority support is levelling out at around 50 per cent of total costs.

It is true that in European terms London Transport can argue that it is something of a special case. It carries 5.5m passengers a day, more than any other system, in Europe. It operates 6,000 buses over 1,750 miles of route, 500 underground trains and 250 stations. It employs some 60,000 people in all.

But size is only one of the reasons for the problems facing public transport. There has been a steady fall in total passengers carried on almost all systems. This has been particularly marked in Britain. In 1955 buses and coaches accounted for 38 per cent of all passenger movements, but by 1980 they scarcely accounted for 10 per cent. Private transport—almost entirely the car—accounts for 82 per cent of total passenger movements.

Although this decline is mirrored elsewhere in Europe, the response to it in other cities has been very different. Paris, for example, has poured money into its bus and rail system, creating one of the most up-to-date, efficient and cheap public transport networks in the world. It is financed partly by a payroll levy on companies with offices in the city, which brings in FFr 1.15bn (about £100m) a year, and partly by the French Government and by local authorities. Two-thirds of the FFr 3bn annual loss (which is greater if the SNCF suburban railways are included) is borne by central government, one-third by the city of Paris and other local authorities.

PASSENGERS
(Users of urban public transport)

	1979 millions	change over 1975 %
UK	3,812	−10
Germany	2,141	+ 6
France	2,346	+17
Scandinavia	218	+ 5
Netherlands	238	+ 5
Belgium	226	+ 7

Source: London Transport

But even in Paris there is concern about the mounting cost of the RATP, the rough equivalent of London Transport. M Claide Quin, the newly-appointed Communist chairman, is proposing that employers should pay staff directly for part of the cost of getting to work and he wants to raise the price of the popular Carte Orange, the cheap, monthly "go anywhere" ticket.

But there are cities in Europe where the number of passengers is on the increase. One of these is Hamburg where the Hamburger Verkehrsverbund (HVV) controls road, rail and waterway transport. In 1980 the system carried 436m passengers, far less than London's 1.742bn, but a 0.3 per cent increase on 1979.

Hamburg is the model for several other German cities and fares are kept low, rising on average by between 3 and 5 per cent a year. (By contrast London's fares rose between 1977 and 1980 by 107 per cent). The city's operating budget of some DM 690.7m (£159m) is subsidised by DM 242.1m. Half of this comes from the central government in Bonn, the rest from the provincial states served by the Hamburg system.

The Rome system provides another contrast. Here public transport is regarded as an integral part of the welfare state and although the "zero fare" experiment was scrapped the system is still heavily subsidised. This year passengers will contribute only L74bn (£31.8m) towards the total cost of L406bn.

The balance—some 81 per cent—of the operating costs of ATAC, the Rome system, comes from central government via the the commune of Rome. The Government, in turn, fixes the amount by which the subsidy shall rise. This year it allowed only a 12 per cent rise compared with an inflation rate of about 20 per cent which forced ATAC to double its flat fare of L100 (5p).

Even so, Rome travellers certainly get a bargain. The average passenger with a season ticket for one route who makes an average of 3.5 journey a day (home and back for lunch) has been paying only L40 or 2p a journey.

Mr Ken Livingstone, the leader of the GLC, has argued strongly that London needs to adopt a financing system somewhat similar to that which applies in Rome and elsewhere in Europe. This year, he says, London Transport is actually receiving a subsidy of £149m, which is 26.6 per cent less in real terms than in 1975.

Without extra finance, he says, it will be impossible to sustain the present system and large parts of it will have to be cut out or scaled back.

The problem is that it is hard to prove the case that lower fares actually make much difference to public transport use. South Yorkshire council has kept local bus fares stable for the past six years, but the result has been only a 6 per cent increase in passengers. London Transport's "Fare's Fair" scheme has so far also led to an increase in use of some 12 per cent, but that has to be set against a revenue loss of 32 per cent. Part of the reason for this, of course, is that London's transport system, unlike that in Paris or Hamburg, is still fragmented. British Rail, which brings 400,000 commuters into the capital each day, has been steadily raising commuter fares even as London Transport has cut them. In many cases, therefore, overall journey costs have not declined by an appreciable amount.

FARE SUBSIDIES

	Per head of population £ 1979	Farebox ratio* % 1975	Farebox ratio* % 1979
London	25	61	75
Frankfurt	30	45	50
Munich	30	77	52
Hamburg	19	75	67
Paris	68	45	44
Philadelphia	20	53	49
Barcelona	89	86	38
Stockholm	79	45	43
Rotterdam	47	31	28

*** Farebox ratio is the proportion of total operating costs obtained from passenger fares. The balance is from subsidies.**

Source: London Transport

The use of the GLC as the source of funds for subsidies also, of course, raises a political problem in that it makes London ratepayers subsidise all those who use London Transport, many of whom do not pay London rates. Mr Livingstone has argued that this is not his fault and that the current fare-cutting policy is better than merely leaving London Transport with no option but to increase fares yet further.

Whatever the House of Lords verdict, it is clear that London Transport can continue to operate at its present size without infusions of extra money from somewhere only if it pushes fares up to levels which would almost certainly reduce the number of passengers even more.

Additional research by James Buxton in Rome; David White in Paris and Elgin Scroeder in Bonn.

UK COMPANY NEWS

...ipps up ...onths

...OMPANY HIGHLIGHTS

Col.	Company	Page	Col.
2	Mining News	25	1
3	MK Electric	20	5
4	Nth. Midland Cons.	20	5
2	Nimslo	20	8
4	Reuters/UPI	20	5
1	Samuelson Film	21	1
4	Slough Estates	20	5
8	Star Offshore	21	1
1	Vestor Energy	21	4
5	WGI	21	5
4	Winding-up	20	5

customers switch from welding and stitching to sticking their products together. With capital gearing down to about a third, the company says it is poised for an acquisition in this area. Pre-tax profits this year should reach £3.2m which means that the shares, up 5p to 48.5p, stand on an undemanding fully-taxed p/e of about 8. Assuming a maintained final, the shares are well supported by a yield of 9.3 per cent.

...half-time ...66,335

£174,662 to £66,335 for the period ending July 31 1981. This included lower interest received of £63,992, compared with £92,583. The decline in interest received, say the directors, is due to interest rates being much lower than in the same period last year.

The interim dividend is held at 1.15p.

Public sector costs continued to be a heavy burden, according to the directors, particularly the rise in local authority rates.

Tax for the period was much reduced at £11,812, against £90,171 previously.

John Carr pulls ahead second half

AN INCREASE in activity since March has helped second-half pre-tax profits at **John Carr (Doncaster)** to pull ahead from £1.87m to £2.42m although the year end to September 30 1981 was steady at £3.52m, compared with £3.62m previously.

Turnover of this timber importer and merchant was ahead at £24.83m against £22.52m last time. The final dividend is higher at 1.15p compared with an adjusted 0.93p before, for a total of 1.68p (1.47p) absorbing £556,000 (£477,000). Earnings per share are given as an improved 6.9p

The charge for taxation was lower at £1.24m (£1.62m).

Net assets per share are stated as 60.15p (55.5p).

Current cost pre-tax profits were improved at £3.44m

● comment

John Carr has made up the 37 per cent first half fall in pre-tax profits with new outlets in the merchant building sector, which has emphasised the seasonal bias in its timber operations. So, for the full year the company is down by only 3 per cent. The slant towards second half profitability should continue and, in the meantime, exports have quadrupled, while with lower U.S.S.R. timber prices which have cut raw material costs, profit margins have been strengthened. The share price rose 3p to 66p, a high for the year, and with the final dividend is up over a fifth to 1.15p, to give a yield of just 3.7 per cent. The fully taxed p/e, is 12.6. That looks quite high enough, but Carr has a strong track record, it claims a rising slice of its market and, not least, that outlook for timber merchanting margins has started to improve despite a very dull volume position.

Brady in losses and no interim

IN THE half year to September 30 1981, **Brady Industries,** the shutter, door, grille and lift-maker, has run into losses and reports a pre-tax deficit of £86,000 for the period, against profits of £146,000 last time. As a result, the interim dividend is being omitted.

Last year, the company paid an interim of 1.5p net, and this was followed by a final of 2.75p per 25p share. Pre-tax profits for the 12 months to end March 1981 totalled £465,961 (£830,846).

Turnover for the first half of

MK Electric shows slight increase

TAXABLE PROFITS of **M.K. Electric Group,** the Edmonton based manufacturer of electric plugs and sockets, showed a slight improvement from £3.07m to £3.22m for the half year to September 26, 1981, on turnover up 11 per cent to £37.53m, compared with £33.65m.

Earnings per 25p share are stated ahead from 14.34p to 15.67p, but the interim dividend is being kept at 5p net — last year, a total of 12p was paid from pre-tax profits of £5.59m (£7.15m).

Mr D. L. M. Robertson, the chairman, says the group's electrical wiring accessories business has benefited from some recovery in sales volume, particularly in the UK.

There has been tight control of overheads and working capital throughout the group and careful management of production levels has reduced borrowings during the six months.

The group has made detailed development plans designed to secure sustainable profits growth, both in its established markets and in new areas. It has continued its programme of substantial investment in new plant and tooling and this will enable it to take advantage of higher demand as the economy recovers, the chairman states.

Interest charges for the half year were down from £870,000 to £655,000. After tax of £870,000 (£852,000) and minorities, the attributable surplus came to £2.38m, against £2.18m last time.

In current cost terms, pre-tax profits rose from £1.17m to £1.84m.

Domestic sales of MK wiring accessories showed a considerable improvement because of buoyant refurbishment activity and the progressive development of product range. A substantial capital spending programme is in progress to automate the assembly of high volume products. Good progress is being made and the next stage of development will be for new products to be designed with automatic assembly in mind.

Overseas, the Kuwait company made a satisfactory profit despite the tension of the Iran/Iraq war, while operations in Singapore and Malaysia incurred modest losses. The accessory operation in South Africa is making good progress.

Superswitch has undertaken a major spending programme on highly mechanised assembly techniques and new products and the full benefits of the developments will be seen in the coming year. Loss for the period, after group interest on borrowed funds, was much reduced.

On the plastic conduit and trunking systems side, the Ega Group increased turnover. Profits growth in the UK has been constrained but overseas operations made a significantly higher contribution.

The plastic trade moulding business has seen little evidence of any increase in demand, but produced a useful increase in profits, which is expected to be sustainable.

The launch of MK Switchgear, the recently formed circuit protection company, has been successfully accomplished.

Westinghouse Electric-MK, which makes switchgear and in which the group has a 49 per cent stake, traded at a loss due to low demand, which has resulted in excess capacity. Steps are in hand to trim production capacity in line with current demand.

● comment

An upturn in the refurbishment market and some hard work on debt have lifted **MK Electric** by 5 per cent pre-tax at the interim stage and profits for the full year should be making useful progress on the way to recovery. The shares climbed 14p yesterday to 236p which, assuming MK gets to £6.5m, say, this year, indicates a fully taxed p/e of 11.3. The historic yield is 7.4 per cent. While the renovation market and further balance sheet improvements should take profits up another notch or so, MK's long term response to the maturity of its major product is to automate volume production and, almost inevitably, to set up overseas. The group is spending some £4.5m this year to incorporate automatic assembly, which should be covered quite comfortably by cash flow. It is also absorbing start up costs in several overseas markets and writing off a substantial element of development expenditure in the new switchgear company. It is some four years since MK diversified and it is noticeable that Ega, the 1977 acquisition, is also coming into refurbishment market to offset what would otherwise be very dull domestic conditions. When the fruits of capital spending are coming through fully, it must be a fair bet that the group will look overseas for a sizeable stake in new markets although not, perhaps, in markedly different products.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Brady Industries ......int	nil	—	1.5	—	4.25
Bremner ....int	1.15	Jan 21	1.15	—	4.3
John Carr	1.15	Jan 12	0.93*	1.68	1.47*
Chamberlain Phipps int	1.1	Jan 4	1.1	—	3.1
Craig and Rose ......int	8	Jan 8	8	§	45
Evans of Leeds ......int	1	Jan 8	0.63*	—	2*
Hicking Pentecost ...int	2	April 5	2	—	6
Marshalls Halifax ...int	1	Mar 31	1	—	4.5
MK Electric ....int	5	—	5	12	12
Samuelson Film Service	8.77	April 2	8.77	8.77	8.77
WGI ....int	3	Jan 29	3	‡	6

Dividends shown pence per share net except where otherwise stated.

*Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Directors expect to pay 5.4p final. § Final of not less than 37p expected.

Marshalls Halifax little changed

A RECOVERY in the engineering division from the second half of last year has helped **Marshalls Halifax,** the concrete products, rock drilling and handling equipment group, to achieve little changed pre-tax profits of £1.73m for the six months to September 30 1981, compared with £1.75m last time.

Mr David Marshall, the chairman, is confident that the group will make acceptable profits for the full financial year—for the year to March 31 1981 pre-tax profits were £2.71m. He adds that the group remains in a healthy financial position and continues to invest in order to improve production facilities.

The interim dividend is unchanged at 1p net—last year's total was 4.5p. Half-year earnings per 25p share fell from 11.96p to 9.06p.

No figures from the recently acquired Mono Concrete companies are included, but a

Group turnover for the six months was down slightly at £20.29m (£20.74m) and interest charges were lower—due to reduced borrowings—at £380,000, against £701,000. Tax, however, rose from £186,000 to £445,000 and after minorities and extraordinary items, the attributable surplus was £1.3m, compared with £1.43m.

Sales by the concrete and quarrying division rose from £14.86m to £15.51m. Volume was successfully maintained in a shrinking market at the expense of margins and profits dropped to £1.88m (£2.2m). The strength and efficiency of this division's production and marketing, however, will continue to provide a good level of profits, bearing in mind current market conditions, the chairman states.

On sales of £4.78m (£5.88m) the engineering division's profit of £227,000 (£257,000) represents an improvement over the second half of last year—£70,000 loss—

obtained at a higher rate than 12 months ago. Profit margins, however, remain under pressure.

● comment

Trading profits of the large concrete and quarrying division of **Marshalls Halifax** are off 14 per cent in the first half after a 16 per cent drop in the second half of last year. The group expects demand for its products to remain very quiet this winter and is resigned to the probability that the Mono acquisition will result in a slight reduction in earnings per share in the full year. On the engineering side, Halifax Tools is maintaining its contribution on the strength of two substantial orders while Alliance Mercury is almost back to break-even after last year's £278,000 loss. Reductions in capital spending and stocks of concrete products have brought net borrowings down by more than £1.5m to £5m and the

Poor start for Nimslo on USM

THE SHARES of **Nimslo International,** the company that is developing a 3D camera, have had a rough debut on the Unlisted Securities Market.

Following a capital reorganisation and a \$30m new issue in London last month at \$4.25 per share (217p) dealings began yesterday at 205p. The price then sank to 170p and closed at 180p, knocking £41m off the £237m capitalisation indicated by the issue price.

Mr Charles Ilsey of Baring Brothers, underwriters of the issue, said the debut suffered from a lot of unfavourable comment in the Press and from pent-up sellers. Dealings in Nimslo equity, which formerly took place under Stock Exchange Rule 163 (2), had been suspended since June 14 pending the new

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File A18

Mr ~~Scholar~~.
To see.
[illegible]

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

LOCAL GOVERNMENT

When you saw the Prime Minister this morning, she had a word with you about your minute A06063 of 23 November 1981 about the proposal that the CPRS should undertake a wide-ranging study of the options for achieving the Government's objectives for local government finance.

You said that the whole area of local government was under strain at present. There were problems of structure and of division of responsibility; the question of representation was becoming more acute; and the future of local government finance was already a major and controversial issue. What was needed was a thorough and detached study of all these matters. The CPRS was better placed to do this than the DOE, because it was not immersed in the day to day problems of local government and could stand back and look at the issues in as much detail as was necessary, without committing the Government in advance to any particular point of view.

The Prime Minister said that she was not convinced that this was a subject for the CPRS to study. Mr Heseltine had already given the matter a great deal of thought, and she was inclined to believe that any further work would be best done by his department. She did not want the CPRS to get bogged down in a massive exercise on local government. Bearing in mind her wish to direct the work of the CPRS more closely than hitherto, she would like to see their proposed programme of work for the next six to twelve months, so that she could put a study of local government in the context of the other tasks they would be undertaking. She could then decide what priority should be given to it. Other possibilities for the CPRS were studies on the future of regional policy and on the areas of industry where new jobs would come from. She would be grateful if you would arrange for Mr Ibbs to submit in the course of this month a proposed programme of work for 1982.

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She would then like to discuss this with him, you and Mr Hoskyns early in the New Year.

I am not copying this minute to the other recipients of your minute of 23 November.

TPL.

1 December 1981

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Prime Minister

(2)

SECRETARY OF STATE FOR THE ENVIRONMENT

cc JV
AD

2 MARSHAM STREET
LONDON SW1P 3EB

MS 1/12

My ref: H/PSO/19735/81

Your ref:

MS

-1 DEC 81

Dear Geoffrey

ANNOUNCEMENTS ON RENTS AND RSG

will request if required.

I have seen Nigel Lawson's letter of 25 November to you, and have noted his concern about the possible impact of announcements about concil house rent increases on wage negotiations with the NUM. As you know, local authorities, not the Government, decide next year's rent increases, though they are of course likely to be influenced by my decisions on housing subsidy and on the rent assumption underlying the rate support grant settlement. On these 2 matters, I regard it as essential to make announcements of substance before Christmas if there is to be any hope of influencing local authorities' budgeting and letting authorities know where they stand on grant and subsidy for next year. This in turn means that I must issue consultation papers within the next few days if the local authority associations are to be given a reasonable time for commenting on proposals which by law I must put to them. I can hardly think that these will come as any surprise to the NUM. The figures on which I shall consult have already been canvassed widely in the Press.

Since you are making your statement on public expenditure this coming Wednesday (2 December) I have no alternative but to follow on the same day with my consultation proposals. I intend to inform Parliament of the housing subsidy consultation paper by means of a Written Answer; and to see theLeaders of the local authority associations about my RSG proposals (including the rent assumption) as a prelude to meeting them formally next week at the Consultative Council on Local Government Finance, as set out in Tom King's recent minute to the Prime Minister. There will be a second written answer setting out the main elements of the RSG proposal also on Wednesday.

I have therefore no option but to proceed with the consultations on the timetable already planned. I trust that you will endorse this view.

I am copying this letter to the Prime Minister, and Cabinet colleagues, the Chief Whip and to Sir Robert Armstrong.

Yours ever

Michael

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe QC MP

cc BI
JV
LO

Local Govt
Pt 83

10 DOWNING STREET

From the Private Secretary

30 November, 1981.

Rate Support Grant Settlement 1982/83

The Prime Minister was grateful for your Minister's minute about the Rate Support Grant Settlement, which was received here on Friday last.

I understand that, following further discussions between the Department of the Environment and the Treasury, it has been agreed that there will be no separate Parliamentary statement by the Secretary of State for the Environment; but that he will give two Written Answers on Wednesday, and will make a separate statement outside Parliament on these matters. I understand that drafts will be circulated within the next 24 hours.

Received 1/12

I am sending copies of this letter to John Kerr (HM Treasury), John Halliday (Home Office), Peter Shaw (Department of Education and Science), Don Brereton (Department of Health and Social Security), Anthony Mayer (Department of Transport), John Craig (Welsh Office), Muir Russell (Scottish Office), Julian West (Department of Energy), John Rhodes (Department of Trade), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office), David Edmonds, (Department of the Environment), and David Wright (Cabinet Office).

M. C. SCHOLAR

Lestor Hicks, Esq.,
Department of the Environment.

10 DOWNING STREET

Prime Minister.

If there is time at the end of the meeting on the question of a replacement for the GLC, Sir Robert Armstrong would be grateful for a word about his minute below supporting the idea of a study by the CPRS on local government finance.

AJC

30.xi.

CONFIDENTIAL

SP

Local Govt.

10 DOWNING STREET

From the Private Secretary

30 November, 1981.

Local Authority Current Expenditure 1983/84 and 1984/85

The Prime Minister was grateful for the Chief Secretary's minute of 24 November whose contents she has carefully noted.

I am sending copies of this letter to the Private Secretaries to all members of the Cabinet, and to David Wright (Cabinet Office).

M. C. SCHOLAR

Terry Mathews, Esq.,
Chief Secretary's Office.

CONFIDENTIAL

cc AB
JV
AW

(2)

Prime Minister

This seems unexceptionable.

Agree?

MLS 27/11

Subject to agreement by colleagues

MT

Prime Minister

RATE SUPPORT GRANT SETTLEMENT 1982-83

I am writing as agreed at E Committee yesterday to let you know our proposals for consultations and announcements about the Rate Support Grant settlement for next year (E(81)35th, Item 2).

I understand that Cabinet agreed this morning that the Chancellor of the Exchequer should make a statement to the House on 2 December about our public expenditure plans. I assume that that statement will include a reference to the proposed planning total for local authority expenditure. Either in the Chancellor's statement or in a seperate statement by Michael Heseltine, we should also announce our proposals for the grant percentage and the principle of targets, backed by holdback of grant for authorities spending above both their target and their grant related expenditure assessment.

Michael and I would see the leaders of the local authority associations on the same day, and issue a detailed paper (of which a draft is today being circulated to Departments) for consideration by the Consultative Council on Local Government Finance in the following week.

We would also issue next week our consultation paper on housing subsidy, which will be taken as implying a Government view on next year's rent increases.

We would make a further detailed announcement before Christmas about individual expenditure targets and grant distribution.

We shall then have to consider any representations made by the associations and by individual authorities. A further meeting of the Consultative Council on Local Government Finance would be held in January, and the Rate Support Grant Report would then be laid before Parliament for a debate as early as possible in the New Year.

I am copying this to Geoffrey Howe, Willie Whitelaw, Keith Joseph, Norman Fowler, David Howell, Nick Edwards, George Younger, Nigel Lawson, John Biffen, Francis Pym, Michael Jopling and Sir Robert Armstrong.

LB Hicks (Private Secretary)

for. TOM KING
(Approved by the Minister
and signed in his absence)

(1)

10 DOWNING STREET

Prime Minister

Green Paper on Alternative to Rates

(1) I held back your agreement to the Green Paper until you had CPRS comments. These arrived late on Friday: I wasn't clear that they were recommending your unconditional agreement and at the same time I was promised a further note, from Robert Armstrong. That explains the situation which was revealed at your meeting with Mr Heseltine.

/OVER

I'm sorry if I caused you embarrassment (although I have since been told by Mr Heseltine's office that they were not being held up by No 10, since they await clearance from the Treasury)

(2) I have since written, recording your agreement to the Green Paper

(3) Do you agree to commissioning work by the CPRS as at X (flag A)? Please see also Robert Armstrong's minute at flag B.

MLS 24/11

See note on 2nd page of flag B

[initials]

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file

10 DOWNING STREET

From the Private Secretary

24 November 1981

Dear David,

Green Paper on Alternatives to Domestic Rates

The Prime Minister was grateful for your Secretary of State's minute of 9 November which enclosed a draft Green Paper on alternatives to domestic rates.

The Prime Minister is content with this draft. As I told you on the telephone this afternoon, the Prime Minister at Question Time committed the Government to publication of the draft Green Paper during the course of December.

I am sending a copy of this letter to the Private Secretaries to other members of the Cabinet, the Paymaster General and the Chief Whip; and to David Wright.

Yours sincerely,

Michael Scholar

D.A. Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

(2)

Prime Minister

To note.

MHS 25/11

PRIME MINISTER

LOCAL AUTHORITY CURRENT EXPENDITURE 1983-84 and 1984-85

Cabinet on 12 November provisionally agreed a total of £18 billion for local authority relevant current expenditure in England in 1982-83. Since then I have discussed the totals for 1983-84 and 1984-85 with colleagues and I am writing now to record what we have agreed.

2. As you know, I proposed in my paper to Cabinet on 20 October C(81)51, that we should plan for real reductions in local authority relevant current expenditure of 2% a year in 1983-84 and 1984-85. We agreed that this would give local authorities a clear signal of our determination to secure future cuts in spending despite the substantial readjustment for 1982-83. On the basis of a total of £18000 million for England in 1982-83, the total for 1983-84 is £18698 million and for 1984-85, £19240 million. The consequences of these totals for Scotland and Wales are, using the formula, increases of £90 million and £41 million for Scotland and £45 million and £21 million for Wales.

3. The distribution of these two totals between services, which we will publish in the White Paper, caused us more difficulty. It is desirable to give local authorities an indication of the Government's policy objectives for the different services but, on the other hand, our primary aim must be to deliver our target for the total of local authority spending. The following service distributions of the target reductions have therefore been agreed, but it is proposed that they should be described as provisional in the White Paper:

	1983-84	1984-85
MAFF	80	80
Trade	49	50
Employment	66	68
Transport	1484 =	1537 =
? DOE - housing	95	98 ?
DOE - other environmental services	2258	2327
Home Office	2949	3089
Education	9435 =	9589 =
Office of Arts and Libraries	310	320
Personal social services	1972	2082
Total	18698	19240

These are the services totals that will be included in the White Paper chapters on programmes (although Keith Joseph may wish to make a small change in the provision between Arts and Libraries and Education without altering the combined total). Of course, we will look again at these figures in the normal way during next year's survey.

4. I am sending copies of this letter to all members of the Cabinet and Sir Robert Armstrong.

L.B.

LEON BRITTAN
24 November 1981

CONFIDENTIAL

3465

Mr Osborn

cc Mr Heiser
Mr Ponsford
Mr Kidgell
Mr Kitchen
Mr Scotter
Mr Hawkins
Mr Lewis
Mr Ward
Mr Wells

BRIEFING FOR E

I attach an amended summary table 1 showing GRE's, 1981/82 revised budgets and 1982/83 targets for authorities, excluding the Metropolitan Police.

On this basis, the targets allow a 0.3% cash increase over 1981/82 revised budgets.

John Smith

JOHN SMITH

24 November 1981

Excluding Metropolitan Police.

19/11/81 at 16:17

Total expenditure

TABLE 1

Comparison of GRE's, revised budgets and targets (for authorities excluding Metropolitan Police).

Authority	GRE's 1982/83 Col 1	Revised budgets 1981/82 Col 2	Targets 1982/83 Col 3	Percentage cash change Col 4
TOTAL England	£18210.169	£18,151.182m	£18210.169	0.3%
Non-met districts	£1,410.327m	£1,323.223m	£1,342.500m	1.5%
Non-met counties	£8,942.131m	£8,291.335m	£8,519.310m	2.7%
Metropolitan districts	£3,782.338m	£3,753.958m	£3,797.276m	1.2%
Metropolitan counties	£854.550m	£1,060.111m	£966.542m	-8.8%
Non-met total	£10,352.458m	£9,614.558m	£9,861.810m	2.6%
Metropolian total	£4,636.888m	£4,814.069m	£4,763.818m	-1.0%
City & Westminster	£77.575m	£113.451m	£113.759m	0.3%
Rest of Inner London	£578.131m	£738.881m	£721.098m	-2.4%
Inner London inc ILEA	£1,167.558m	£1,549.785m	£1,515.662m	-2.2%
Outer London	£1,569.297m	£1,601.558m	£1,620.741m	1.2%
GLC	£482.577m	£570.144m	£447.028m	-21.6%
London total (excl. Met. Police)	£3219.432m	£3,721.487m	£3583.431m	-3.7%
Partnership authorities	£1,476.539m	£1,657.530m	£1,643.723m	-0.8%
Programme authorities	£1,245.467m	£1,230.078m	£1,244.935m	1.2%
Partnership & programme	£2,722.006m	£2,887.608m	£2,888.658m	-

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

24 November 1981

Dear Terry

At the request of the Chief Secretary, my Secretary of State has now agreed that a computer run should be made of a 55% rate support grant option. The attached table has been prepared on the same assumptions as the tables annexed to E(81)117.

I am copying this to the Private Secretaries to all members of E Committee, the Chief Whip, the Lord President and to Sir Robert Armstrong.

Yours sincerely
David Edmonds

D A EDMONDS
Private Secretary

Terry Mathews Esq
PS/Chief Secretary

TABLE 8

55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

			---------Spending at target---------			+++++Spending 5% above 1981/82+++++ -----------revised budget-----------		
Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
TOTAL England	£18,426.929m	£8,053.698m	£19,003.750m	£8,005.333m	5.5%	£19,873.536m	£7,682.458m	17.0%
Non-met districts	£1,323.223m	£587.358m	£1,376.062m	£562.902m	-3.2%	£1,424.119m	£549.363m	4.1%
Non-met counties	£8,291.775m	£3,903.934m	£8,732.293m	£3,734.063m	10.9%	£8,923.549m	£3,634.187m	17.3%
Metropolitan districts	£3,753.958m	£2,025.124m	£3,892.208m	£1,972.351m	7.8%	£4,040.197m	£1,930.977m	18.4%
Metropolitan counties	£1,066.911m	£458.302m	£990.706m	£470.328m	1.5%	£1,140.944m	£461.835m	32.4%
Non-met total	£9,614.998m	£4,491.292m	£10,108.355m	£4,296.964m	8.6%	£10,347.668m	£4,183.550m	15.2%
Metropolian total	£4,820.869m	£2,483.426m	£4,882.914m	£2,442.680m	6.4%	£5,181.142m	£2,392.812m	21.6%
City & Westminster	£113.451m	£-60.336m	£116.603m	£-63.353m	-5.9%	£122.102m	£-63.353m	-3.0%
Rest of Inner London	£738.895m	£344.740m	£739.126m	£367.484m	-9.3%	£795.221m	£349.214m	8.9%
Inner London inc ILEA	£1,549.799m	£284.403m	£1,553.553m	£304.131m	-3.9%	£1,667.956m	£285.861m	6.3%
Outer London	£1,601.558m	£681.465m	£1,661.260m	£679.507m	2.6%	£1,723.677m	£643.104m	12.9%
GLC & Met Police	£838.638m	£112.545m	£796.531m	£281.163m	-0.9%	£951.944m	£176.249m	49.1%
London total	£3,989.995m	£1,078.413m	£4,011.344m	£1,264.801m	-1.1%	£4,343.577m	£1,105.214m	16.6%
Partnership authorities	£1,657.544m	£820.324m	£1,684.816m	£820.949m	1.6%	£1,783.917m	£783.986m	17.6%
Programme authorities	£1,230.078m	£695.263m	£1,276.059m	£694.361m	3.8%	£1,323.871m	£684.377m	14.1%
Partnership & programme	£2,887.622m	£1,515.587m	£2,960.874m	£1,515.310m	2.5%	£3,107.788m	£1,468.364m	16.2%

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55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	---------Spending at target-------- 1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	+++++Spending 5% above 1981/82+++++ -----------revised budget---------- 1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
ISLES OF SCILLY	£1.067m	£0.566m	£1.138m	£0.888m	-48.3%	£1.148m	£0.883m	-44.9%
SHIRE COUNTIES								
Avon	£274.297m	£123.897m	£282.945m	£122.278m	12.1%	£295.212m	£118.158m	23.6%
Bedfordshire	£167.165m	£56.285m	£174.910m	£56.698m	5.0%	£179.911m	£51.673m	13.9%
Berkshire	£196.890m	£55.115m	£205.891m	£47.738m	12.2%	£211.903m	£39.856m	22.1%
Buckinghamshire	£164.735m	£47.243m	£172.942m	£50.905m	0.2%	£177.296m	£45.262m	8.4%
Cambridgeshire	£166.748m	£65.966m	£175.070m	£67.660m	7.8%	£179.463m	£63.533m	16.4%
Cheshire	£305.431m	£128.185m	£315.114m	£124.070m	11.3%	£328.720m	£117.760m	22.9%
Cleveland	£211.995m	£103.576m	£213.927m	£103.590m	12.1%	£228.160m	£101.446m	28.7%
Cornwall	£116.271m	£68.245m	£124.194m	£66.925m	8.8%	£125.137m	£66.540m	11.3%
Cumbria	£150.627m	£90.660m	£156.003m	£91.292m	14.0%	£162.112m	£91.050m	25.2%
Derbyshire	£262.000m	£146.686m	£277.319m	£142.522m	8.0%	£281.978m	£140.212m	13.5%
Devon	£256.987m	£138.852m	£275.459m	£133.944m	7.3%	£276.582m	£133.489m	8.5%
Dorset	£170.753m	£69.235m	£179.617m	£61.578m	18.5%	£183.773m	£58.000m	26.3%
Durham	£193.315m	£119.014m	£199.057m	£119.671m	10.3%	£208.055m	£120.656m	21.4%
East Sussex	£179.946m	£67.326m	£190.225m	£60.469m	12.3%	£193.667m	£57.176m	18.1%
Essex	£401.448m	£155.057m	£427.575m	£135.867m	8.2%	£432.058m	£130.999m	11.7%
Gloucestershire	£143.070m	£70.048m	£151.892m	£66.777m	9.0%	£153.979m	£65.349m	13.5%
Hampshire	£425.639m	£185.208m	£451.677m	£168.851m	15.9%	£458.094m	£163.225m	20.8%
Hereford and Worcester	£179.609m	£86.113m	£190.398m	£78.705m	12.4%	£193.304m	£76.337m	17.8%
Hertfordshire	£284.895m	£90.277m	£303.928m	£68.195m	13.4%	£306.618m	£64.888m	16.3%
Humberside	£277.931m	£161.491m	£285.057m	£159.847m	15.0%	£299.123m	£159.087m	28.6%
Isle of Wight	£33.950m	£17.711m	£35.824m	£18.408m	9.4%	£36.539m	£18.018m	16.3%
Kent	£407.884m	£208.483m	£436.192m	£197.200m	9.8%	£438.985m	£195.489m	11.8%
Lancashire	£416.250m	£253.882m	£439.479m	£258.556m	13.5%	£447.989m	£256.052m	20.4%
Leicestershire	£244.329m	£126.156m	£258.642m	£120.266m	11.3%	£262.959m	£116.933m	17.4%
Lincolnshire	£158.133m	£92.259m	£168.240m	£89.951m	10.3%	£170.191m	£89.118m	14.3%
Norfolk	£189.070m	£91.796m	£201.102m	£87.137m	13.2%	£203.487m	£85.487m	17.2%
Northamptonshire	£155.050m	£73.873m	£161.757m	£74.869m	9.8%	£166.873m	£71.402m	20.6%
Northumberland	£94.539m	£54.517m	£99.303m	£53.801m	12.0%	£101.748m	£52.868m	20.4%
North Yorkshire	£196.410m	£109.692m	£207.091m	£106.480m	10.8%	£211.386m	£104.448m	17.7%
Nottinghamshire	£313.440m	£165.978m	£321.180m	£159.782m	19.1%	£336.866m	£156.815m	32.9%
Oxfordshire	£152.689m	£57.231m	£161.412m	£48.887m	12.6%	£164.332m	£45.914m	18.5%
Shropshire	£108.574m	£62.122m	£115.885m	£61.220m	6.6%	£116.853m	£60.756m	9.4%
Somerset	£120.373m	£62.545m	£127.671m	£61.440m	8.9%	£129.551m	£60.310m	13.8%
Staffordshire	£304.903m	£151.686m	£321.924m	£152.675m	10.0%	£328.152m	£148.850m	16.6%
Suffolk	£163.019m	£72.726m	£173.665m	£71.892m	5.2%	£175.449m	£70.566m	8.4%
Surrey	£257.502m	£70.401m	£273.629m	£55.541m	10.6%	£277.137m	£50.998m	14.7%
Warwickshire	£133.404m	£60.779m	£143.176m	£55.970m	8.0%	£143.576m	£55.758m	8.7%
West Sussex	£164.838m	£60.568m	£175.615m	£51.747m	7.9%	£177.407m	£49.848m	11.1%
Wiltshire	£147.666m	£83.051m	£157.307m	£80.657m	11.1%	£158.926m	£79.860m	14.6%

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TABLE 8

55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	---------Spending at target--------- 1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	+++++Spending 5% above 1981/82+++++ -----------revised budget----------- 1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
GREATER LONDON								
City of London	£54.575m	£-38.707m	£54.274m	£-40.642m	-5.4%	£58.736m	£-40.642m	-1.0%
Camden	£99.377m	£11.378m	£98.829m	£11.981m	-6.6%	£106.954m	£11.981m	2.1%
Greenwich	£49.889m	£29.359m	£49.614m	£27.688m	6.5%	£53.693m	£27.588m	26.8%
Hackney	£65.129m	£39.164m	£64.770m	£42.756m	-16.8%	£70.095m	£41.767m	7.1%
Hammersmith and Fulham	£51.015m	£31.352m	£50.734m	£35.096m	-25.9%	£54.905m	£33.649m	0.7%
Islington	£67.660m	£24.293m	£67.287m	£28.782m	-16.8%	£72.819m	£23.773m	6.0%
Kensington and Chelsea	£35.587m	£11.804m	£37.377m	£11.429m	4.8%	£38.301m	£8.936m	18.6%
Lambeth	£97.831m	£46.639m	£97.278m	£53.250m	-10.4%	£105.276m	£50.163m	12.2%
Lewisham	£72.666m	£43.463m	£72.265m	£43.396m	-0.8%	£78.207m	£43.892m	18.0%
Southwark	£85.032m	£40.156m	£84.563m	£43.417m	-14.1%	£91.516m	£39.281m	9.1%
Tower Hamlets	£57.010m	£22.627m	£56.696m	£23.611m	-8.7%	£61.357m	£22.232m	7.9%
Wandsworth	£57.699m	£44.504m	£59.712m	£46.077m	-12.6%	£62.099m	£45.950m	3.5%
Westminster	£58.876m	£-21.629m	£62.329m	£-22.710m	-6.4%	£63.365m	£-22.710m	-5.2%
Barking and Dagenham	£57.347m	£23.746m	£57.871m	£21.055m	-0.2%	£61.720m	£19.233m	15.2%
Barnet	£88.536m	£32.472m	£94.618m	£30.147m	11.7%	£95.287m	£29.397m	14.2%
Bexley	£73.693m	£39.092m	£76.133m	£38.356m	4.2%	£79.312m	£37.188m	16.2%
Brent	£121.121m	£41.836m	£123.151m	£58.770m	-14.8%	£130.356m	£53.747m	1.3%
Bromley	£86.169m	£42.471m	£92.088m	£37.216m	14.4%	£92.739m	£36.731m	16.8%
Croydon	£97.036m	£45.174m	£103.702m	£36.475m	17.2%	£104.435m	£35.628m	20.0%
Ealing	£102.148m	£45.874m	£109.165m	£48.281m	0.5%	£109.937m	£47.614m	2.9%
Enfield	£86.767m	£36.405m	£90.771m	£34.462m	5.4%	£93.383m	£32.091m	14.7%
Haringey	£109.289m	£48.437m	£109.718m	£54.116m	-7.6%	£117.622m	£51.956m	9.1%
Harrow	£65.209m	£27.128m	£67.653m	£26.182m	-1.2%	£70.181m	£24.547m	8.7%
Havering	£79.991m	£38.215m	£82.550m	£35.536m	7.6%	£86.090m	£33.705m	19.9%
Hillingdon	£81.391m	£21.354m	£84.267m	£14.619m	9.1%	£87.597m	£10.201m	21.3%
Hounslow	£81.457m	£17.966m	£81.777m	£18.790m	-4.3%	£87.668m	£13.297m	13.0%
Kingston-upon-Thames	£42.778m	£15.847m	£44.876m	£13.065m	12.8%	£46.040m	£11.765m	21.6%
Merton	£53.685m	£25.853m	£57.373m	£22.483m	19.7%	£57.778m	£22.148m	22.3%
Newham	£110.658m	£53.526m	£111.519m	£65.586m	-17.4%	£119.096m	£63.354m	0.2%
Redbridge	£68.255m	£34.628m	£72.944m	£33.271m	9.0%	£73.459m	£32.929m	11.4%
Richmond-upon-Thames	£47.544m	£20.609m	£49.594m	£15.750m	17.7%	£51.169m	£14.381m	27.9%
Sutton	£50.399m	£24.345m	£53.087m	£23.321m	7.4%	£54.242m	£22.353m	15.1%
Waltham Forest	£98.085m	£46.485m	£98.404m	£52.026m	-7.1%	£105.564m	£50.837m	9.6%

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23/11/81 at 16:14

55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

9

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	Spending at target: 1982/83 budget Col 3	Spending at target: Grant Col 4	Spending at target: Rate increase Col 5	Spending 5% above 1981/82 revised budget: 1982/83 spend Col 6	Spending 5% above 1981/82 revised budget: Grant Col 7	Spending 5% above 1981/82 revised budget: Rate increase Col 8
GREATER MANCHESTER								
Bolton	£78.291m	£48.860m	£83.002m	£49.038m	6.0%	£84.261m	£48.579m	11.3%
Bury	£52.953m	£29.141m	£54.839m	£28.965m	4.7%	£56.991m	£28.615m	14.8%
Manchester	£235.951m	£109.582m	£236.236m	£96.653m	5.7%	£253.942m	£90.531m	23.7%
Oldham	£72.444m	£49.225m	£76.341m	£47.321m	15.0%	£77.968m	£46.887m	23.2%
Rochdale	£75.858m	£46.507m	£76.072m	£46.384m	3.7%	£81.642m	£47.009m	20.9%
Salford	£86.298m	£54.768m	£90.101m	£51.690m	19.8%	£92.878m	£51.076m	30.4%
Stockport	£80.835m	£40.704m	£85.160m	£36.858m	12.0%	£86.999m	£35.434m	19.5%
Tameside	£71.356m	£45.550m	£74.358m	£44.558m	11.0%	£76.797m	£44.266m	21.2%
Trafford	£64.103m	£25.221m	£68.326m	£20.733m	17.1%	£68.996m	£19.938m	20.7%
Wigan	£98.206m	£59.679m	£101.882m	£59.350m	8.2%	£105.694m	£59.048m	18.7%
MERSEYSIDE								
Knowsley	£63.109m	£37.577m	£65.880m	£37.538m	12.2%	£67.921m	£36.786m	23.3%
Liverpool	£203.869m	£113.520m	£208.782m	£113.850m	11.9%	£219.414m	£111.484m	27.2%
St Helens	£63.564m	£34.095m	£65.964m	£33.798m	6.1%	£68.411m	£33.127m	16.4%
Sefton	£80.764m	£47.501m	£86.611m	£43.700m	20.9%	£86.922m	£43.581m	22.2%
Wirral	£101.401m	£55.280m	£108.073m	£52.881m	15.2%	£109.133m	£52.308m	18.6%
SOUTH YORKSHIRE								
Barnsley	£72.837m	£48.021m	£74.284m	£46.496m	10.3%	£78.391m	£47.021m	24.5%
Doncaster	£97.705m	£57.769m	£100.356m	£55.269m	9.3%	£105.155m	£54.639m	22.5%
Rotherham	£81.346m	£53.846m	£84.079m	£51.223m	10.9%	£87.549m	£51.264m	22.5%
Sheffield	£196.344m	£88.273m	£196.581m	£87.434m	1.0%	£211.315m	£85.042m	16.8%
TYNE AND WEAR								
Gateshead	£67.799m	£41.962m	£70.311m	£40.067m	11.8%	£72.969m	£39.855m	22.4%
Newcastle upon Tyne	£113.990m	£43.208m	£114.128m	£38.596m	-0.1%	£122.662m	£35.579m	15.2%
North Tyneside	£65.446m	£38.912m	£67.458m	£36.250m	7.1%	£70.436m	£35.635m	19.4%
South Tyneside	£58.441m	£39.405m	£60.349m	£37.982m	13.3%	£62.897m	£37.975m	26.3%
Sunderland	£97.616m	£61.672m	£99.450m	£60.451m	9.9%	£105.059m	£61.231m	23.6%
WEST MIDLANDS								
Birmingham	£343.762m	£158.057m	£361.265m	£151.606m	12.0%	£369.974m	£143.411m	21.0%
Coventry	£103.912m	£52.150m	£109.423m	£55.343m	3.4%	£111.835m	£53.753m	11.0%
Dudley	£73.320m	£30.702m	£77.452m	£27.954m	6.9%	£78.911m	£26.383m	13.5%
Sandwell	£103.234m	£36.551m	£106.167m	£39.553m	3.4%	£111.106m	£36.690m	15.5%
Solihull	£54.661m	£24.024m	£58.641m	£23.235m	8.1%	£58.829m	£23.115m	9.1%
Walsall	£87.010m	£35.173m	£88.327m	£37.165m	-5.8%	£93.645m	£35.420m	7.2%
Wolverhampton	£92.536m	£35.507m	£94.617m	£40.993m	-4.2%	£99.592m	£38.662m	8.9%
WEST YORKSHIRE								
Bradford	£145.355m	£98.997m	£154.920m	£99.286m	11.9%	£156.438m	£99.080m	15.4%
Calderdale	£59.009m	£40.929m	£61.695m	£39.833m	11.6%	£63.508m	£39.791m	21.0%
Kirklees	£114.440m	£75.256m	£118.672m	£78.666m	3.2%	£123.166m	£78.971m	14.0%
Leeds	£202.757m	£112.339m	£214.828m	£109.698m	7.2%	£218.217m	£107.700m	12.7%
Wakefield	£93.431m	£55.160m	£97.576m	£51.935m	9.0%	£100.555m	£51.093m	18.2%

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23/11/81 at 16:14

55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	---------Spending at target--------- 1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	+++++Spending 5% above 1981/82+++++ -----------revised budget----------- 1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
METROPOLITAN COUNTIES								
Greater Manchester	£217.336m	£98.732m	£217.887m	£102.989m	-0.3%	£233.908m	£99.902m	16.3%
Merseyside	£157.660m	£68.398m	£140.422m	£67.019m	6.6%	£162.363m	£65.460m	40.7%
South Yorkshire	£148.166m	£67.192m	£148.541m	£65.041m	7.6%	£159.464m	£65.707m	20.8%
Tyne and Wear	£123.278m	£64.207m	£123.590m	£73.023m	-16.3%	£132.678m	£72.941m	-1.2%
West Midlands	£237.288m	£68.902m	£198.050m	£71.870m	5.4%	£255.381m	£61.896m	61.6%
West Yorkshire	£183.183m	£90.870m	£162.216m	£90.386m	1.4%	£197.151m	£95.930m	42.8%
GLC	£570.144m	£13.323m	£458.204m	£146.627m	-10.3%	£613.617m	£41.266m	64.8%
ILEA	£697.453m	-	£697.824m	-	-0.2%	£750.634m	-	7.4%
Metropolitan Police	£268.494m	£99.222m	£338.327m	£134.535m	3.7%	£338.327m	£134.984m	3.5%

CONFIDENTIAL

55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

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			---------Spending at target---------			+++++Spending 5% above 1981/82+++++ ---------revised budget---------		
Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
AVON								
Bath	£4.122m	£2.991m	£4.413m	£2.633m	-2.7%	£4.436m	£2.621m	-0.8%
Bristol	£33.401m	£13.599m	£33.493m	£11.576m	10.3%	£35.948m	£10.803m	26.5%
Kingswood	£2.568m	£1.657m	£2.704m	£1.538m	-4.3%	£2.764m	£1.499m	3.8%
Northavon	£3.558m	£1.537m	£3.726m	£1.160m	2.2%	£3.829m	£1.031m	11.5%
Wansdyke	£2.503m	£1.444m	£2.674m	£1.227m	10.3%	£2.694m	£1.213m	12.9%
Woodspring	£6.362m	£2.957m	£6.714m	£2.924m	1.1%	£6.847m	£2.825m	7.3%
BEDFORDSHIRE								
North Bedfordshire	£5.264m	£1.682m	£5.619m	£1.472m	-1.1%	£5.665m	£1.419m	1.3%
Luton	£7.806m	£2.856m	£8.332m	£1.946m	8.0%	£8.401m	£1.857m	10.7%
Mid Bedfordshire	£2.723m	£0.919m	£2.902m	£0.576m	20.2%	£2.931m	£0.539m	23.5%
South Bedfordshire	£4.452m	£1.177m	£4.752m	£0.316m	15.1%	£4.791m	£0.260m	17.5%
BERKSHIRE								
Bracknell	£2.978m	£0.401m	£3.137m	£0.613m	-18.2%	£3.205m	£0.505m	-12.5%
Newbury	£4.483m	£1.990m	£4.724m	£1.496m	5.8%	£4.825m	£1.371m	13.2%
Reading	£10.355m	£1.432m	£10.354m	£1.272m	5.0%	£11.145m	£0.710m	20.7%
Slough	£5.537m	£1.549m	£5.910m	£0.618m	26.6%	£5.959m	£0.533m	29.8%
Windsor and Maidenhead	£4.548m	£1.654m	£4.904m	£1.323m	-2.3%	£4.895m	£1.353m	-3.3%
Wokingham	£4.498m	£1.937m	£4.801m	£1.386m	23.4%	£4.841m	£1.346m	26.3%
BUCKINGHAMSHIRE								
Aylesbury Vale	£3.867m	£1.152m	£4.130m	£1.150m	-16.6%	£4.162m	£1.106m	-14.5%
South Bucks	£1.890m	£0.280m	£2.038m	-	13.8%	£2.034m	-	13.6%
Chiltern	£3.047m	£0.308m	£3.253m	£0.193m	-2.9%	£3.279m	£0.148m	-0.6%
Milton Keynes	£6.024m	£1.167m	£6.430m	£2.056m	-26.8%	£6.483m	£2.010m	-25.2%
Wycombe	£3.654m	-	£3.940m	£0.859m	-30.6%	£3.933m	£0.892m	-31.5%
CAMBRIDGESHIRE								
Cambridge	£4.517m	£1.413m	£4.832m	£1.519m	-10.3%	£4.861m	£1.472m	-8.2%
East Cambridgeshire	£1.565m	£0.682m	£1.687m	£0.770m	-8.8%	£1.684m	£0.775m	-9.6%
Fenland	£2.520m	£1.389m	£2.690m	£1.268m	21.5%	£2.712m	£1.254m	24.6%
Huntingdon	£4.027m	£1.791m	£4.299m	£1.578m	10.5%	£4.334m	£1.548m	13.1%
Peterborough	£8.574m	£2.326m	£8.598m	£1.810m	5.6%	£9.228m	£1.566m	19.2%
South Cambridgeshire	£2.225m	£0.688m	£2.399m	£0.652m	-14.5%	£2.395m	£0.670m	-15.6%
CHESHIRE								
Chester	£6.080m	£1.702m	£6.097m	£1.907m	-6.9%	£6.544m	£1.730m	6.9%
Congleton	£2.968m	£0.985m	£3.168m	£1.149m	-14.5%	£3.194m	£1.127m	-12.5%
Crewe and Nantwich	£5.786m	£3.285m	£5.802m	£2.608m	20.8%	£6.227m	£2.525m	40.0%
Ellesmere Port and Neston	£4.064m	£1.008m	£4.211m	£0.915m	-11.8%	£4.374m	£0.728m	-2.5%
Halton	£6.334m	£2.837m	£6.449m	£2.813m	-15.5%	£6.817m	£2.726m	-4.9%
Macclesfield	£5.721m	£2.248m	£6.107m	£2.359m	-6.9%	£6.157m	£2.306m	-4.3%
Vale Royal	£4.834m	£1.875m	£5.160m	£1.676m	1.3%	£5.203m	£1.644m	3.5%
Warrington	£8.101m	£2.652m	£8.647m	£2.962m	-11.4%	£8.719m	£2.907m	-9.4%

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TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

55% grant

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	Spending at target: 1982/83 budget Col 3	Spending at target: Grant Col 4	Spending at target: Rate increase Col 5	Spending 5% above 1981/82 revised budget: 1982/83 spend Col 6	Spending 5% above 1981/82 revised budget: Grant Col 7	Spending 5% above 1981/82 revised budget: Rate increase Col 8
CLEVELAND								
Hartlepool	£5.872m	£3.462m	£5.888m	£3.238m	-3.5%	£6.320m	£3.231m	12.5%
Langbaurgh	£12.632m	£3.179m	£12.667m	£3.571m	-5.4%	£13.595m	£3.238m	7.8%
Middlesbrough	£13.923m	£8.189m	£13.961m	£7.922m	-11.6%	£14.985m	£7.925m	3.3%
Stockton-on-Tees	£10.813m	£3.008m	£10.843m	£2.266m	10.4%	£11.637m	£1.882m	25.5%
CORNWALL								
Caradon	£2.513m	£1.461m	£2.682m	£1.555m	-16.8%	£2.705m	£1.546m	-14.5%
Carrick	£3.754m	£2.194m	£3.821m	£1.824m	13.0%	£4.040m	£1.801m	26.6%
Kerrier	£2.931m	£1.914m	£3.160m	£1.759m	20.6%	£3.154m	£1.766m	19.5%
North Cornwall	£2.315m	£1.467m	£2.396m	£1.408m	-24.7%	£2.492m	£1.376m	-15.0%
Penwith	£2.816m	£1.909m	£2.868m	£1.524m	17.3%	£3.031m	£1.524m	31.5%
Restormel	£2.813m	£1.413m	£3.008m	£1.294m	4.4%	£3.027m	£1.278m	6.5%
CUMBRIA								
Allerdale	£4.675m	£2.801m	£4.990m	£2.885m	4.5%	£5.031m	£2.878m	6.9%
Barrow in Furness	£3.983m	£2.639m	£4.034m	£2.531m	5.3%	£4.287m	£2.575m	19.9%
Carlisle	£5.795m	£2.293m	£5.811m	£2.732m	-12.1%	£6.237m	£2.698m	1.0%
Copeland	£4.096m	£2.140m	£4.107m	£2.237m	-12.3%	£4.408m	£2.244m	1.5%
Eden	£1.537m	£0.932m	£1.631m	£0.887m	16.5%	£1.654m	£0.875m	22.1%
South Lakeland	£4.381m	£2.586m	£4.676m	£2.501m	15.3%	£4.715m	£2.485m	18.2%
DERBYSHIRE								
Amber Valley	£4.388m	£2.717m	£4.684m	£2.267m	30.1%	£4.723m	£2.248m	33.2%
Bolsover	£3.402m	£2.124m	£3.411m	£1.918m	13.3%	£3.661m	£1.953m	29.6%
Chesterfield	£5.610m	£2.487m	£5.625m	£2.281m	-7.0%	£6.038m	£2.215m	6.3%
Derby	£11.145m	£4.213m	£11.897m	£5.247m	-26.5%	£11.995m	£5.184m	-24.8%
Erewash	£4.561m	£2.519m	£4.869m	£2.533m	9.3%	£4.909m	£2.516m	12.0%
High Peak	£3.875m	£1.967m	£3.877m	£1.727m	13.6%	£4.170m	£1.707m	30.2%
North East Derbyshire	£4.454m	£2.335m	£4.466m	£2.314m	-3.7%	£4.794m	£2.345m	9.6%
South Derbyshire	£1.984m	£0.674m	£2.138m	£0.629m	1.6%	£2.135m	£0.638m	0.8%
West Derbyshire	£2.619m	£1.647m	£2.752m	£1.442m	7.3%	£2.819m	£1.406m	15.8%
DEVON								
East Devon	£4.021m	£2.343m	£4.320m	£2.335m	-8.2%	£4.328m	£2.334m	-7.8%
Exeter	£3.710m	£1.747m	£3.849m	£2.294m	-39.3%	£3.993m	£2.174m	-29.0%
North Devon	£3.327m	£2.161m	£3.422m	£1.803m	7.4%	£3.581m	£1.789m	18.9%
Plymouth	£9.515m	£6.612m	£10.259m	£6.519m	-12.7%	£10.241m	£6.549m	-13.8%
South Hams	£2.766m	£1.848m	£2.953m	£1.529m	34.6%	£2.977m	£1.516m	38.2%
Teignbridge	£4.191m	£2.560m	£4.474m	£2.380m	8.5%	£4.511m	£2.363m	11.3%
Mid Devon	£1.837m	£1.039m	£1.977m	£1.103m	-8.0%	£1.977m	£1.105m	-8.2%
Torbay	£5.325m	£2.662m	£5.421m	£2.286m	-9.1%	£5.731m	£2.153m	3.7%
Torridge	£2.235m	£1.595m	£2.303m	£1.493m	12.8%	£2.405m	£1.508m	25.0%
West Devon	£1.359m	£1.001m	£1.413m	£0.800m	33.6%	£1.463m	£0.785m	47.8%

CONFIDENTIAL

55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82
with a 2.5% prudential allowance (over-budgetting)

			----------Spending at target---------			+++++Spending 5% above 1981/82+++++ ------------revised budget----------		
Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
DORSET								
Bournemouth	£8.545m	£4.050m	£8.892m	£3.775m	-8.5%	£9.197m	£3.549m	0.9%
Christchurch	£1.486m	£0.533m	£1.596m	£0.610m	-19.7%	£1.599m	£0.609m	-19.3%
North Dorset	£1.195m	£0.583m	£1.288m	£0.749m	-31.2%	£1.286m	£0.754m	-32.1%
Poole	£5.303m	£2.290m	£5.688m	£1.928m	2.7%	£5.707m	£1.912m	3.7%
Purbeck	£1.232m	£0.623m	£1.328m	£0.615m	-2.6%	£1.326m	£0.621m	-3.7%
West Dorset	£2.315m	£1.519m	£2.496m	£1.651m	-14.9%	£2.492m	£1.660m	-16.3%
Weymouth and Portland	£2.662m	£1.626m	£2.842m	£1.587m	-1.4%	£2.865m	£1.578m	1.2%
Wimbourne	£2.069m	£1.086m	£2.231m	£1.000m	-2.6%	£2.227m	£1.010m	-3.8%
DURHAM								
Chester-le-Street	£2.836m	£1.605m	£2.844m	£1.620m	-3.5%	£3.052m	£1.648m	10.7%
Darlington	£7.759m	£2.915m	£7.780m	£2.666m	-0.4%	£8.351m	£2.547m	13.0%
Derwentside	£6.021m	£2.795m	£6.038m	£3.419m	-5.7%	£6.480m	£3.523m	6.4%
Durham	£5.361m	£2.681m	£5.376m	£2.353m	6.2%	£5.770m	£2.358m	19.8%
Easington	£5.494m	£4.120m	£5.714m	£4.335m	-8.0%	£5.913m	£4.376m	2.5%
Sedgefield	£7.845m	£4.490m	£7.867m	£3.721m	33.1%	£8.443m	£3.800m	49.1%
Teesdale	£0.847m	£0.507m	£0.903m	£0.548m	-11.6%	£0.912m	£0.545m	-8.7%
Wear Valley	£4.917m	£2.885m	£4.931m	£2.824m	1.5%	£5.292m	£2.882m	16.1%
EAST SUSSEX								
Brighton	£11.861m	£5.235m	£12.058m	£5.742m	-18.3%	£12.765m	£5.355m	-4.2%
Eastbourne	£5.496m	£2.196m	£5.511m	£1.592m	-6.7%	£5.915m	£1.332m	9.1%
Hastings	£4.009m	£2.619m	£4.279m	£2.405m	-5.5%	£4.315m	£2.387m	-2.9%
Hove	£4.191m	£2.407m	£4.509m	£3.030m	-35.7%	£4.511m	£3.035m	-35.9%
Lewes	£3.613m	£1.723m	£3.857m	£1.429m	2.2%	£3.888m	£1.400m	4.8%
Rother	£3.657m	£1.811m	£3.904m	£1.495m	19.6%	£3.936m	£1.468m	22.5%
Wealden	£3.746m	£1.701m	£4.021m	£1.906m	-19.7%	£4.032m	£1.902m	-19.1%
ESSEX								
Basildon	£10.709m	£3.326m	£10.738m	£2.802m	1.4%	£11.526m	£2.438m	16.1%
Braintree	£3.895m	£1.711m	£4.113m	£1.528m	1.8%	£4.192m	£1.443m	8.3%
Brentwood	£2.225m	£0.608m	£2.399m	£0.612m	-9.3%	£2.395m	£0.627m	-10.3%
Castle Point	£3.472m	£1.292m	£3.706m	£1.198m	5.1%	£3.737m	£1.171m	7.5%
Chelmsford	£3.722m	£0.514m	£4.013m	£1.644m	-43.7%	£4.006m	£1.670m	-44.5%
Colchester	£3.892m	£1.448m	£4.182m	£1.947m	-31.9%	£4.189m	£1.945m	-31.7%
Epping Forest	£3.597m	£0.676m	£3.878m	£0.944m	-22.6%	£3.871m	£0.966m	-23.4%
Harlow	£6.085m	£0.065m	£6.102m	£0.402m	-10.1%	£6.549m	£0.137m	1.2%
Maldon	£1.609m	£0.591m	£1.718m	£0.466m	16.6%	£1.732m	£0.447m	19.6%
Rochford	£2.793m	£1.344m	£2.981m	£1.083m	14.9%	£3.006m	£1.059m	17.8%
Southend-on-Sea	£9.500m	£4.715m	£10.141m	£3.959m	-1.5%	£10.224m	£3.884m	1.0%
Tendring	£5.325m	£2.452m	£5.684m	£2.547m	-1.3%	£5.731m	£2.514m	1.2%
Thurrock	£6.763m	£1.622m	£6.782m	-	20.2%	£7.279m	-	29.1%
Uttlesford	£1.840m	£1.070m	£1.984m	£0.696m	17.3%	£1.980m	£0.706m	16.1%

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TABLE 8 — 55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

			---------Spending at target---------			+++++Spending 5% above 1981/82+++++ ----------revised budget----------		
Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
GLOUCESTERSHIRE								
Cheltenham	£3.804m	£1.658m	£4.102m	£1.653m	-2.1%	£4.094m	£1.669m	-3.0%
Cotswold	£2.447m	£1.255m	£2.612m	£1.034m	21.2%	£2.634m	£1.015m	24.4%
Forest of Dean	£2.043m	£1.454m	£2.203m	£1.182m	25.2%	£2.199m	£1.188m	23.9%
Gloucester	£2.767m	£1.437m	£2.983m	£1.691m	-20.4%	£2.978m	£1.705m	-21.5%
Stroud	£3.141m	£1.362m	£3.387m	£1.508m	-10.0%	£3.381m	£1.519m	-10.8%
Tewkesbury	£2.343m	£0.829m	£2.526m	£0.773m	9.3%	£2.522m	£0.785m	8.2%
HAMPSHIRE								
Basingstoke and Deane	£5.242m	£1.162m	£5.596m	£1.528m	-7.0%	£5.642m	£1.481m	-4.9%
East Hampshire	£3.264m	£2.069m	£3.417m	£1.335m	9.7%	£3.513m	£1.253m	19.1%
Eastleigh	£3.270m	£0.853m	£3.517m	£1.084m	-9.8%	£3.519m	£1.087m	-9.8%
Fareham	£3.993m	£1.791m	£4.262m	£1.541m	-3.6%	£4.297m	£1.516m	-1.4%
Gosport	£3.202m	£1.850m	£3.424m	£1.845m	6.1%	£3.446m	£1.831m	8.6%
Hart	£2.794m	£0.876m	£2.802m	£0.900m	-5.6%	£3.007m	£0.859m	6.6%
Havant	£4.514m	£2.678m	£4.863m	£2.244m	15.1%	£4.858m	£2.255m	14.4%
New Forest	£5.749m	£2.201m	£6.137m	£2.092m	-1.0%	£6.187m	£2.030m	1.8%
Portsmouth	£14.606m	£7.542m	£15.591m	£8.985m	-30.2%	£15.720m	£8.931m	-28.3%
Rushmoor	£4.806m	£2.286m	£4.818m	£1.755m	4.6%	£5.172m	£1.616m	21.4%
Southampton	£12.306m	£5.891m	£12.585m	£5.467m	-1.5%	£13.244m	£5.230m	10.9%
Test Valley	£3.164m	£1.351m	£3.377m	£1.184m	-2.2%	£3.405m	£1.155m	0.4%
Winchester	£3.786m	£1.380m	£4.041m	£1.367m	15.4%	£4.075m	£1.337m	18.1%
HEREFORD AND WORCESTER								
Bromsgrove	£2.549m	£0.802m	£2.721m	£0.649m	7.5%	£2.743m	£0.621m	10.2%
Hereford	£1.920m	£0.450m	£2.049m	£0.846m	-29.3%	£2.066m	£0.831m	-27.4%
Leominster	£1.162m	£0.681m	£1.232m	£0.723m	-18.4%	£1.251m	£0.712m	-13.7%
Malvern Hills	£2.827m	£1.318m	£3.018m	£1.325m	3.2%	£3.043m	£1.306m	5.8%
Redditch	£3.357m	£1.143m	£3.366m	£0.789m	-15.5%	£3.613m	£0.661m	-3.2%
South Herefordshire	£1.472m	£0.827m	£1.579m	£0.782m	-4.8%	£1.584m	£0.779m	-3.8%
Worcester	£3.768m	£0.517m	£3.778m	£1.121m	-20.0%	£4.055m	£0.998m	-7.9%
Wychavon	£4.416m	£1.340m	£4.433m	£1.087m	3.0%	£4.753m	£0.934m	17.5%
Wyre Forest	£6.078m	£1.944m	£6.095m	£1.602m	7.5%	£6.541m	£1.463m	21.5%
HERTFORDSHIRE								
Broxbourne	£3.808m	£2.307m	£3.914m	£1.801m	-1.9%	£4.098m	£1.688m	11.9%
Dacorum	£4.869m	£0.396m	£5.250m	£1.712m	-28.9%	£5.240m	£1.739m	-29.6%
East Hertfordshire	£4.535m	£1.393m	£4.841m	£1.563m	-13.9%	£4.881m	£1.522m	-11.8%
Hertsmere	£5.094m	£1.100m	£5.108m	£0.741m	-3.3%	£5.482m	£0.450m	11.4%
North Hertfordshire	£3.771m	£0.353m	£4.051m	£1.001m	-22.0%	£4.059m	£0.995m	-21.6%
St Albans	£4.517m	£0.659m	£4.836m	£1.241m	-15.0%	£4.861m	£1.205m	-13.5%
Stevenage	£5.610m	£0.183m	£5.625m	£0.649m	-16.6%	£6.038m	£0.357m	-4.8%
Three Rivers	£3.911m	£0.915m	£4.175m	£1.310m	-11.2%	£4.209m	£1.274m	-9.0%
Watford	£5.341m	£1.919m	£5.356m	£1.055m	3.5%	£5.748m	£0.703m	21.5%
Welwyn Hatfield	£5.293m	-	£5.287m	£0.461m	-9.3%	£5.697m	£0.077m	5.6%

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TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

, *55% grant

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	---------Spending at target--------- 1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	+++++Spending 5% above 1981/82+++++ ----------revised budget---------- 1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
HUMBERSIDE								
Beverley	£3.435m	£1.557m	£3.601m	£1.736m	-8.0%	£3.697m	£1.652m	0.9%
Boothferry	£3.517m	£1.947m	£3.527m	£2.172m	-15.1%	£3.785m	£2.207m	-1.1%
Cleethorpes	£4.207m	£1.834m	£4.219m	£1.786m	-5.5%	£4.528m	£1.715m	9.3%
Glanford	£3.416m	£1.016m	£3.425m	£1.690m	-27.4%	£3.676m	£1.668m	-15.9%
Great Grimsby	£4.711m	£2.806m	£4.815m	£2.660m	-4.7%	£5.070m	£2.619m	8.4%
Holderness	£1.628m	£0.906m	£1.708m	£0.968m	-7.7%	£1.752m	£0.943m	0.9%
Kingston upon Hull	£18.497m	£10.320m	£18.548m	£12.092m	-25.6%	£19.907m	£12.295m	-12.3%
East Yorkshire	£3.711m	£2.162m	£3.775m	£2.265m	-9.6%	£3.994m	£2.295m	1.7%
Scunthorpe	£5.747m	£2.154m	£5.763m	£2.724m	-19.3%	£6.185m	£2.532m	-2.9%
ISLE OF WIGHT								
Medina	£2.971m	£1.528m	£3.036m	£1.370m	1.7%	£3.198m	£1.347m	13.0%
South Wight	£2.588m	£1.270m	£2.595m	£1.138m	-6.9%	£2.785m	£1.107m	7.2%
KENT								
Ashford	£3.619m	£1.890m	£3.863m	£1.488m	20.2%	£3.895m	£1.464m	23.1%
Canterbury	£6.065m	£3.215m	£6.188m	£2.974m	-14.0%	£6.527m	£2.934m	-3.8%
Dartford	£5.326m	£2.707m	£5.341m	£2.312m	-3.5%	£5.732m	£2.252m	10.9%
Dover	£5.314m	£3.509m	£5.361m	£2.689m	7.9%	£5.719m	£2.673m	23.0%
Gillingham	£2.228m	£1.548m	£2.402m	£1.611m	-21.3%	£2.398m	£1.622m	-22.9%
Gravesham	£4.245m	£2.198m	£4.419m	£1.858m	2.9%	£4.569m	£1.765m	12.7%
Maidstone	£5.522m	£2.902m	£5.894m	£2.480m	12.7%	£5.943m	£2.449m	15.3%
Rochester upon Medway	£6.683m	£3.592m	£7.134m	£2.763m	31.8%	£7.193m	£2.708m	35.3%
Sevenoaks	£4.962m	£1.986m	£5.297m	£2.153m	-1.2%	£5.340m	£2.128m	1.0%
Shepway	£4.849m	£2.378m	£4.926m	£2.177m	-2.5%	£5.219m	£2.101m	10.6%
Swale	£4.582m	£2.966m	£4.940m	£2.497m	11.3%	£4.931m	£2.509m	10.4%
Thanet	£8.356m	£4.719m	£8.379m	£3.943m	18.4%	£8.993m	£3.845m	37.4%
Tonbridge and Malling	£4.429m	£1.407m	£4.433m	£1.441m	-2.4%	£4.767m	£1.364m	11.0%
Tunbridge Wells	£3.825m	£1.798m	£4.083m	£1.841m	-10.1%	£4.117m	£1.818m	-7.8%
LANCASHIRE								
Blackburn	£12.313m	£7.715m	£12.347m	£8.103m	-10.1%	£13.252m	£8.237m	6.2%
Blackpool	£9.232m	£5.268m	£9.320m	£4.967m	-6.4%	£9.936m	£4.865m	8.6%
Burnley	£7.404m	£4.437m	£7.424m	£4.289m	-1.4%	£7.969m	£4.363m	12.8%
Chorley	£3.228m	£2.163m	£3.238m	£1.863m	-11.6%	£3.474m	£1.883m	2.2%
Fylde	£3.127m	£1.575m	£3.338m	£1.471m	-4.9%	£3.365m	£1.454m	-2.6%
Hyndburn	£4.970m	£3.315m	£4.984m	£3.116m	4.1%	£5.349m	£3.191m	20.3%
Lancaster	£7.005m	£3.931m	£7.057m	£3.767m	-8.6%	£7.539m	£3.745m	5.5%
Pendle	£5.341m	£3.824m	£5.356m	£3.358m	-0.6%	£5.748m	£3.675m	14.6%
Preston	£7.207m	£4.237m	£7.693m	£4.281m	-4.6%	£7.757m	£4.258m	-2.2%
Ribble Valley	£2.360m	£1.316m	£2.386m	£1.200m	5.3%	£2.540m	£1.213m	17.8%
Rossendale	£4.236m	£2.761m	£4.248m	£2.444m	4.3%	£4.559m	£2.526m	17.5%
South Ribble	£3.314m	£1.999m	£3.543m	£1.832m	7.7%	£3.567m	£1.819m	10.0%
West Lancashire	£4.720m	£2.569m	£5.038m	£2.375m	17.2%	£5.080m	£2.353m	20.0%
Wyre	£4.239m	£2.394m	£4.507m	£2.763m	-22.5%	£4.562m	£2.734m	-18.7%

TABLE 8

55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82
with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	---------Spending at target-------- 1982/83 budget Col 3	Grant Col 4	Rate increase Col 5	+++++Spending 5% above 1981/82+++++ -----------revised budget---------- 1982/83 spend Col 6	Grant Col 7	Rate increase Col 8
LEICESTERSHIRE								
Blaby	£2.244m	£0.927m	£2.420m	£0.926m	4.9%	£2.415m	£0.935m	4.0%
Charnwood	£4.443m	£1.875m	£4.776m	£1.630m	13.6%	£4.782m	£1.631m	13.8%
Harborough	£2.051m	£0.991m	£2.136m	£0.785m	11.8%	£2.207m	£0.728m	22.4%
Hinckley and Bosworth	£2.509m	£1.083m	£2.668m	£0.935m	3.1%	£2.700m	£0.898m	7.3%
Leicester	£19.235m	£9.231m	£19.288m	£9.567m	-15.1%	£20.702m	£9.157m	0.9%
Melton	£1.491m	£0.627m	£1.528m	£0.568m	6.0%	£1.605m	£0.538m	17.8%
North West Leicestershire	£3.005m	£1.044m	£3.070m	£1.069m	-1.1%	£3.234m	£1.010m	10.0%
Oadby and Wigston	£1.398m	£0.502m	£1.507m	£0.561m	-9.6%	£1.505m	£0.568m	-10.5%
Rutland	£0.868m	£0.331m	£0.913m	£0.346m	-7.7%	£0.934m	£0.322m	-0.3%
LINCOLNSHIRE								
Boston	£1.964m	£1.004m	£2.118m	£1.220m	-20.0%	£2.114m	£1.227m	-20.9%
East Lindsey	£4.180m	£2.292m	£4.366m	£2.056m	11.4%	£4.499m	£1.976m	21.7%
Lincoln	£4.027m	£1.528m	£4.095m	£1.838m	-11.5%	£4.334m	£1.788m	-0.2%
North Kesteven	£2.388m	£1.531m	£2.564m	£1.285m	10.1%	£2.570m	£1.284m	10.7%
South Holland	£2.814m	£1.915m	£2.948m	£1.747m	22.2%	£3.029m	£1.712m	33.9%
South Kesteven	£3.482m	£1.735m	£3.717m	£1.711m	-	£3.748m	£1.690m	2.5%
West Lindsey	£2.987m	£1.839m	£3.019m	£1.526m	13.4%	£3.215m	£1.533m	27.7%
NORFOLK								
Breckland	£2.763m	£1.538m	£2.979m	£1.340m	10.1%	£2.974m	£1.351m	9.0%
Broadland	£2.689m	£1.293m	£2.899m	£1.303m	-3.7%	£2.894m	£1.313m	-4.6%
Great Yarmouth	£5.107m	£1.981m	£5.121m	£1.768m	-5.0%	£5.496m	£1.639m	9.3%
North Norfolk	£3.216m	£1.727m	£3.433m	£1.653m	7.3%	£3.461m	£1.632m	10.2%
Norwich	£9.079m	£3.303m	£9.104m	£2.741m	-2.9%	£9.771m	£2.277m	14.4%
South Norfolk	£2.616m	£1.736m	£2.821m	£1.338m	17.2%	£2.815m	£1.348m	16.0%
King's Lynn and West Norfolk	£5.278m	£2.620m	£5.634m	£2.338m	10.2%	£5.680m	£2.303m	12.9%
NORTHAMPTONSHIRE								
Corby	£2.765m	£0.271m	£2.873m	£1.609m	-41.4%	£2.976m	£1.548m	-33.8%
Daventry	£1.781m	£0.344m	£1.901m	£0.453m	-7.0%	£1.917m	£0.433m	-4.7%
East Northamptonshire	£1.635m	£0.720m	£1.763m	£0.918m	-18.2%	£1.760m	£0.924m	-19.1%
Kettering	£3.423m	£2.266m	£3.504m	£1.809m	30.7%	£3.684m	£1.787m	46.3%
Northampton	£9.407m	£4.560m	£10.041m	£3.874m	13.4%	£10.124m	£3.808m	16.1%
South Northamptonshire	£1.826m	£0.695m	£1.968m	£0.875m	-13.4%	£1.965m	£0.881m	-14.0%
Wellingborough	£2.497m	£1.254m	£2.570m	£1.086m	-1.6%	£2.687m	£1.032m	9.9%
NORTHUMBERLAND								
Alnwick	£1.434m	£0.953m	£1.531m	£0.886m	18.7%	£1.543m	£0.883m	21.6%
Berwick-upon-Tweed	£0.956m	£0.479m	£1.031m	£0.555m	-29.7%	£1.029m	£0.558m	-30.4%
Blyth Valley	£4.801m	£3.133m	£4.825m	£3.162m	-2.3%	£5.167m	£3.230m	13.9%
Castle Morpeth	£1.735m	£0.827m	£1.845m	£0.769m	2.1%	£1.867m	£0.749m	6.2%
Tynedale	£2.434m	£1.567m	£2.475m	£1.160m	20.0%	£2.620m	£1.153m	33.9%
Wansbeck	£4.529m	£1.654m	£4.541m	£1.413m	4.9%	£4.874m	£1.356m	18.0%

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TABLE 8

55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	Spending at target: 1982/83 budget Col 3	Spending at target: Grant Col 4	Spending at target: Rate increase Col 5	Spending 5% above 1981/82 revised budget: 1982/83 spend Col 6	Spending 5% above 1981/82 revised budget: Grant Col 7	Spending 5% above 1981/82 revised budget: Rate increase Col 8
NORTH YORKSHIRE								
Craven	£2.054m	£1.169m	£2.193m	£1.133m	0.8%	£2.211m	£1.128m	3.1%
Hambleton	£2.398m	£1.085m	£2.579m	£1.204m	-2.1%	£2.581m	£1.206m	-2.1%
Harrogate	£8.294m	£3.408m	£8.317m	£3.260m	4.7%	£8.926m	£3.179m	19.0%
Richmondshire	£2.008m	£1.136m	£2.040m	£1.063m	7.1%	£2.161m	£1.074m	19.2%
Ryedale	£2.596m	£1.443m	£2.788m	£1.509m	-12.5%	£2.794m	£1.510m	-12.1%
Scarborough	£5.050m	£2.853m	£5.391m	£2.887m	-5.6%	£5.435m	£2.872m	-3.4%
Selby	£3.159m	£0.976m	£3.372m	£0.843m	-1.6%	£3.400m	£0.810m	0.7%
York	£5.041m	£2.789m	£5.381m	£3.288m	-8.8%	£5.425m	£3.272m	-6.1%
NOTTINGHAMSHIRE								
Ashfield	£4.627m	£2.663m	£4.655m	£2.363m	11.1%	£4.980m	£2.401m	25.0%
Bassetlaw	£5.686m	£1.293m	£5.702m	£0.734m	0.6%	£6.120m	£0.478m	14.2%
Broxtowe	£4.042m	£2.294m	£4.315m	£2.006m	10.3%	£4.350m	£1.985m	13.0%
Gedling	£3.706m	£1.697m	£3.956m	£1.922m	-10.3%	£3.989m	£1.903m	-8.1%
Mansfield	£5.659m	£3.568m	£5.675m	£3.379m	13.1%	£6.090m	£3.442m	30.5%
Newark	£3.877m	£2.096m	£4.138m	£1.868m	-1.1%	£4.173m	£1.848m	1.2%
Nottingham	£16.777m	£7.700m	£17.909m	£8.349m	-11.7%	£18.056m	£8.253m	-9.4%
Rushcliffe	£3.816m	£1.137m	£3.912m	£0.979m	-2.3%	£4.107m	£0.884m	7.3%
OXFORDSHIRE								
Cherwell	£3.482m	£1.315m	£3.750m	£1.197m	-6.6%	£3.748m	£1.208m	-7.1%
Oxford	£5.306m	£2.750m	£5.720m	£2.347m	10.0%	£5.711m	£2.370m	9.0%
South Oxfordshire	£4.114m	£1.584m	£4.436m	£1.459m	0.3%	£4.428m	£1.478m	-0.6%
Vale of White Horse	£2.863m	£0.368m	£3.087m	£0.316m	-1.3%	£3.081m	£0.336m	-2.2%
West Oxfordshire	£2.277m	£1.059m	£2.455m	£0.953m	-4.4%	£2.451m	£0.963m	-5.4%
SHROPSHIRE								
Bridgnorth	£1.499m	£0.570m	£1.610m	£0.620m	-8.0%	£1.613m	£0.619m	-7.6%
North Shropshire	£1.698m	£0.900m	£1.813m	£0.964m	-2.3%	£1.827m	£0.957m	0.2%
Oswestry	£1.122m	£0.612m	£1.198m	£0.693m	-7.3%	£1.208m	£0.690m	-4.8%
Shrewsbury and Atcham	£3.213m	£1.042m	£3.422m	£1.204m	-1.9%	£3.458m	£1.166m	1.4%
South Shropshire	£1.366m	£0.808m	£1.458m	£0.795m	-1.8%	£1.470m	£0.792m	0.6%
The Wrekin	£7.067m	£2.932m	£7.086m	£2.695m	-2.1%	£7.606m	£2.593m	11.8%
SOMERSET								
Mendip	£2.523m	£1.269m	£2.720m	£1.301m	-2.2%	£2.715m	£1.310m	-3.2%
Sedgemoor	£3.382m	£1.531m	£3.634m	£1.695m	-5.6%	£3.640m	£1.695m	-5.3%
Taunton Deane	£3.409m	£1.781m	£3.639m	£1.751m	3.5%	£3.669m	£1.732m	6.3%
West Somerset	£0.930m	£0.634m	£1.003m	£0.383m	20.3%	£1.001m	£0.391m	18.5%
Yeovil	£3.588m	£1.690m	£3.869m	£1.958m	-25.5%	£3.862m	£1.973m	-26.4%

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TABLE 8

55% grant

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	Spending at target: 1982/83 budget Col 3	Spending at target: Grant Col 4	Spending at target: Rate increase Col 5	Spending 5% above 1981/82 revised budget: 1982/83 spend Col 6	Spending 5% above 1981/82 revised budget: Grant Col 7	Spending 5% above 1981/82 revised budget: Rate increase Col 8
STAFFORDSHIRE								
Cannock Chase	£3.487m	£1.829m	£3.497m	£1.519m	9.4%	£3.753m	£1.474m	26.1%
East Staffordshire	£3.243m	£1.197m	£3.497m	£1.658m	-26.6%	£3.490m	£1.672m	-27.4%
Lichfield	£2.596m	£0.635m	£2.785m	£0.764m	-3.0%	£2.794m	£0.756m	-2.2%
Newcastle-under-Lyme	£5.244m	£2.313m	£5.347m	£2.429m	-18.4%	£5.644m	£2.403m	-9.4%
South Staffordshire	£2.598m	£0.989m	£2.801m	£1.191m	-22.3%	£2.796m	£1.203m	-23.2%
Stafford	£3.724m	£1.402m	£3.984m	£1.503m	-19.0%	£4.008m	£1.477m	-17.4%
Staffordshire Moorlands	£2.721m	£1.209m	£2.934m	£1.443m	-15.2%	£2.928m	£1.452m	-16.0%
Stoke-on-Trent	£11.557m	£5.690m	£12.336m	£6.267m	-12.8%	£12.438m	£6.207m	-10.5%
Tamworth	£3.115m	£1.919m	£3.130m	£1.351m	37.2%	£3.353m	£1.320m	56.8%
SUFFOLK								
Babergh	£2.773m	£1.517m	£2.960m	£1.267m	-9.0%	£2.984m	£1.248m	-6.7%
Forest Heath	£1.992m	£0.874m	£2.143m	£1.053m	-16.3%	£2.144m	£1.055m	-16.4%
Ipswich	£7.187m	£2.218m	£7.207m	£2.603m	-12.8%	£7.735m	£2.351m	1.9%
Mid Suffolk	£2.417m	£1.201m	£2.564m	£1.179m	-6.1%	£2.601m	£1.151m	-1.6%
St Edmundsbury	£2.779m	£1.019m	£2.996m	£1.183m	-16.7%	£2.991m	£1.195m	-17.5%
Suffolk Coastal	£3.366m	£1.570m	£3.622m	£1.498m	-11.9%	£3.623m	£1.503m	-12.1%
Waveney	£4.598m	£2.865m	£4.746m	£2.502m	9.6%	£4.949m	£2.457m	21.7%
SURREY								
Elmbridge	£4.793m	£1.283m	£5.116m	£0.372m	18.5%	£5.158m	£0.304m	21.2%
Epsom and Ewell	£3.309m	£1.387m	£3.389m	£0.773m	27.5%	£3.561m	£0.669m	41.0%
Guildford	£4.314m	£1.294m	£4.605m	£0.731m	8.3%	£4.643m	£0.665m	11.2%
Mole Valley	£2.658m	£0.908m	£2.840m	£0.542m	4.4%	£2.861m	£0.513m	6.6%
Reigate and Banstead	£4.335m	£1.115m	£4.627m	£0.918m	0.6%	£4.666m	£0.868m	3.0%
Runnymede	£2.620m	£1.106m	£2.797m	£0.576m	31.9%	£2.820m	£0.545m	35.1%
Spelthorne	£3.655m	£0.685m	£3.916m	-	22.6%	£3.934m	-	23.2%
Surrey Heath	£2.690m	£0.487m	£2.871m	£0.591m	-12.7%	£2.895m	£0.556m	-10.4%
Tandridge	£2.342m	£0.814m	£2.505m	£0.764m	0.3%	£2.521m	£0.748m	2.2%
Waverley	£4.429m	£1.393m	£4.728m	£1.006m	16.6%	£4.767m	£0.964m	19.1%
Woking	£3.497m	£1.659m	£3.733m	£1.306m	18.9%	£3.764m	£1.264m	22.5%
WARWICKSHIRE								
North Warwickshire	£2.549m	£1.072m	£2.612m	£0.828m	-12.8%	£2.743m	£0.768m	-3.5%
Nuneaton and Bedworth	£7.253m	£3.336m	£7.273m	£2.687m	5.6%	£7.806m	£2.626m	19.3%
Rugby	£3.453m	£1.286m	£3.686m	£1.256m	0.9%	£3.716m	£1.228m	3.4%
Stratford on Avon	£4.089m	£0.399m	£4.330m	£1.142m	-27.4%	£4.401m	£1.059m	-23.9%
Warwick	£4.428m	£1.842m	£4.675m	£1.522m	-4.2%	£4.766m	£1.398m	2.3%

CONFIDENTIAL

55% grant

TABLE 8

Budgets, grant and rate increases if authorities meet targets at outturn and spend 5% above 1981/82 with a 2.5% prudential allowance (over-budgetting)

Authority	1981/82 revised budget Col 1	1981/82 grant after holdback Col 2	Spending at target: 1982/83 budget Col 3	Spending at target: Grant Col 4	Spending at target: Rate increase Col 5	Spending 5% above 1981/82 revised budget: 1982/83 spend Col 6	Spending 5% above 1981/82 revised budget: Grant Col 7	Spending 5% above 1981/82 revised budget: Rate increase Col 8
WEST SUSSEX								
Adur	£3.388m	£0.928m	£3.397m	£0.896m	-3.8%	£3.646m	£0.795m	9.7%
Arun	£5.609m	£3.354m	£5.987m	£2.503m	27.6%	£6.037m	£2.467m	30.7%
Chichester	£3.813m	£1.990m	£4.048m	£1.788m	2.6%	£4.104m	£1.733m	7.6%
Crawley	£5.390m	-	£5.405m	-	-7.7%	£5.801m	-	-0.9%
Horsham	£3.252m	£1.467m	£3.506m	£1.350m	-1.8%	£3.500m	£1.364m	-2.7%
Mid Sussex	£4.382m	£1.815m	£4.678m	£1.505m	2.3%	£4.716m	£1.466m	4.8%
Worthing	£5.324m	£2.386m	£5.683m	£2.664m	-14.2%	£5.730m	£2.627m	-11.9%
WILTSHIRE								
Kennet	£2.405m	£1.156m	£2.567m	£1.420m	-14.2%	£2.588m	£1.411m	-12.0%
North Wiltshire	£3.363m	£1.953m	£3.572m	£1.825m	8.5%	£3.619m	£1.798m	13.2%
Salisbury	£3.407m	£1.467m	£3.642m	£1.414m	8.6%	£3.667m	£1.393m	10.8%
Thamesdown	£11.861m	£4.338m	£11.894m	£3.092m	10.5%	£12.765m	£2.914m	23.7%
West Wiltshire	£2.848m	£1.621m	£2.988m	£1.421m	18.8%	£3.065m	£1.345m	30.4%

24 NOV 1981

CONFIDENTIAL

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Prime Minister

This is the advice* you asked for from the Lord Advocate (we await the Attorney General's)

MLS 24/11

*to you personally, and not copied to members of E

THE LORD ADVOCATE

Prime Minister

LOCAL GOVERNMENT FINANCE BILL

LOCAL GOVERNMENT AND PLANNING (SCOTLAND) BILL AND LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) (SCOTLAND) ACT 1981

The question has been raised as to the appropriateness of adopting for England the Scottish provisions relating to the reduction of rate support grant contained in the Local Government (Scotland) Act 1966 as amended by the 1981 Act and as it is proposed to extend them to the reduction in the rate determined by a local authority.

The Secretary of State for Scotland has to be satisfied that the estimated expenses are excessive and unreasonable, regard being had to the financial and other relevant circumstances (including the expenditure or estimated expenses of other comparable local authorities, to general and economic conditions and to such other financial, economic, demographic, geographical and like criteria as he thinks fit). This decision cannot be acted upon until approved by the House of Commons. I consider that a Scottish court would not lightly set aside a decision of the Secretary of State which has been approved by the House of Commons. While a challenge in court cannot be ruled out, the chance of a successful challenge is in my view sufficiently remote to be taken. This view I expressed last year when these provisions were introduced.

After the Secretary of State's exercise of those powers no affected local authority challenged his actings in court, although it is relevant that at least one local authority took the advice of Senior Counsel as to the possibility of doing so. In the exercise of his powers the Secretary of State took full legal advice and took care to ensure that all consultation and considerations of representations necessary took place right up until the last possible minute.

I think it also relevant in considering the Scottish position to draw attention to the fact that the Scottish Office has a long standing and well established process of consultation with the local authorities, something which is practicable given that there are less than 60 local authorities in all. The small number of local authorities also means that I and my Department have the opportunity of considering each proposed exercise of the Secretary of State's power and to give advice on it.

Insofar as reducing the rate determined by a local authority is concerned, this can only be done in relation to a case where the Secretary of State is satisfied that the estimated expenses are excessive and unreasonable and in my view the conclusions which I have stated in relation to reduction of rate support grant would obtain in this case.

I conclude, therefore, that the system currently operating, and proposed for, Scotland is satisfactory and workable without an unacceptable risk of its being successfully challenged in court, but that the scale of the operation in England and Wales might lead to a different conclusion.

MofC

Mackay of Clashfern
24th November 1981

ATTORNEY GENERAL

ROYAL COURTS OF JUSTICE

LONDON, WC2A 2LL

01-405 7641 Extn 3201

24 November 1981

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON S W 1

Dear Michael

LOCAL GOVERNMENT FINANCE BILL : RATING MEASURES

You have asked me to summarise shortly the legal advice I gave in the conference held on 17 November to discuss the draft "E" Committee paper on the scheme for limiting rates with provision for further finance by Order in Parliament.

This scheme would mean that you would exercise a statutory discretion when considering applications from local authorities for temporary borrowing authorisation. You indicated that there could be as many as thirty to forty of these applications.

Following the Camden Case you would be at risk of a challenge in the courts during the consultation process leading up to the decision on the question of the adequacy of the consultation and the need to "keep your mind ajar".

There is a much greater risk that after the decision you would be vulnerable on all the usual grounds upon which the exercise of a discretion can be challenged - by not considering relevant facts and by taking into account irrelevant considerations. The likelihood of a challenge is increased by the nature of the comparisons which local authorities will inevitably make.

/It

ATTORNEY GENERAL

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn

It is also inevitable that you would be accused of fettering the exercise of your discretion. Whilst you may properly apply general principles in dealing with these applications you would still be bound to consider each application on its merits.

For these reasons and because unlike the Secretary of State for Scotland you will have to consult and rely upon information from many other Government Departments I am bound to advise that the risk of error in the sense I have set out above if there are many applications is so great that the risk is not worth the candle. I should also add that the Councils need not ultimately be successful ~~to~~ effectively to obstruct this proposal.

I am sending a copy of this letter to the Lord Advocate, Secretary of State for Scotland, Secretary of State for Wales, Secretary of State for Social Services and all members of 'E' Committee.

Yours ever.

Michael.

A Duguid
A Walters
J Vereker

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Enviornment
2 Marsham Street
London SW1P 3EB

24 November 1981

Dear Secretary of State,

HOUSING SURPLUSES

I was grateful to you and John Stanley for coming over on Tuesday to discuss the question of housing revenue account surpluses - what we should expect a local authority to do when its rent income exceeds its housing costs.

As I said then, I do not necessarily accept that the existing arrangement requires authorities with HRA surpluses to subsidise the ratepayers in the provision of day-to-day services. They have the option at present of using the surpluses to repay debt or to finance capital investment. Nor would such authorities be penalised by losing grant unless they failed to increase rents to the extent you require - the same penalty as applies to all authorities. Nonetheless, I recognise that you have a presentational problem. I am very willing to try to find ways of overcoming it but I cannot agree to any change which is likely to lead to an increase in real public expenditure or in the PSBR (and the sums - £150 million or more on a £2.50 pw rent increase - are not small).

This is not just a matter of PESC conventions - indeed I would be ready to change the treatment of HRA surpluses in PES, increasing the presented total of public expenditure, provided the offsetting PSBR savings can be achieved. But the proposal in your letter of 16 November would not have achieved this. It involved an increase in the amount of RSG payable to local authorities and at the same time the withdrawal of any pressure on authorities with surpluses to increase their rents; a nearly certain increase in the PSBR and a reduced likelihood of achieving savings.

We discussed ways in which the savings could be guaranteed and I suggested a number of alternatives involving the use of capital expenditure. Unfortunately you felt that some of my proposals would be open to legal challenge and that one, involving a general hold-back of capital allocations, would be inequitable in penalising some authorities for the actions of others. You suggested that another possibility would be to legislate to require authorities to put up their rents and repay debt with the resulting surpluses. I was very ready to see this pursued and we agreed that our officials should examine the options further to see whether they had the desired effect.

I have now been advised that both the legislative options you proposed fall short of safeguarding the public expenditure and PSBR positions. They would give at least the same degree of certainty as at present that rents would be increased; but, because of the structure of local government finance, it would still be uncertain whether the surpluses would be used to reduce net local authority external borrowing rather than increase expenditure or reduce rates. Thus both recorded public expenditure and the central government borrowing requirement would go up but with no certainty that a compensating reduction in the PSBR would take place.

This is an unfortunate but irresistible conclusion. However I am hopeful that we can still find a way through by means of capital expenditure control. As I understood it, you were not opposed in principle to the use of this route provided it operated only on the right authorities. I would therefore like to suggest that, in addition to legislating on debt repayment, we should amend the legislation to make a link between rent increases and capital spending possible.

Specifically, what I have in mind is that authorities should be enabled to use the surplus on their HRA to augment their capital allocation; and that you should be enabled to deem that an authority should produce a specific level of surplus and to reduce its capital allocation accordingly. The effect of this would be that the authority would be required to make the deemed surplus (ie. not only increase its rents but also control its management and maintenance expenditure) in order to preserve its capital programme. It would also not need to borrow so much (if at all) in order to finance its capital investment. You may feel that a power such as this would make it unnecessary to proceed with your own legislative option on debt redemption as well. I would be open to persuasion on this provided you can demonstrate that the danger of surpluses not being produced is minimal.

You will wish to consider the legislative detail of this proposal, but I hope you will agree that if offers considerable advantages both in terms of control and presentation over the other options. It keeps the surpluses largely within housing; it would avoid the problem which you originally raised; and it is not an unreasonable suggestion that rents should be set at a level at which they generate enough income to fund some replacement housing. If you accept this proposal then I would not have thought it necessary to trouble our colleagues on this matter again in the context of the public expenditure discussions. If not however, I see no alternative to maintaining the status quo.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, the Chief Whip, the Paymaster General, the Attorney General and to Sir Robert Armstrong.

Yours sincerely

LB

pp LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]

P.0595

PRIME MINISTER

Rate Support Grant Settlement 1982-83
(E(81)117 and 118)

BACKGROUND

Item 1 On 12 November (CC(81)36th Conclusions, Item 5) the Cabinet agreed that further work on the Rate Support Grant (RSG) settlement for 1982-83 should be based on provisional assumptions of:

i. total local authority current expenditure, other than housing, for England of £18,000 million;

ii. increases averaging £2.50 a week on council house rents;

iii. RSG percentages of 54 or 56 or 57 (subsequently the Secretary of State for the Environment has circulated the exemplification of 55 per cent).

The Secretary of State for the Environment was asked to consider urgently with the Chief Secretary the treatment of surpluses on housing revenue accounts.

2. The Secretary of State for the Environment was unable to complete this work in time for discussion by Cabinet on 19 November. As Cabinet on 26 November will be taken up by discussion of the 1981 Public Expenditure Survey, you agreed that the Secretary of State should report back to E Committee.

Flag A

3. In E(81)117 the Secretary of State for the Environment recommends an RSG percentage of 57; he wishes this to be on the assumption that the increase of £2.50 in council house rents will be confirmed without any requirement of an offsetting cut of £225 million in housing capital and that the problem of surpluses will be dealt with to his satisfaction. In E(81)118 the Chief Secretary recommends an RSG of 52 per cent and points out, rightly, that E's discussion should not pre-empt Cabinet's discussion of housing expenditure the following day.

Flag B

4. Your aim in this discussion will be to reach agreement on the first four points listed in paragraph 24 of E(81)117, subject to Cabinet's decisions on housing, and to let the Home Secretary's MISC 21 Group deal with the remaining more detailed points and the implications for Scotland and for Wales.

Relevance of RSG decisions to the Public Expenditure totals and to Housing

5. Cabinet has already discussed in some detail the total of local authority current expenditure and agreed provisionally to an increase to £18,000 million. Departments have subsequently agreed to the distribution of this sum between services, as listed in Appendix A of E(81)117. There should be ready agreement to the Secretary of State for the Environment's recommendation that the total, and the distribution, should now be endorsed. The Chief Secretary has now agreed with the Ministers concerned the local authority current totals, and distribution between services, for the two later years.

6. The RSG itself is not a public expenditure total. But the level of grant, and the way in which it is distributed, will influence the outturn of local authority current expenditure and is relevant, therefore, to any provision which has to be earmarked in reserve for overspending; this is why the Chief Secretary is looking for a lower percentage.

7. The provisional decision that rent increases should be £2.50 a week rather than £4 means that, if there is to be no increase in the total provision for housing expenditure of £3869 million in 1982-83, £225 million has to be cut from housing capital expenditure and the Secretary of State for the Environment's bid for a further £67 million for additional maintenance has to be refused. This question is, however, for discussion by Cabinet on Thursday and you will wish to make clear to the Secretary of State that the discussion of the RSG settlement cannot pre-empt Cabinet's decision.

8. The Secretary of State for the Environment and the Chief Secretary are looking separately at the treatment of housing surpluses. In brief, the problem arises because rents of £2.50 will mean surpluses totalling about £150 million for many authorities on their housing revenue accounts. Under present conventions these surpluses would be deducted from the rate fund contribution (see Appendix A) so the

total of relevant expenditure for RSG purposes would be less: a benefit for the tax-payer, but leading to a situation in which council house tenants would appear to be subsidising ratepayers in the provision of local services. To deal with this the Secretary of State has assumed in his arithmetic that the surpluses are not deducted. The Chief Secretary in his letter of 24 November says that he will accept this, provided arrangements are introduced whereby the local authorities are still bound to create the surpluses and then to use them in a way which reduces the PSBR.

Flag C

9. Since the problem of surpluses is still under discussion between the two Ministers it is not appropriate for discussion by E, but it is likely to be mentioned and you should know of it. To guaranteee the Chief Secretary's objectives it might be necessary to add a clause to the Local Government Finance Bill and to amend its long title. If this is not possible, or if the Secretary of State will not accept the proposals, this part of the proposals for the RSG settlement will have to be re-opened.

Expenditure Targets

10. As you can see from Appendix A to E(81)117 the total relevant expenditure of £20,518 million is amended, by deduction of specific grants, to give total expenditure of £18,549 million which has to be financed by RSG Block Grant and by rates. Table 1 breaks this total down between individual authorities in two ways: Grant Related Expenditures (GREs) in column 1 and expenditure targets in column 3. GREs are a Central Government assessment, based on agreed criteria, of what particular authorities should spend on services, and are the basis for the RSG Block Grant distribution. In theory, one would not expect expenditure targets different from GREs. In practice, separate and different targets are proposed to allow for realism and to penalise those authorities which are overspending in 1981-82.

11. This leads to the problem described in paragraph 10 of E(81)117. Most authorities will have targets below their GREs and authorities spending below GRE but above target will be penalised by hold-back of grant. Since this will be criticised as unfair, the Secretary of State for the Environment proposes a much smaller degree of hold-back for authorities caught in this way. The Chief Secretary thinks it right to keep up the pressure on low as well as high spenders but agrees there should be some such easement, provided that the RSG percentage is low.

12. The Secretary of State for the Environment invites the Committee to agree to the provisional targets listed in his table 1. These would be replaced by firm figures when the main RSG report is published. Subject to any points about proposed procedures for hold-back, the Committee is likely to agree to this. Any details on the method of hold-back, or other problems, might be left to MISC 21 to sort out.

RSG Percentage

13. The summary table on page 5 of E(81)117 shows, in column e, the Department of the Environment's 'best estimate' of average rate increases resulting from grant percentages of 57, 56 and 54. The Secretary of State recommends a percentage of 57 which might lead to average increases in domestic rates of 12 per cent over the main rate in 1981-82. Taken with 20 per cent increases in council house rents, he believes this is the most that can be justified. He points out that if, as is likely, local authorities overspend, grant will be withheld from them so that a nominal grant percentage of 57 could lead to an effective grant of 53 per cent.

14. The Chief Secretary argues forcefully in paragraphs 5-14 of E(81)118 for a lower percentage than 57 which he believes would worsen the prospects of negotiating acceptable pay agreements and seriously risk overspending. He points out that the average rate increases shown in the Secretary of State's table leave out of account supplementary rate increases totalling 6-7 per cent during 1981-82 and will be further reduced by 2-3 per cent if hold-back is mitigated as proposed for those authorities spending below GRE. On this analysis average rate increases following a 57 per cent RSG could be as low as 3 per cent. The Chief Secretary believes that the figures for industrial authorities in the Annexes to E(81)117 are even more misleadingly high. He concludes in favour of a 52 per cent RSG.

15. The decision on the RSG percentage is very much a matter of judgement. To some extent a lower percentage will encourage lower total spending and thus add to the chances of the Government's public expenditure targets being met. To some extent, however, authorities will respond by maintaining expenditure and rating correspondingly higher with the blame being put on the Government. The Committee may feel that, while there are good arguments for something less than 57, the Chief Secretary is risking too much by going as low as 52. You might, therefore, wish to look for agreement in the range 54-56 per cent. A 10 per cent increase on the domestic rate leads to an increase of 0.3 per cent in the RPI.

Grant Distribution

16. The details of the grant distribution arrangements summarised in paragraph 20 of E(81)117 are probably generally acceptable but can be left for MISC 21 to settle.

Timing

17. It is now too late to finalise the RSG report before Christmas as had been intended. The Secretary of State for the Environment recommends, however, that local authorities should be given as soon as possible a provisional indication of the main features of the settlement.

Scotland and Wales

18. The Secretaries of State for Scotland and for Wales have already written to the Chief Secretary to propose how the percentages should be calculated for them in the light of the English settlement. There are no proposals before E and, if necessary, any problems will have to be sorted out by MISC 21.

HANDLING

19. After the Secretary of State for the Environment has introduced E(81)117 you will wish to invite the Chief Secretary, Treasury to speak to E(81)118. You will wish to make clear that questions on housing expenditure will be for decision by Cabinet on the following day and that all decisions by E on the RSG settlement are subject to those housing decisions.

20. With reference to the recommendations in paragraph 24 of the Secretary of State for the Environment's memorandum E(81)117, you will wish to:

i. seek confirmation of the expenditure assumptions - the total of current expenditure and breakdown between services - listed in Appendix A;

ii. seek agreement to the provisional individual expenditure targets in column 3 of table 1, leaving MISC 21 to sort out any detailed problems;

iii. to decide whether the RSG grant percentage should be 57 as proposed by the Secretary of State for the Environment or 52 as proposed by the Chief Secretary, or somewhere between;

iv. authorise the Secretary of State to proceed with the statutory consultations on the options and, subject to agreement with Treasury Ministers, to announce as soon as possible the main features of the RSG settlement; and

v. to leave to the members of MISC 21, whether in correspondence or in a meeting under the Home Secretary, to decide the remaining details and the arrangements for Scotland and for Wales.

In looking at these questions you will wish to devote most of the time to the question of the grant percentage.

21. The other Ministers mainly concerned are the Home Secretary, the Secretaries of State for Education and Science, Social Services, Transport, Scotland and Wales and the Minister of Agriculture, Fisheries and Food.

CONCLUSIONS

22. You will wish to sum up with reference to the five points listed above, making clear that the decisions are subject to Cabinet's discussion of the housing programme.

PLG

P L GREGSON

24 November 1981

P.0594

PRIME MINISTER

Local Government Finance Bill

(Secretary of State for the Environment's Minute of 20 November 1981)

BACKGROUND

The last collective Ministerial discussion of the Local Government Finance Bill was by the Cabinet, under the Parliamentary Affairs Item on 12 November. In addition to deciding that, in the debate that afternoon, the Government would adopt a flexible attitude on possible alternative methods of curtailing Local Authority expenditure, the Cabinet noted that the Secretary of State for the Environment would bring proposals on control of overspending by Order as an alternative to the referendum provisions before the Ministerial Committee on Economic Strategy. In his minute of 20 November, the Secretary of State has argued that the Order option (which he describes as the "centralist" route) is ruled out by advice received from the Attorney General and has listed various alternatives (eg special local elections, and requirements for outside scrutiny by consultants, the District Auditor, a judicial body etc).

Flag A

2. You reviewed the options with the Minister for Local Government and the Attorney General on Monday. At this stage we do not know what proposals the Secretary of State for the Environment will make to the Committee since he will wish to take account of the discussions this evening with the backbench Finance and Environment Committees.

MAIN ISSUES

3. In order to assist it in reaching a decision, the Committee will need the most careful and objective analysis of backbench opinion, covering, in particular, the following points:

a. The Secretary of State asserts that the overwhelming majority of opinion takes the view that the Government cannot abandon the Bill. The Bill goes wider than the clauses concerned with measures to restrict rates. Does the Secretary of State consider that there is an overwhelming majority of opinion in favour of new measures to restrict rates additional to the existing hold back arrangements? Is it clear that there is sufficient backing for this view among the Government's supporters in the Commons?

b. How far is backbench opposition to the Bill confined to objections of principle to a referendum?

c. How far is there opposition in principle to any curtailment of the rating powers of a duly elected Council by some outside body (eg Central Government, Parliament, the Judicial body, the District Auditor, or some other alternative?)

4. In the light of this assessment the Committee will need to consider the options which are now open, assuming that it is agreed that the proposed referendum provisions must be abandoned. The following possibilities have been identified at various stages in the discussions:

Abandon Part I *

Ref - not sensible.

a. the Order option;

b. special Elections; *

c. review by an outside body;

d. action confined to Transport Authorities;

e. reliance on existing hold back arrangements, or reinforcement of them.

Order option

5. Under this option the Local Authority seeking a supplementary rate would be required to make an application to the Secretary of State who would, after considering whether the proposal was justified, put an Order before the House of Commons. When E Committee discussed the Local Government Finance Bill on
Flag B ✓ 5 November (E(81)32nd Meeting) they invited the Secretary of State to arrange for a detailed study of this alternative approach. The Secretary of State did not favour this option because he saw it as representing an increase in Central Government control of Local Government and argued that the large number of Local

Authorities in England, as compared with Scotland, would make it impracticable for him to exercise the detailed scrutiny of Local Authority expenditure which would be required. The legal advice which he has subsequently received, including advice from the Attorney General, has confirmed his misgivings about this option. The main difficulty is that, in considering the applications from Local Authorities (and it is estimated that there would be 30 or 40 of these) the Secretary of State would be exercising a discretion which would be subject to challenge in the Courts. The Courts might be asked to rule on whether the Secretary of State had taken into account irrelevant considerations or had not taken into account certain proper considerations. Each application would have to be looked at on its merits. Any concession extended to one Local Authority to take account of its individual circumstances would probably have to be extended to any other Local Authority who could make a case on similar grounds. The lawyers have considered the possibility of including a provision in the Bill which would preclude judicial review of the Secretary of State's discretion. The conclusion is however that this would be both highly controversial and ineffective, since the Courts could probably find some basis for reviewing the Secretary of State's exercise of this powers despite this provision. The Order option undoubtedly has some serious disadvantages but the Committee will want a fuller assessment than is contained in the Secretary of State's minute, including views from the Lord Advocate based on experience of the similar provisions in Scotland.

Special elections

6. Throughout the discussions on interim rating measures the Secretary of State for the Environment has favoured making the supplementary rate conditional on a special election, mainly on the grounds that this would lessen the risk of confrontation with a defiant Local Authority. The main arguments against this course, which Ministers have so far felt to be decisive, are that an election could not be confined to the narrow issue of rates, that no action could be taken in respect of non-elected precepting authorities such as the ILEA and that over-spending Local Authorities who win such an election would regard themselves as having a mandate to increase spending even further. The Chief Whip has also taken the view, hitherto, that a requirement for an election rather than a referendum would be unlikely to ease the Bill's passage through Parliament. If the election option is to be pursued further the Committee will need convincing evidence that backbench opinion is likely to view it favourably.

Review by an outside body

7. In his minute of 20 November the Secretary of State lists various options involving review by outside bodies:

> "A new statutory duty under which Authorities caught by our proposals would be committed to outside report on how they can make economies andto take this report into account in fixing the level of the supplementary rate; a new judicial body to whom Local Authorities would have to appeal before fixing a supplementary rate to secure its approval; or some recourse to the District Auditor or outside consultant."

8. Before the Committee could lend its support to any of these possible solutions, which have not been previously discussed, they would need to have a fully worked out proposal for consideration. There is however a general point which affects all such options. The outside body would be drawn into political issues which go far beyond the question of whether a Local Authority is acting within the law or in accordance with financial propriety or in an economically sensible and prudent manner. It would seem undesirable for the judiciary to be drawn into making political judgements about Local Authority spending (vide the recent press comment on the London Transport case); it would be equally undesirable to involve an official such as the District Auditor or a firm of consultants in such controversy.

Action confined to Transport Authorities

9. If these options do not find favour, the Secretary of State for Transport may revert to proposals which his predecessor made in July (E(81)82) for applying in effect an EFL to London Transport and the Passenger Transport Executives. Even if the House of Lords confirms the judgement against the GLC in the London Transport case, there may still be a problem over other PTEs which are governed by different legislation. There are however two main difficulties about the transport proposals. The first is that mere restriction of the availability of finance may not go far enough, and the Government is likely to have to take powers to give directions, and to intervene in detail in the running of the Transport Authorities. Ministers shrank from detailed intervention of this kind when they considered the referendum proposal on 5 November (E(81)32nd Meeting). Secondly there is no guarantee of

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relief for the ratepayer. The Local Authority may devote the proceeds of the supplementary rate to some non-transport activity, or may keep the funds in reserve in the hope that, after a General Election, the restriction of external finance for transport authorities would be lifted.

Hold back

10. If none of the new approaches appears sufficiently workable and effective, and likely to prove acceptable in Parliament, the alternative would be to look again at the existing hold back arrangements, to see whether they can be made more effective within existing powers, or with some limited new legislation. In earlier discussions the Secretary of State for Education and Science has suggested that there is scope for action on these lines. The Secretary of State for the Environment is however likely to argue that, for the Government's main targets such as the GLC and certain high spending London Boroughs, the scope for using the hold back weapon has already been fully exhausted.

HANDLING

11. After the Secretary of State for the Environment has opened the discussion, you will wish to call upon the Attorney General and the Lord Advocate to give their advice about the Order option. The Lord President, the Chief Whip, the Chancellor of the Duchy of Lancaster and the Paymaster General may wish to comment on the Parliamentary aspects. The Chief Secretary, Treasury will also wish to speak about the implications of the various courses of action for the control of Local Authority current expenditure.

CONCLUSIONS

12. You will wish to reach conclusions on the following points:

i. whether the referendum proposal should be finally abandoned;

ii. whether some alternative new method of restricting rates should be adopted, and if so which one;

iii. what further work should be put in hand;

iv. what the timetable should now be.

PG

P L GREGSON

24 November 1981

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
London SW1

23 November 1981

DRAFT GREEN PAPER ON ALTERNATIVES TO DOMESTIC RATES

In your minute of 9 November you invited comments on the revised draft Green Paper.

Although the replacement of domestic rating by an alternative system does not directly impinge on agriculture or food production to any great extent, any such changes in the structure of taxation are bound to have implications for all sectors of the economy. The suggestion of a local income tax for instance, if implemented, could have a substantial effect on farmers, as for the most part their businesses are unincorporated and they would therefore be liable under the terms of Section 6(6) of the draft.

For the moment there are no points of substance I would wish to raise, although I have asked my officials to consult with yours on some points of detail. These are mainly of a general nature and are not specifically related to agriculture.

I am copying this minute to the Prime Minister, other members of Cabinet, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

PETER WALKER

CONFIDENTIAL

Transport LS

10 DOWNING STREET

From the Private Secretary 23 November 1981

LONDON TRANSPORT FARES

The Prime Minister was grateful for your Secretary of State's minute of 20 November about the possible implications of the Lords' judgement on the Court of Appeal decision about the GLC supplementary rate and their low fares policy.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, and to David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

ofA

Ref: A06063

CONFIDENTIAL

Prime Minister

MR. SCHOLAR

MCS 24/11

cc Mr. Ibbs
Mr. Cassels
Miss Bacon
Mr. Hilary

Local Government

I have seen Mr. Ibbs's minute of 19th November 1981 (Qn 05725), with its proposal that the CPRS undertake a wide-ranging study of the options for achieving the Government's objectives for local government finance.

2. I am sure that such a study is needed and would be useful. I have come to think during recent months that there is too much fundamentally amiss in the local government field to be remedied by tinkering. Apart from the short-comings of rates as a source of revenue, there are still problems of structure (for instance, the two-tier system in the metropolitan areas) and of division of responsibility (for instance, education and police); and above all there is the fact that over many parts of the country those who benefit from the expenditure have no, or a limited, stake as ratepayers; while those who pay the bulk of the rates have no share in the election of those who are responsible for spending decisions: we are not far from "no taxation without representation".

3. It may eventually be necessary to set up a Royal Commission to validate whatever conclusions the Government reaches, but past experience of outside inquiries in that field does not encourage one to be optimistic about the outcome. I think that it would make sense to have an "in-house" study in the first instance.

4. If (as I hope) the Prime Minister agrees that the CPRS should undertake such a study, we must reckon with the probability that it will become known that it is going on. It is clearly unlikely to be completed in time for legislation in this Parliament. If she was asked about the study, the Prime Minister could say that there were obviously a number of problems to be considered in the area of local government; that a CPRS study could serve a useful purpose in defining the problems and identifying the options for dealing with them; but the

Government were not committed by the fact of undertaking a study to any particular change, or indeed to any change, in existing arrangements; and that the Government did not expect to introduce legislation in this Parliament.

RtA

Robert Armstrong

23rd November 1981

We can't dash into this. MH did make structural proposals at the outset. Moreover the edn point is not new. There are no new answers on either matters. There is merely a well known and well-worn choice. Perhaps we can all have a word about it before any other action. i.e.

MT
MH.
Tom King
K.J.

MT

uw
HMT, CSO

cc Lord Advocate & Sol
Attorney General

10 DOWNING STREET

From the Private Secretary

23 November 1981

Thank you for your letter of today's date in which you recorded your Secretary of State's wish that the Prime Minister should reconsider her view that there should not be a separate paper on Capital Expenditure and the Construction Industry for Cabinet discussion on Thursday.

The Prime Minister has read the draft paper attached to your letter, and has discussed the matter briefly with Mr. Tom King this evening. She also understands that, if the Secretary of State's paper is circulated, the Chief Secretary, Treasury, will wish to circulate a paper of his own on these issues. In these circumstances, the Prime Minister remains of the view that the only paper before the Cabinet should be the Home Secretary's reporting on his MISC 62 discussions.

The Prime Minister also discussed with Mr. King your Secretary of State's minute to her of 20 November about the Local Government Finance Bill. The Prime Minister's immediate reaction to the situation described by your Secretary of State is that there should be a serious examination of the centralist route, on the basis of advice both from the Attorney General and from the Lord Advocate. She is strongly opposed to the notion of a new judicial body to whom local authorities would have to appeal before fixing a supplementary rate, and remains convinced that the whole council elections option would be even less acceptable than the referendum route. The Prime Minister's main immediate concern is that nothing should be said at tomorrow night's joint meeting of the Finance and Environment Committees which would lead to damaging reports of further disunity, or of options - like the new judicial body option - which would cause deep concern amongst sympathetic local authorities.

I am sending a copy of this letter to Terry Mathews (Chief Secretary's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

MZ

CONFIDENTIAL

Prime Minister

(1)

MCS 20/11

PRIME MINISTER

LONDON TRANSPORT FARES

I think I should send you and our Cabinet colleagues a preliminary warning of the possible implications of the Lords' judgment on the Court of Appeal decision about the GLC supplementary rate to pay for their low fares policy. We may get their judgement as early as Friday of next week, November 27, but I understand that the reasons may not be available for some weeks afterwards.

I have had a confidential talk with Sir Peter Masefield, the Chairman of London Transport, about the possible outcome. I should stress that this was a strictly private discussion since he is directly responsible to the GLC, and not to me.

There are a range of possible outcomes. At one extreme, the Lords might decide that despite the fact that the GLC have been paying subsidies under the Transport (London) Act of 1969 for years the payment of subsidies is unlawful. At the other extreme they may overturn the Court of Appeal judgment, and confirm the legality of the GLC's policy. They could well confine their decision to procedural defects, leaving the wider issues open. Or they could decide that subsidy is lawful, but that the GLC were not entitled to increase the rate of subsidy to the extent they have done. (Under the Conservative Administration revenue subsidy at an annual rate of about £90 million; under the present policy it will be of the order of £340 million next year.)

Unless the Lords take the extreme view that all subsidy is unlawful, the GLC could probably find alternative ways of funding LT for a few months, which will give time for LT to increase their fares to recover the position. But Sir Peter Masefield has warned me that unless he can be satisfied immediately that the necessary funds will be available, he intends to announce a doubling of his fares, and that he will then reduce bus services as quickly as possible to try to save up to £100 million of costs out of his present budget of some £720 million.

If the Lords rule - which is perhaps unlikely given the terms of the Transport (London) Act - that all subsidy payments are unlawful, this would be likely to have two consequences. Even if LT put up their fares by more than 100% immediately, and had a crash action to cut costs, they could be in serious financial difficulties early in 1982, though much would depend on how far the GLC used other available funds to help.

We might then have to consider what steps we wished to take to prevent dislocation of the capital's transport system and this might involve amending legislation. Depending upon the nature of the Lords' judgement, we might also need to see whether similar amendments were required to the legislation covering public transport subsidies in the rest of the country.

If, on the other hand, the Lords effectively confirm the legality of the GLC's low fares policy, we shall still need firm measures on local government finance to contain the situation. We should, of course, bear in mind that the GLC's fares policy is only one, though the most blatant, cause of excessive local authority spending.

If the Lords do decide in any way against the GLC and Sir Peter Masefield then acts, we shall need a prompt and vigorous response to the jump in fares to conteract GLC attempts to blame central Government. This I will prepare.

I will of course keep you and other colleagues informed of developments.

I am copying this to all members of the Cabinet and to Sir Robert Armstrong.

DA

DAVID HOWELL
20 November 1981

cc JV
AD
AW

2pp

CONFIDENTIAL

Prime Minister

For information.

MLS 20/11

SECRETARY OF STATE FOR THE ENVIRONMENT

20 November 1981

Before any 'alternative' solutions are put to the party - we must know whether they would work and if so how. MT. We can't deal them out like a pack of cards.

Prime Minister

LOCAL GOVERNMENT FINANCE BILL

Following last Thursday's debate in the House of Commons, Tom King and I have been talking to many of our colleagues and particularly to the Executive of the 1922 Committee about the way forward.

I have tried to identify the various options which are open if we decide we cannot make progress with the referendum part of the proposals. These fall into 3 groups:

a. to abandon the Bill;

b. to move to a centralist solution;

c. to abandon the concept of polls and to find another method of relying on local opinion.

In advance of the meeting of E Committee on Wednesday, 25 November when I will bring colleagues up-to-date, I set out in this minute my judgements as to where we now stand. Events are likely to move very fast early next week, and we may need to take early decisions if we are to resolve the present impasse with all its debilitating effects.

Following the Executive of the 1922 Committee meeting and taking into account the very wide range of opinions inside and outside the Parliamentary party I believe the overwhelming majority of opinion takes the view that we cannot abandon the Bill.

May we see it? MT

In the light of Sir Michael Havers' advice I cannot recommend a solution that would involve me being challenged in the Courts and thus the centralist route is blocked off.

We have tried the referendum route and whilst opinion has softened there are no grounds for believing that it will soften sufficiently quickly enough to be able to make progress in this way. I conclude, therefore, that we have to find a variant of the localist option which does not include a local poll. I will keep in play the referendum option but I believe in the end we will conclude it is unrealistic, in Parliamentary terms.

No

The other localist solutions include elections of the whole council; phased elections of each council on a third out basis; a new statutory duty under which authorities caught by our proposals would be committed to outside report on how they can make economies and to take this report into account in fixing the level of the supplementary rate; a new judicial body to whom local authorities would have to appeal before fixing a supplementary rate to secure its approval; or some recourse to the District Auditor or outside consultant.

No - not a substitute

There are many permutations.

I have agreed to appear before a joint meeting of the Finance Committee and the Environment Committee on Tuesday evening and, during Monday in my absence in Crosby, Tom King will be pursuing our consultations. I am strongly advised by Edward du Cann that the more I can steer opinion the more likely I am to reach a satisfactory consultation behind which the Party can unite. I am therefore writing this minute to indicate the background and to say that it is my belief that I have to try to steer the Party towards one of the localist solutions mentioned above.

Obviously no commitment will be made before colleagues have a chance to consider the outcome of Tuesday's meeting. But colleagues will appreciate the very difficult situation I am in in trying to unite the Party, to do so quickly and to do so in a way in which Cabinet colleagues will endorse.

I am copying this to all Members of Cabinet, the Chief Whip, the Attorney General, and to Sir Robert Armstrong.

for MH

(minute dictated by the Secy of State and signed in his absence)

Treasury Chambers, Parliament Street, SWIP 3AG

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
Caxton House
Tothill Street
London SW1

20 November 1981

Dear Secretary of State,

GREEN PAPER ON ALTERNATIVES TO DOMESTIC RATES

In your minute of 9 November to the Prime Minister you invited comments on the revised Green Paper by 20 November.

The new draft is, if I may say so, a great improvement on the version we saw at E Committee on 16 September and, subject to the points below, and the accompanying drafting suggestions, the Chancellor and I are now happy with it.

There is first the question of the interaction of the Green Paper with the Local Government Finance Bill which is, I understand, to be discussed again in E Committee next week. My drafting suggestions do not deal with the effects of the latest developments. Apart from the obvious need to look again at the explicit references to the Bill in the Green Paper, I think we must also consider, in the light of progress on the Bill, how far the Green Paper may need strengthening more generally.

Ratepayers, particularly non-domestic ratepayers, have been promised a measure of early relief through the Bill, in a way which would place pressures for restraint on the highest-spending authorities. Against this background, the Green Paper invites consideration at greater leisure of more fundamental reforms, most of which would take some years to bring about. In reply to criticisms of the Bill, we have already found it necessary to stress the importance of this longer-term look. The less we are able to achieve in the short term, the greater the weight that will be placed on the Green Paper.

There are four parts of the Green Paper which may need particular attention, depending where we go on the Bill. First, the Preface may need to refer explicitly to the limitations on what can be

achieved in the short term, and give some positive indication of the Government's intention actively to seek ways of securing improvements within those limitations. Second, I think we will need to strengthen substantially what is said in Chapter 1 about direct controls I would, in any case, have wished to do so: but the precise nature of the changes required will, I suggest, need to take account of developments on the Bill. However, I
... attach a suggested revision of paras 1.13 and 1.14 which handles the point in the way that I would favour. Third and fourth, we shall need to look at the chapters on domestic and non-domestic rates.

Aside from this general issue, I have the following comments on the present text.

It seems worth bringing out more clearly just how stable rates have been over the past decade relative to personal incomes and the yield from other forms of taxation. This might be done in Chapter 4. I have suggested a possible form of words.

On Chapter 7, I very much agree with you that a poll tax is best viewed as a supplement to other taxes rather than as a major source of revenue on its own, and as something which could be used to help smooth out a "lumpy" tax. As well as improving perceptibility and accountability, it also has the merit, alone among the possibilities examined in the Green Paper, of addressing the "lone widow" issue directly.

You raise the question whether the Green Paper should link eligibility to vote with liability to poll tax as is done in the present draft of para 7.4. I believe it should. The accountability argument seems to me to be very powerful indeed. Arguments for administrative simplicity also point in the same direction.

My next point arises on Chapter 13. I attach some importance to avoiding the criticism that we have ducked the question of the economic consequences of reducing the cost of housing by abolishing domestic rates. I fear that the present passage (paragraph 13.7) is vulnerable to such criticism. I would myself prefer a rather longer passage discussing the likely consequences, in a fairly general way, whilst making clear the difficulties involved in actually trying to quantify them. I have suggested an alternative on these lines.

Finally, I wonder whether it is best to ask for comments on the Green Paper by 1 April - you might think that 31 March would be preferable!

I am copying this letter to the Prime Minister, other Cabinet colleagues, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

Yours sincerely

pp LEON BRITTAN

(Approved by the Chief Secretary + signed in his absence)

PROPOSED AMENDMENTS TO THE GREEN PAPER

1.2, lines 5 and 6

Replace "40%" by "about 45%" and "60%" by "about 55%".

2.14

Place after paragraph 2.15. Revise first sentence to read:

"Central Government, too, has a concern with these issues."

4.1

Insert after second sentence:

"Domestic rates hardly changed at all as a proportion of personal disposable income over the decade 1970-80, lying between 2.1% and 2.4%. Over the same period the trend of total rates in the UK was in broadly constant relationship to central government taxation (excluding national insurance contributions), fluctuating between 12½% and 14%."

4.27

Replace first sentence by "The Government believes that domestic rates should be abolished if a more satisfactory alternative can be found." This would revert to the previous form of words.

5.10

Add at end "A similar problem would arise with telephone bills."

5.29

Replace the clause after the colon at the end of page 40 by:

"As an alternative to attempting to exclude all business purchases, increased business costs from purchases bearing local sales tax could be compensated for by corresponding reductions in non-domestic rates. But this would be very difficult to achieve equitably, as there is no necessary correlation between the level of a business's purchases and the size of its rate bill.

5.31

Add at end "In either case, however, it is important that the costs and difficulties of devising a satisfactory system should not be underestimated".

7.4

Lines 8 and 9, replace "real danger that" by "risk that some".

10.3

Delete the first sentence.

11.5

Last sentence. Replace "There is also .... help to achieve" by "This should result in"

11.6

Line 1. Replace by "In some cases it would be". Delete last sentence.

11.8

Delete last sentence.

11.9

Add at end "and hopes that significant improvements will prove possible".

12.16 **Replace by**

"None of the possible new sources of local revenue discussed in this Green Paper - local sales tax, local income tax, or poll tax - could be used on its own as a complete replacement for domestic rates. A local sales tax or local income tax combined with either a poll tax or domestic rates retained at a lower level of yield could replace the present system, but would entail correspondingly higher administrative and compliance costs."

13.7

Replace by : The abolition of domestic rates would reduce the cost of housing relative to other goods and services (especially in areas where rate payments are high). This would be expected to lead to an increased willingness to spend on housing generally. The scope for increasing the supply of housing is very limited in the short-term, so that this increased demand would result in upward pressure on house prices and rents. The extent and timing of any increases in prices and rents would depend on a wide range of factors affecting the housing market, including, for example, the availability of mortgage finance, the rate of turnover in the market,

controls and the redistribution of household incomes which would follow replacement of rates by an alternative tax. The process of adjustment in the housing market is thus extremely complex, and no reliable quantification of the effects is possible.

It is, however, unlikely that increases in house prices or rents would fully offset the immediate fall in total outgoings on housing arising from the abolition of rates. For instance, people buying houses may face higher prices and the need for larger mortgages, but outgoings on existing morgages would not be directly affected by a rise in house prices (though they would rise if interest rates rose) : average mortgage outgoings would thus rise only gradually, as the stock of mortgages reflected the growth in house prices. In the longer-term, house prices and rents would also depend on the costs of increasing the supply of housing as resources devoted to housing increased.

<u>13.7 to 10</u>

Delete the sub-heads ("Housing", "Effects on demand" and "Effects on prices"). Alternatively, add a sub-head to 13.10 - "Incentives".

Substitute the following for paras 1.13 and 1.14

"1.13 Central influence need not necessarily imply central control. Many local authorities are prepared to accept a degree of self-restraint in the common good, and to respond to Government guidance on the aggregate levels of spending the economy can afford. This Government has supplemented such guidance by reforms of the grant system to provide clearer incentives to prudence, and by measures designed to increase electors' awareness of the activities of their Councils and the costs they entail. Ultimately, however, the effectiveness of all such measures depends on local authorities' own sense of responsibility towards their ratepayers and towards national needs.

1.14 It would be possible for the Government to supplement the existing arrangements by seeking powers to take direct action where necessary to restrain public expenditure and to protect the interests of local taxpayers. The weaker the influence of the local tax system in restraining local expenditure the more necessary such fail-safe arrangements might seem. They could, for example, take the form of statutory upper limits on local authorities' income or expenditure. Such a limit might be expressed as a maximum permissible tax rate, or a ceiling on tax increases, along with appropriate borrowing controls; or as a restriction in terms of local authority expenditure. By any of these means local taxpayers could be protected from very high tax increases, and local authorities would effectively have to plan their expenditure within a centrally prescribed upper bound.

Y SWYDDFA GYMREIG
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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP From The Secretary of State for Wales

CONFIDENTIAL

20 November 1981

Dear Secretary of State

GREEN PAPER ON ALTERNATIVES TO DOMESTIC RATES

In your minute of 9 November to the Prime Minister you asked for comments by 20 November on the revised draft Green Paper on Alternatives to Domestic Rates.

I agree that we should aim to publish the Green Paper as soon as possible. However the proposed printing timetable will not allow time to clarify how we should proceed with the interim measures. Given the present extreme uncertainty I think references in the Green Paper to our earlier published proposals, particularly those relating to referendums, could end up causing us acute embarrassment. We will need to drop or at least very substantially amend the various references to our interim rating measures now included in the text at paragraph 4.11, the opening sentence of paragraph 1.13, and in the concluding sentences of paragraphs 9.21 and 10.6.

As for the specific points referred to in your cover note, I have no comments other than to say I see no reason why the reference included in square brackets in paragraph 7.4 should not be included in the Green Paper. I agree that the point should be made since it follows logically from making liability to pay poll tax coterminous with eligibility to vote.

/ I am copying this to the Prime Minister, Members of Cabinet, the Paymaster General, the Chief Whip and Sir Robert Armstrong.

Yours sincerely,
Leighton Davies.

Approved by the Secretary of State
and signed in his absence

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON

nr

CONFIDENTIAL

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1 3EB

20 November 1981

Dear Michael,

PM: with SCS?

You sent me a copy of your minute of 9 November, covering a copy of the latest draft of the draft Green Paper on Alternatives to Domestic Rates.

I am broadly content with the draft, but I believe that the reference to direct control over local authority revenues or expenditure in paragraphs 1.13 and 1.14 will needlessly antagonise the local authority world, and will offend those who might be expected to have sympathy with our objectives. As you note in your minute, the reception of the Green Paper will not be helped if it is too provocative to local government. Moreover, the thrust of the interim rating measures lies in precisely the opposite direction, increasing local authorities' accountability to their local electorate.

If the reference is to remain, it ought, I believe, to be modified. The detailed examples of methods of control in the third sentence of 1.13 might be deleted; and paragraphs 1.14 might be amended to read as follows:-

> "1.14. The balance between shielding the local taxpayer and restricting local authorities' freedom to determine their expenditure would need to be struck with care, taking account of local authorities' statutory responsibilities and of any discrepancy between their aggregate budgets and the Government's public expenditure plans. Local democracy would in any event be seriously weakened; and although, if all else fails, it might be necessary to pay this price for securing restraint in local authority expenditure, the Government believes that the strengthening of local accountability is a better way forward."

I am copying this letter to the Prime Minister, other members of the Cabinet, the Paymaster General, the Chief Whip and Sir Robert Armstrong.

Yours ever,
Keith

CONFIDENTIAL

Local Govt Rel

CONFIDENTIAL

cc JV AD AW

2

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

Prime Minister

MS

20 NOV 81

MLS 20/11

Dear Keith

I am replying to your letter of 9 November to Michael Heseltine about the next set of block grant exemplifications which we are preparing.

We have thought hard about the suggestion made by your officials for introducing a double kink into the poundage schedule. But I am afraid we are reluctant to introduce a further complication of that kind at this stage. This is partly because of the operational and computer programming difficulty of introducing a new variant at a late stage; partly the difficulty that we did not include this variant in our consultation with local government earlier on; but most importantly because I believe that the effect would be altogether too harsh on authorities which are high over GRE, and which already stand to lose heavily from the steeper schedule, grant holdback, and the rate limits under our new legislation (e.g. Tower Hamlets among the London Boroughs, and Bristol among the non-metropolitan districts).

I hope you will agree therefore that we should not pursue this further this year. We can of course look at it again next year, along with your earlier suggestion for a curved taper.

I am copying this letter to the recipients of yours.

Yours
TK

TOM KING

The Rt Hon Sir Keith Joseph Bt MP

Prime Minister

Agree to commissioning work by the CPRS as proposed at X?

MCS 20/11

CONFIDENTIAL

Qa 05725 19 November 1981

To: MR SCHOLAR

From: MR IBBS

Local Government - Alternatives to Domestic Rates

1. The CPRS welcomes the Green Paper on the Alternative to Domestic Rates by the Secretary of State for the Environment. It is clear from the draft that none of the alternatives is wholly satisfactory. While the document focusses on alternatives to domestic rates, it also raises questions about the functions of local government (eg the place of the education service) and about ways of encouraging more financially responsible behaviour from local authorities. The CPRS thinks that a satisfactory solution may well require changes in these other two areas.

2. It is of vital importance for the Government's economic strategy that the total amount of local government spending should come as close as possible to the targets which Ministers set. The most effective way to ensure that the targets are met would be some form of central government direction; but this would upset the constitutional balance between central and local government, and would conflict with the Government's desire to have a healthy independent local government. On the other hand, the Government might seek to increase the degree of local authority accountability, in the hope that they would be led to behave in a more responsible manner. To achieve this, more than the current 16% or so of their expenditure would have to be raised from local people - at least at the margin. But there are severe doubts about whether the domestic rating system in its present form is robust enough to support this. The interim legislation currently before Parliament is of course an attempt to grapple with this dilemma.

3. The three main issues - the allocation of functions, the methods of raising revenue and the problem of local accountability vs. central control - are thus closely linked. Methods of financing might vary with the different

functions for which central and local government are responsible; for example education, as a national service managed locally, might be treated differently from purely local services. If there is to be an element of local discretion, the major aim of revising the rating system should be to ensure that financial irresponsibility by a local authority rebounds, and is seen to rebound, on to its own electorate; this could mean closing off the easy option, for authorities like Camden, of raising the bulk of their revenue from non-domestic (and non-voting) ratepayers.

4. Many of the present problems stem from the fact that, up to now, the three issues have been considered separately: Redcliffe-Maud examined structure and functions but not finance; Layfield covered finance but not functions; and the recent efforts to curb local government spending have taken as given the existing functions and methods of finance.

5. The need to take decisions on the reform of the domestic rating system offers the Government an opportunity to consider all these issues together. Indeed, the CPRS believes that it is only by considering the different facets of local government finance together that a coherent set of mutual reinforcing proposals can be developed. We therefore suggest that as background for Ministerial decisions on the domestic rating system, work should be done to identify the options, from among this wider range of issues, which would best meet the Government's objectives. If from this work a fairly radical option were to emerge as attractive, the necessary legislation might be for the next Parliament rather than this.

6. The issues span several Departments, centrally the DoE but also the other Departments which sponsor local authority services, and the Treasury. The CPRS would be well placed to undertake the work, not only because of its cross-Departmental nature, but also because it would be easier for the CPRS than for Departments to tap outside expertise and opinion without any implied Government commitment. In this sense the work would form part of the consultative process.

7. I attach a draft passage which, if the Prime Minister agrees, could be incorporated in her reply to the Secretary of State for the Environment.

8. I am sending a copy of this minute to Sir Robert Armstrong.

JRJ.

Draft Paragraphs for reply to DOE

To: Private Secretary to the
Secretary of State for the Environment.

From: Mr Scholar

1. The Prime Minister is particularly keen that any system which replaces, or supplements, domestic rates should help reduce the problems currently being encountered in local government spending. She is content that the document should discuss possible variations both in local government functions and in central/local relations. She accepts that there are no simple alternatives to the domestic rating system, and recognises that, in order to find a satisfactory solution, changes to functions or to central/local relations may be needed.

2. Accordingly, and as part of the consultative process, the Prime Minister has asked the CPRS to examine how changes in each of these dimensions might best be combined to meet the Government's objectives. This should provide a background against which to make decisions at the end of the formal consultation process. The CPRS has been asked to work closely with your Department, and the other Departments mainly involved.

JH 932

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

19 November 1981

The Rt Hon M R D Heseltine MP
Secretary of State for
the Environment
Department of the Environment
2 Marsham Street
London SW1

Dear Michael,

ALTERNATIVES TO DOMESTIC RATES

TPM. – with MCS?

I have only one comment on the draft Green Paper circulated with your minute to the Prime Minister of 9 November.

2 The draft is of course limited to a discussion of the alternatives to domestic rates. I do not seek to reopen that decision but the increasing level of non-domestic rates is causing considerable resentment and financial pressure in industry. It is essential that the Green Paper should give industry satisfactory assurances that we are not overlooking their problems.

3 The key paragraph is 10.5. The assurance that we are concerned that the relative burden on industry should not increase is satisfactory. But the statement earlier in paragraph 10.5 that it <u>may</u> be necessary to consider whether in the long run non-domestic rates should continue, seems to me too weak. I believe we should give the more forthright undertaking "It <u>will</u> be necessary .....". No time commitment would be given but such a formulation would enable us to deal more effectively with complaints from industry and commerce that we have overlooked their difficulties. Moreover, I believe the more forthright formula would reflect no more than an inevitable fact of life. If the domestic system of local taxation is to be completely overhauled, surely at some stage the non-domestic system will at the very least have to be reviewed?

4 I am copying this letter to Cabinet colleagues, the Paymaster General, the Chief Whip and Sir Robert Armstrong.

Yours ever

Patrick

CONFIDENTIAL

(2)

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

Mr Heseltine is being very difficult about expenditure at present.

MCS 18/11

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

17 November 1981

Dear Leon

RSG PERCENTAGE

Thank you for your letter of 12 November, in which you ask me to produce a further set of exemplifications on a 55% grant percentage.

The 3 sets of exemplifications which Cabinet have already invited me to prepare will be voluminous and complex. I am reluctant to burden colleagues with yet more paper unless there are overwhelmingly strong reasons for doing so.

I think that the tenor of our discussion in Cabinet was clear enough, and I believe that we should adhere to the terms of the decision reached on Thursday.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

Yours ever

Michael

MICHAEL HESELTINE

Rt Hon Leon Brittan QC MP

CONFIDENTIAL

(4)

Prime Minister

MLS 13/11

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

12 November 1981

Dear Michael,

RSG PERCENTAGE

Following today's Cabinet meeting, your officials are to produce further exemplifications for us on the basis of RSG percentages of 54%, 56% and 57%.

On reflection, it does seem to me highly desirable that colleagues should see the effects of all the percentages within this range: this would mean adding only one - 55%. I understand that this is technically very simple and has been set in hand along with the other work.

I should be glad, therefore, if you would instruct your officials to include 55% among the percentages to be exemplified.

Copies of this letter go to all members of Cabinet and to Sir Robert Armstrong.

Yours
Leon

LEON BRITTAN

CONFIDENTIAL

R H

1. 14/12.
2. 21/12.

10/12

Cllr. M. WHEATON

12 November, 1981

I enclose a letter from Councillor M Wheaton the Prime Minister has received.

I should be grateful if you could arrange for Councillor Wheaton to receive a suitable reply, on the Prime Minister's behalf, with a copy sent to us here for our records please.

W. F. S. RICKETT

Mrs H Ghosh
Department of the Environment

DSG

R H

12 November, 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 9 November. This is receiving attention and you will be sent a reply as soon as possible.

W. F. S. RICKETT

Councillor M Wheaton

DSG

Ref: A05955

CONFIDENTIAL

PRIME MINISTER

Rate Support Grant Settlement: 1982-83
(C(81) 54 and 55)

BACKGROUND

The Home Secretary had hoped that his MISC 21 Group, which includes all the Ministers concerned with local authority expenditure, would be able to agree on the Rate Support Grant (RSG) for 1982-83 and to invite Cabinet simply to endorse their recommendations. This has not proved possible because the Group has run up against two major public expenditure questions - the totals of local authority current expenditure and of housing expenditure - which require decisions by Cabinet, in addition to the problem of deciding on the RSG percentage. These are the three main questions on which the Home Secretary asks for a ruling in his memorandum C(81) 54. The Secretary of State for the Environment has circulated, under cover of C(81) 55, some tables for 'exemplifications' intended to show the impact on individual authorities, and on the rates, of the alternative expenditure assumptions. Both papers are written in terms of England only; the implications for Scotland and Wales, and other details of the RSG settlement, will have to be sorted out by MISC 21 Ministers in the light of the Cabinet's decisions.

2. It is a pity that these papers have to be discussed at short notice and in advance of Cabinet's decisions on public expenditure as a whole. The Home Secretary agreed that it was, nevertheless, best not to advise deferment of the discussion until next week; this would have further lengthened the odds against an RSG settlement before Christmas and against sorting out as soon as possible the calculations relevant to the Local Government Finance Bill dealing with the rates. Housing expenditure is devoted partly to subsidies, which are a function of council house rents, and partly to capital investment; it is inextricably bound up with the calculations of the RSG and so could not be dealt with by the Home Secretary's MISC 62 Group which is reporting to you on public expenditure.

CONFIDENTIAL

3. The Secretary of State for the Environment can explain to Cabinet the relevance of these calculations to the Bill. In brief, expenditure targets for individual authorities will form the baseline for decisions on the limits to their main rate demands and to supplementary rates subject to referenda. Until these targets are set, as part of the RSG settlement, the Secretary of State has no basis for answering those critics who say that his proposals will lead a good number of authorities into referenda. More generally, the more generous the targets set, and the lower the guidelines for council house rents, the easier it will be for him to placate critics of the Bill, but at the price of higher public expenditure than proposed by the Chief Secretary, Treasury.

Total Local Authority Current Expenditure (other than Housing)

4. On 24th September the Cabinet accepted that realism, though not merit, pointed to a volume reduction from 1981-82 to 1982-83 of 3 rather than 7 per cent as had been previously assumed. No firm decision was taken on this, but the Chief Secretary's memorandum on public expenditure, C(81) 51, assumed that the cash total for local authority current expenditure in England would be increased to £17,800 million (i.e. a 3 per cent volume cut) in addition, he earmarked an additional £500 million in reserve against likely local authority overspending in Great Britain as a whole.

5. As explained in paragraph 3 of C(81) 54, the Secretary of State for the Environment now thinks that £17,800 million would prove inadequate and he wants to switch £350 million from the reserve to give an English total of £18,150 million. He believes that this would allow for the setting of individual targets which are credible and sustainable and which could be coupled with a rigorous system of hold-back which would mean that those authorities spending above target would lose grant. The Chief Secretary is against such a transfer to published targets on the grounds that in practice it would lead to net additional public expenditure because the pressure on the local authorities to control their costs would have been relaxed. It may be that the Secretary of State for Education and Science will report that, as part of a package deal with the Chief Secretary on his programmes, he would forgo any transfer from the reserve to local education services; in that case the proposal for transfer would be about £100 million less.

6. It may well be that a majority of Ministers will support the Secretary of State for the Environment, not out of any enthusiasm for higher spending but on grounds of realism. If that is so, I suggest that you take note but defer reaching a firm conclusion on this question until the Cabinet has gone on to consider the other questions of housing expenditure and of the RSG percentage. The higher the figure for total current expenditure the more the Chief Secretary will want to argue for a lower RSG percentage.

HOUSING

7. Grant totals, and eligibility for grant, turn on council house rent assumptions and therefore on the balance between housing subsidies and capital.

8. The present cash total for housing expenditure in England in 1982-83 is £3,869 million and no distribution of this total between subsidies and capital investment has yet been agreed. There are three propositions before Cabinet:

(i) To stick to £3,869 million and, if the 1981-82 volume of housing capital and maintenance expenditure is to be maintained, to increase council house rents by about £4 a week on top of the present English average of £11.50.

(ii) To reduce the total by £93 million, as proposed by the Chief Secretary, possibly by a combination of rent increases of £4.30 and a 2 per cent reduction in capital.

£1-95

(iii) To increase the total by £442 million as proposed by the Secretary of State for the Environment in order to maintain

350.

the volume of capital spend, to allow some increase for management and maintenance, and to hold rent increases to about £1.50 a week.

110.

442
78
520

There is, therefore, a gap of £535 million between the Secretary of State for the Environment's proposal and the Chief Secretary's. If the Secretary of State were given his bid of £442 million a further £78 million would go to Scotland and Wales under the formula arrangements.

9. The Chief Secretary will argue that his primary objective is to avoid additional expenditure on housing and, if possible, to make some reduction. If colleagues think it better to subsidise current expenditure by holding council

house rents down, that is acceptable to him, provided that they agree to offsetting reductions in capital expenditure. It is a classic case of the need to choose between current and capital expenditure and to resist looking for increases in both.

10. For the reasons summarised in paragraphs 8 - 11 of C(81) 54, the Secretary of State for the Environment will argue that rent increases of about £1.50 will be the maximum politically defensible and that he cannot agree to cut capital; indeed, he would like to increase it. He will be strongly supported in this by the Secretary of State for Wales who will claim that his problem over council house rents and housing capital are even more acute than in England.

11. The Home Secretary intends to support the Chief Secretary, at least some of the way, and provisionally he has it in mind to say that he would accept rent increases of at least £3 a week. A convenient rule of thumb for this discussion is that, for every 10p by which the rent increase falls below £4 a week, other housing expenditure, on capital or maintenance, must be reduced by £15 million or public expenditure increased by that amount. Thus, if the rent increase were £3 provision for housing capital and maintenance would need to be cut by £150 million, unless public expenditure overall were to be increased.

12. The discussion of rent increases will undoubtedly get into details on the increases which have already taken place in recent years, and on rents as a percentage of average earnings. I attach to this brief a copy of a table prepared by the Treasury to show these figures.

FLAG A

13. Paragraph 9 of C(81) 54 refers to the treatment of surpluses on the housing revenue accounts which result from rent increases. The Secretary of State for the Environment has raised with the Chief Secretary the question of whether these surpluses should be transferred, as now, to the general rate fund or whether they should be used to repay housing debt, and how these transactions should be treated in the public expenditure arithmetic. The Secretary of State will undoubtedly refer to this question tomorrow but Cabinet is not in a position to deal with it. It is a difficult and technical problem, which has only just been raised with the Treasury, and the two Departments have yet to sort out how and when it should be solved.

RSG Percentage

14. In 1981-82, 59.1 per cent of relevant expenditure is being financed by RSG. In 1982-83 total expenditure will, in deference to realism, have to be higher than previously planned - either £17,800 million or £18,150 million - but this does not mean that the Government is obliged to increase the amount of grant given to the authorities in support of that expenditure. The Chief Secretary will argue that, if £17,800 million is approved, a "neutral" RSG would be about 56 per cent; and, if £18,150 million, it should be about 54 per cent. He may also argue that it should be as low as 50 per cent in order to increase the pressure on local authorities to hold expenditure down.

15. The Secretary of State for the Environment's exemplifications, attached to C(81) 55, apply the alternatives of 56, 54 and 50 per cent to the two broad alternative expenditure assumptions: the higher one, incorporating a rent increase of only £1.50 which he recommends, and the lower one which the Chief Secretary proposes. The Secretary of State will no doubt wish to give Cabinet a guided tour of these exemplifications and to explain the detailed implications. His first (horizontal) summary table shows in column 3 his Departments' estimates of the average rate increases which would result from the various options. The comparison is with the initial level of rates in 1981-82 and approximately 6 percentage points of the difference are attributable to supplementary rates during 1981-82. The Secretary of State will argue that for particular authorities increases could be higher than average and that the grant percentage should accordingly be at least 56 per cent and applied to the higher spending assumption. He will also, with reference to his detailed tables, explain that there is a risk that the rating impact could be relatively beneficial to Inner London and severe in the Shire Counties. He is considering this further and will probably want to put forward to MISC 21 some detailed ideas for correcting it.

HANDLING

16. You will wish to invite the Home Secretary to introduce his paper; he will no doubt comment on particular points, and give his personal views, as the discussion develops. The Secretary of State for the Environment and the

Chief Secretary, Treasury will then each wish to state their general views, though you might suggest to them that detailed points can be brought up later.

17. You might then take in turn each of the three main issues raised in the Home Secretary's report. As I suggest above, you will probably not want to take a definite view on the total of local authority current expenditure until the Cabinet has discussed the closely related question of the RSG percentage, as well as the housing total.

18. In addition to the three Ministers mainly involved, you will need to seek the views during the discussion of the other main local authority Ministers: the Secretaries of State for Education and Science, for Social Services, for Transport, for Scotland and for Wales, and of the Secretary of State for Industry for the impact on the non-domestic rate and on industry generally.

19. In the light of the Cabinet's discussion, further work will be done on a good many details of the settlement and on the implications for Scotland and Wales. Particular points which might be raised in the discussion - about the mechanics of the Block Grant system, the distribution between services and so on - should be left for these further discussions in the forum of MISC 21. The Chief Secretary will need to consider the implications, and make proposals, for the later years.

CONCLUSIONS

20. You will want to sum up with reference to the three main questions in paragraph 15 of C(81) 54:

(i) Should total local authority current expenditure in England be £17,800 million or £18,150 million or some intermediate figure?

(ii) Should the English housing total stay at £3,869 million or be £442 million more or £93 million less; and what should be assumed within the total for rent increases and capital and maintenance?

(iii) What should be the RSG percentage?

and to remit further details to MISC 21.

D J Wright

Robert Armstrong

(approved by Sir R Armstrong)

11th November 1981

Average rent increases in recent years

	Increases (£s)	Increase %	Resulting Average Rent (£s)	Average rent as % of average earnings
1975-76	0.55	15	4.28	7
1976-77	0.63	15	4.91	6.8
1977-78	0.67	14	5.58	7.1
1978-79	0.32	6	5.90	6.6
1979-80	0.58	10	6.48	6.4
1980-81	1.62	25	8.10	6.5
1981-82	3.25	40	11.35	8.4
1982-83	(4.00	35	15.35	10.6)
	(1.50	13	12.85	8.9)

SUBJECT

c.c Master

CONFIDENTIAL

file cc: LPO Emp.
D/Trans. DES
CDL Ind.
NIO HMT
MOD FCO
PMG HO
Ch. Sec. HMT
D/N DOE
Trade CO
MAFF CWO.

JS

10 DOWNING STREET

From the Private Secretary

11 November 1981

LOCAL GOVERNMENT FINANCE BILL: INTERIM RATING LEGISLATION

The Prime Minister held a meeting this afternoon to discuss the latest position in relation to the Local Government Finance Bill. The Home Secretary, your Secretary of State (for part of the time) together with your Minister of State, Mr. King, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Paymaster General and the Chief Whip were present.

It was agreed that the Second Reading of the Bill should be postponed until 30 November or 1 December and the Prime Minister endorsed the suggested Government amendment to the Opposition Motion then in prospect, as in the attachment to this letter.

The Prime Minister asked what progress your Secretary of State had made in working out the Commons Order fall-back position discussed by E Committee on 5 November. Mr. King referred to the doubts of legal advisers about the scope for challenge in the courts of an Order by the Secretary of State. The Secretary of State was not yet ready to say anything publicly about this fall-back position. He would be presenting to E Committee next week the results of the detailed study commissioned at the 5 November meeting; and, on the assumption that the difficulties which he had referred to could be dealt with satisfactorily, it would only be after colleagues had discussed this study that he would be in a position to discuss publicly the Commons Order option. This, together with the difficulties which the Government's supporters in the House found in the referendum option enshrined in the present Bill, posed an awkward problem for tomorrow's debate. It would be necessary for Environment Ministers to acknowledge the difficulties which the Government supporters saw in the present Bill; and at the same time to set out the great difficulties involved in any of the alternatives to present policy.

There was then discussion of the criticisms which were being levelled against the Bill. On one matter there was total agreement among the Government's supporters: the need to restrain the high-spending local authorities. The objections in principle to a referendum might be, to some degree, diminished

/by reference

EK.

by reference to the local polls already provided for in existing legislation. There was a clear distinction between a limited, local poll and a national referendum, and this might go some way to defusing the constitutionalist objection to a referendum. Environment Ministers would hold a series of intensive discussions, both inside and outside the House, designed to set out the reasons which had led the Government to choose the referendum route.

In further discussion of the Commons Order option, the Prime Minister commented that she saw much force in the argument that this procedure was not so much the occasion of a conflict between central and local government but a proper exercise of the United Kingdom Parliament's right to be the final arbiter of the level of taxation, whether national or local. Furthermore, there existed a precedent, in the shape of the powers already voted to the Secretary of State for Scotland - albeit in a rather different situation to that which applied to the case under discussion.

I am sending copies of this letter to the Private Secretaries to members of E Committee, David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

D.A. Edmonds, Esq.,
Department of the Environment.

OPPOSITION MOTION

That this House calls upon Her Majesty's Government not to proceed with legislation on local government which, in transferring control over rate-making from town and county halls to Whitehall and imposing the device of the enforced referendum, has been rejected by all local authority associations as totally unjustified, constitutionally unacceptable and technically unsound.

SUGGESTED GOVERNMENT AMENDMENT

Delete from "not" until end and substitute:

> ".... to continue its efforts to restrain the activities of over-spending local authorities, and to provide further protection for domestic, commercial and industrial ratepayers."

cc Mr. Gow

1. PRIME MINISTER

2. MR. WHITMORE

The following will be attending your meeting in the House of Commons at 1700 this afternoon:

Secretary of State for the Environment
Minister of State for the Environmnet
Chief Whip
Chancellor of the Duchy
Home Secretary
Chief Secretary

The Lord President will be informed that the meeting will take place although his office did not think he would be able to attend becamse he is winding up this evening.

CAROLINE STEPHENS

11 November 1981

Proposed Local Government Legislation 1981/2

APPENDIX A

INDEPENDENT and CONSERVATIVE/INDEPENDENT NON-METROPOLITAN DISTRICTS WHO ARE ALL UP FOR ELECTION IN 1982 AND WHO WILL POSSIBLY BE FACING REFERENDA ASSUMING LIMIT FIXED AT 40%.

(those marked 'E' come up for election in May 1982 and the names of MPs underlined are critical seats)

'E'	Authority	Excess % Expenditure over GRE	Cut in Expenditure to avoid Referendum	Member of Parli
E	York (Conservative Minority)	58.04	24.07	Labour (York)
E	Pendle (Conservative minority)	54.99	22.58	David Waddington (Clitheroe) John Lee (Nelson & Col John Watson (Skipton)
E	South Lakeland (Conservative/ Independent)	49.35	19.65	Michael Joplin (Westmorland) Mark Lennox-Boyd (Morcambe & Lo John Watson (Skipton)
E	Rushmoor (Conservative minority)	48.33	19.10	Julian Critchley (Aldershot)
E	Daventry (Conservative minority)	44.49	16.95	Reg Prentice (Dav
E	West Lindsey (Conservative/ Independent)	44.28	16.83	Marcus Kimball (Gainsborough)
E	Eden (Independent)	42.76	15.94	William Whitelaw (Penrith & The Borde Michael Joplin (Westmorland)

Proposed Local Government Legislation 1981/2

APPENDIX A

LIST OF CONSERVATIVE NON-METROPOLITAN DISTRICTS POSSIBLY FACING REFERENDA ASSUMING LIMIT FIXED AT 40%

(those marked 'E' come up for election in May 1982 and the names of MPs underlined are critical seats)

'E'	Authority	Excess % Expenditure over GRE	Cut in Expenditure to avoid Referendum	Member of Parliament
	Boothferry	138.40	49.66	Marcus Kimball (Gainsborough) Sir Paul Bryan (Howden)
	South Northamptonshire	125.97	46.89	Reg Prentice (Daventry
E	Rossendale	121.70	45.87	-
	Christchurch	119.69	45.38	Robert Adley (Christchurch & Lymington) Patrick McNair-Wilson (New Forest)
E	Tonbridge & Malling	107.67	42.22	John Stanley (Tonbridge & Malling
	Chelmsford	90.53	37.02	Norman St John Stevas (Chelmsford) Anthony Newton (Braintree)
	Lichfield	82.80	34.35	John Heddle (Litchfield & Tamwor
E	Chester	80.64	33.57	Peter Morrison (Chester Sir Nicholas Bonsor (Nantwich)
	Mid Bedfordshire	79.71	33.22	Stephen Hastings (Mid Bedfordshire)
	Scarborough	78.48	32.76	J Townend (Bridlington Leon Brittan (Cleveland & Whitby) M Shaw (Scarborough)
E	Lincoln	77.17	32.27	Kenneth Carlisle (Lincoln)
	Dacorum	75.98	31.81	N Lyall (Hemel Hempste Victor Goodhew (St Albans) R Page (Sth West Herts
	Bracknell	71.80	30.15	Sir William Van Straubenzee (Wokingham)

Proposed Local Government Legislation 1981/2 APPENDIX A

LIST OF CONSERVATIVE NON-METROPOLITAN DISTRICTS POSSIBLY FACING REFERENDA ASSUMING LIMIT FIXED AT 40%

(those marked 'E' come up for election in May 1982 and the names of MPs underlined are critical seats)

'E'	Authority	Excess % Expenditure over GRE	Cut in Expenditure to avoid Referendum	Member of Parliament
	Wansdyke	70.13	29.47	Paul Dean (North Somerset)
	East Staffordshire	69.97	29.40	Ivan Lawrence (Burton)
E	Congleton	68.75	28.89	Jock Bruce-Gardyne (Knutsford) Nicholas Winterton (Macclesfield) Sir Nicholas Bonsor (Nantwich)
E	Reigate & Banstead	67.92	28.54	Keith Wickenden (Dorking) G Gardiner (Reigate)
E	Stratford upon Avon	62.59	26.19	Sir Angus Maude (Stratford upon Avc
E	Shrewsbury & Atcham	61.56	25.72	Sir John Langford-Holt (Shrewsbury)
	North Wiltshire	58.54	24.31	R Needham (Chippenham)
E	Milton Keynes	58.52	24.30	<u>William Benyon (Buckingham)</u>
E	Woodspring	58.03	24.07	Paul Dean (Nth Somerse J Wiggin (Weston super Mere)
	Lancaster	55.79	22.97	Elaine Kellett-Bowman (Lancaster) M Lennox Boyd (Morecambe & Lonsda
E	Tunbridge Wells	55.50	22.83	Patrick Mayhew (Tunbridge Wells)
	East Northamptonshire	52.74	21.44	Peter Fry (Wellingborough)
	East Hertfordshire	52.20	21.16	Sir Derek Walker-Smith (East Herts) Bowen Wells (Hertford & Stevena
	Sedgemoor	51.72	20.90	Tom King (Bridgewater) Jerry Wiggin (Weston super Mere)

Proposed Local Government Legislation 1981/2

APPENDIX A

LIST OF CONSERVATIVE NON-METROPOLITAN DISTRICTS POSSIBLY FACING REFERENDA ASSUMING LIMIT FIXED AT 40%

(those marked 'E' come up for election in May 1982 and the names of MPs underlined are critical seats)

'E'	Authority	Excess % Expenditure over GRE	Cut in Expenditure to avoid Referendum	Member of Parliament
E	Stroud	50.99	20.53	John Cope (South Gloucestersh Anthony Kershaw (Stroud)
	St Edmundsbury	50.74	20.39	Eldon Griffiths (Bury St Edmunds)
E	Hertsmere	49.80	19.89	Cecil Parkinson (Herts South) R Page (Herts South We
	Braintree	49.60	19.79	A Newton (Braintree)
	S. Lakeland	49.35	19.65	Alan Haslehurst (Saffron Waldon)
	Waverley	48.61	19.25	Maurice MacMillan (Farnham) David Howell (Guildfor
	Beverley	46.85	18.29	P Wall (Haltenprice)
	Fylde	46.82	18.27	E Gardner (South Fylde
	Carrick	46.01	17.81	D Mudd (Falmouth & Canbour
	Fenland	45.57	17.56	–
	Glanford	45.09	17.29	<u>M Brown</u> (<u>Brigg & Scunthorpe</u>
E	Southampton	43.78	16.54	<u>James Hill</u> (<u>Southampton Test</u>)
E	Cherwell	43.14	16.17	Neil Marten (Banbury)
	Edin	42.76	15.94	Douglas Hurd (Mid Oxon)
	Canterbury	41.55	15.22	David Crouch (Canterbury)
E	Redditch	40.88	14.82	Hilary Miller (Bromsgrove & Reddi
	Selby	40.07	14.33	Michael Allison (Barkston Ash) Sir Paul Bryan (Howden)

CONFIDENTIAL

2 pps J.U. A.D A.W (2)

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Prime Minister

MCS 9/11

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London
SW1

9 November 1981

Dear Michael.

REPORT FROM MISC 21 TO CABINET: INTERACTION WITH INTERIM RATING MEASURES

At E Committee last Thursday I drew attention to the interaction between the interim rating measures embodied in the Bill which we agreed should be introduced forthwith, and the proposals for the 1982-83 RSG Settlement embodied in the forthcoming report from MISC 21 to Cabinet. I said that I would be inviting officials here to write to Environment officials about this. They have now done so.

We are to consider proposals from you on the way that the interim rating measures should bear on individual authorities. But in the meantime we need, in the context of the report from MISC 21, to decide on the operation of the block grant mechanisms for the 1982-83 RSG Settlement. Under your present Settlement proposals, we would be subsidising - by giving them additional grant at a constant proportion of each increment of additional expenditure - the overspending of some authorities right up to and beyond the point at which they have to seek endorsement of their policies through a referendum. This is surely anomalous. Officials here have suggested a technical solution to this anomaly. I would suggest that this should be on our agenda when we consider the final details of this year's RSG Settlement, in the light of Cabinet's decisions on the main issues.

I am sending copies of this letter to the Prime Minister and other members of E Committee, to members of MISC 21 and to Sir Robert Armstrong.

Yours.

Keith

CONFIDENTIAL

Hg (DVE)SR.

HUMBERSIDE
County Council

R11

Leaders Office,
County Hall,
Beverley,
North Humberside.

Tel. Hull (0482) 867131.

9th November, 1981.

Dear Prime Minister,

I was most concerned to read in Hansard for October 29th (Col. 990) that you described this Council as being "profligate with ratepayers' money" I think you have been misinformed.

As an authority, we have a proud record of taking the utmost care with our ratepayers' money. This is reflected in the fact that only one county out of the 39 English non-metropolitans is currently levying a lower rate than ours. Our revised 107p still compares very favourably with such Conservative strongholds as Buckinghamshire (117p), Lincolnshire (115p) or Suffolk (119p).

When we were elected on May 7th, we were faced with a loss of grant from your Government of £10.7m. In addition, the previous administration - far from practising the far-sightedness which you recommend - had allowed for pay settlements of only six per cent despite all the indications that this figure was totally unrealistic. In the event, they turned out to be 7.5 per cent.

Even if your own party had been returned to power locally, therefore, they would either have had to levy a supplementary rate themselves or make thousands of people redundant. Perhaps you may agree that - quite apart from any loss of service to the ratepayers - this would have resulted in a loss of tax revenue to Her Majesty's Government, higher expenditure in unemployment benefit and a considerable loss of income to businesses in the county.

I mention only the financial aspects. The social harm and personal distress caused can perhaps only be understood by those who have had to suffer them.

In contrast, a small increase in the rates has meant improved services in every department from road maintenance to the social services. We have also provided the private sector with £15.9 million of capital building contracts and £6.0 million for maintenance. Would it be unfair to ask "Who are the wealth creators now?".

Your Government was elected in May 1979 on a manifesto which was put to the electorate. That is as it should be. I may disagree with your policies but I do not question your right, in our democratic system, to implement them. But our Council too, was democratically - and far more recently - elected. May I respectfully request that you listen to the voice of the Conservative-controlled Association of County Councils and accord local authorities the same rights to carry out those policies which the electorate has endorsed.

Yours faithfully,

M A Wheaton

County Councillor M. Wheaton
Leader

The Rt. Hon. Mrs. M. Thatcher, M.P.,
10, Downing Street,
Whitehall.

ao

HOME OFFICE
QUEEN ANNE'S GATE
LONDON, SW1A OAA

Local Govt

5th November, 1981.

✓ MAP

LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) BILL

Ministers have now agreed that this Bill should be introduced in the Commons this week so that the Second Reading can be taken in the week beginning 15th November. I should be grateful therefore if you would arrange for the Notice of Presentation to be tabled today for introduction and publication tomorrow, 6th November.

The Bill should be presented by Mr. Secretary Whitelaw and supported by

Mr. Secretary Heseltine
Mr. Secretary Edwards
Mr. Secretary Howell
Mr. Secretary Fowler
Mr. Timothy Raison

There will be no lobby conference but it would be helpful if you could arrange for 40 copies of the Bill addressed to the Home Secretary to be delivered to the Vote Office by 9.30 a.m. tomorrow or as soon as possible thereafter.

I am sending copies of this letter to Mike Pattison (Prime Minister's Office) Leonard Harris (Cabinet Office) Nick Huxtable (Lord President's Office) Murdo Maclean (Chief Whips' Office, Commons) Michael Pownall (Chief Whips' Office, Lords) and Brian Shillito.

T. C. MORRIS
Parliamentary Clerk

J.D. M. Rennie, Esq.

NBPM

PROPOSALS FOR NEW RATING PROCEDURES

Mr George Younger MP, Secretary of State for Scotland, today informed the Convention of Scottish Local Authorities of changes in his proposals for new legislation on control of rates.

In earlier exchanges the Secretary of State had informed the Convention that he intended to introduce provisions enabling him to prescribe a lower rate poundage when satisfied that an authority had planned for an excessive and unreasonable level of expenditure. It would have been open to the authority to seek endorsement by the local electorate of the rate which it originally proposed or an intermediate figure. If endorsed by the electorate the authority's rate poundage would have been used in place of the figure prescribed by the Secretary of State.

In reviewing his proposals the Secretary of State has taken into account the outcome of action in 1981 under the powers relating to reductions in rate support grant afforded by the Local Government (Miscellaneous Provisions) (Scotland) Act 1981. In considering the use of his powers the Secretary of State identified 6 authorities. Only one took advantage of the opportunity to avoid grant reduction by reducing its rate poundage: that was Renfrew District Council.

Provision in the 1981 Act for reduction in the rate poundage (as an alternative to withdrawal of grant) was included to provide the opportunity for the ratepayer to benefit immediately as a result of the reduction in expenditure made by the authority. The Secretary of State greatly regrets that this opportunity was rejected by all but one of the councils concerned in the current financial year. He intends to propose an amendment to the 1981 Act in legislation which will be laid before Parliament this session. The purpose of the amendment will be to give the Secretary of State discretion to decide, subject to approval by the House of Commons, whether to withdraw grant or require the local authority to reduce the rate poundage and reimburse the ratepayers.

My Younger commented that the main purpose of the proposals was to strengthen his ability to influence authorities disposed to high levels of expenditure and to ensure that the benefit of reduced expenditure could be passed on directly to the ratepayer. These objectives could be attained by building more directly on existing powers as an alternative to introducing a new provision for referendums.

SCOTTISH OFFICE
4 November 1981

Seen in E

J. Vereker
A. Duguid
A. Walters
Local Govt

CONFIDENTIAL

Prime Minister

LOCAL GOVERNMENT FINANCE BILL: INTERIM RATING LEGISLATION

E(81)110 which we are to discuss tomorrow mentions that I have given instructions to strengthen the provision relating to giving directions in respect of passenger transport executives and the London Transport Executive. It suggests that an amendment can be taken in Committee.

The provision in Clause 3(4) of the Bill which was circulated to L Committee would not be an effective or appropriate way of dealing with the passenger transport executives and London Transport, which are separate statutory bodies. I should be unhappy to see Bill published with the provision in this form.

Counsel has now drafted a suitable alternative provision. A copy is attached.

If E Committee does decide to proceed with the Bill with powers of direction, I should be grateful for agreement that the new provision should be included in the Bill on introduction.

I am copying this to colleagues on E, the Secretaries of State for Scotland, Wales and the Social Services, and to Sir Robert Armstrong and Parliamentary Counsel.

DAVID HOWELL
4 November 1981

CONFIDENTIAL

LOCAL GOVERNMENT FINANCE BILL: SUGGESTED REPLACEMENT CLAUSE 3(4)

(4) In the case of the council of a metropolitan county or the Greater London Council an order under subsection (3) above may ~~contain~~ -

(a) contain directions, applying for the remainder of the current year and the next financial year -

(i) requiring the council to exercise in accordance with the directions any of its powers to make grants or loans to a Passenger Transport Executive or the London Transport Executive;

(ii) requiring the council to obtain the consent of the Secretary of State before exercising all or any of its other powers in relation to a Passenger Transport Executive or the London Transport Executive;

(b) enable~~ing~~ the Secretary of State, in the remainder of the current year and in the next financial year, to exercise instead of the council all or any of the powers referred to in paragraph (a)(ii) above.

(5) A Passenger Transport Executive and the London Transport Executive shall not without the consent of the Secretary of State exercise any power to borrow at a time when an order under subsection (3) above is in force in relation to the council which is its Passenger Transport Authority or, as the case may be, in relation to the Greater London Council.

4.11.81.

Ref. A05894

PRIME MINISTER

Local Government Finance Bill: Interim Rating Legislation

(E(81) 110)

BACKGROUND

At its meeting on 2nd November (E(81) 31st Meeting, Item 1) the Committee discussed revised proposals for interim rating legislation for England and Wales set out in a minute from the Secretary of State for the Environment to you of 29th October. Anxiety was expressed as to whether the proposals were workable, defensible and had a reasonable chance of acceptance by Parliament. The Secretary of State was asked to report back to the Committee and to consider the following specific points:

(a) Whether the legislation should contain a referendum provision or be based on a different approach such as that adopted in Scotland.

(b) Whether there was a need to include a power of specific direction over service provision, rents, fares, etc.

(c) Whether the power of specific direction could be exercised separately and differently in Wales.

(d) Whether the power of specific direction was adequate in respect of transport authorities, police authorities and similar bodies.

The Secretary of State's paper (E(81) 110) discharges this remit.

MAIN ISSUES

Is some new legislation required?

2. The first issue is whether the Committee confirms the decision reached earlier, and reflected in announcements already made and in The Queen's Speech, that some new measures are required to restrain increases in rates. The Secretary of State considers briefly in paragraph 9 the option of continuing to rely on the block grant mechanisms and hold back. His conclusion is that this option is unacceptable in view of the statements which have been made. Some of

the opposition from Conservative-controlled councils, referred to in the Committee's earlier discussion, would probably remain whatever precise method was eventually adopted in the legislation for curtailing the rating powers of local authorities. The degree of opposition might, as the Secretary of State indicates in paragraph 8ii. of his paper, be affected by the decisions which the Government eventually takes (starting next week) on public expenditure affecting local authorities; but it does not seem likely that the public expenditure decisions will do much to soften local authority opposition.

Referendum/Election/Scottish approach

3. If the Committee agrees that some new measures to limit rates should be introduced in the current Session, the next issue is to decide whether the means of control should be by referendum, election, or direct central Government intervention on the Scottish model.

4. The Secretary of State for the Environment has always preferred the election route, but was overruled by an overwhelming majority of the Committee at meetings on 16th September (E(81) 27th Meeting, Item 1) and on 23rd September (E(81) 29th Meeting, Item 1). The main arguments in favour of elections as against referenda are that there is less likelihood of conflict with a council (it either wins and can go on spending or is defeated and replaced by a council which does not want to spend) and there is no danger of setting awkward precedents for referenda on other issues. The arguments in favour of referenda, which have hitherto been thought compelling, are that they would be cheaper and simpler than elections, could be confined to the narrow issue of the supplementary rate, and would be less open to manipulation by the Government's political opponents.

5. The Scottish option, which involves neither elections nor referenda, has not previously been considered in detail by the Committee. This is dealt with in the Annex to the Secretary of State's paper and in paragraphs 9-11. The main advantage of the Scottish approach is that it avoids the disadvantages of both elections and referenda and enables central Government to intervene directly. The Annex outlines a variant of the Scottish system which might be

adopted in England and Wales. Under this scheme the Secretary of State would consider applications for supplementary rate from local authorities and, where he chose to approve extra rate poundages, he would have to put an order before the House of Commons.

6. The main disadvantage of this approach is that it goes much further in imposing central Government control on local government finance. Although it has so far appeared to be workable and acceptable in Scotland, there are doubts whether it would be so in England. There is the problem over distributing expenditure among different services for which different Secretaries of State are responsible; there are many more local authorities (413); and there is a greater risk that some of the large and powerful English authorities would challenge the Secretary of State's discretion in the courts. The Secretary of State argues strongly against this option, as likely to be even more controversial and to carry even greater risk of confrontation with particular local authorities.

7. If the Committee decided to abandon the referendum route and go for either elections or direct intervention on the Scottish model, the introduction of the Bill would be delayed by some two weeks. This might put at risk the objective of affecting the level of rates in 1982-83.

Power of specific direction

8. If the Committee confirms the earlier decision to adopt the referendum option, the next issue is whether this should be combined with a power of specific direction. The Secretary of State is prepared to go ahead with a Bill without such a power (and an alternative draft on these lines has now been prepared. He recognises the difficulties, but he nevertheless maintains his view that these powers are needed.

9. This leaves the points of detail on specific directions:

(a) On Wales it has been confirmed that the power could be exercised differently and separately in Wales.

(b) On transport authorities the Secretary of State for the Environment concedes that the powers need to be improved; he argues that this could be done in Committee but we understand that the Secretary of State for Transport will be writing to urge that a new clause should be incorporated in the Bill now.

(c) On police authorities and similar bodies, it will be for the Home Secretary to consider whether they would need to be covered and, if so, whether amendments should be made at the Committee Stage. (If at all possible, the Bill should surely be amended before introduction.)

HANDLING

10. When the Secretary of State for the Environment has introduced his paper you will probably want to invite comments particularly from the Secretaries of State for Scotland and for Wales, the Home Secretary, the Lord President, the Paymaster General and the Chief Whip. The Secretary of State for Transport will wish to comment on the position of transport authorities.

CONCLUSIONS

11. You will wish to reach conclusions, in the light of the discussion, on the following issues:

(i) Whether the Government should proceed with its intention, already announced, to introduce in this Session new measures to restrict rate increases in England and Wales.

(ii) Whether the control should be by referendum, by elections, or by direct central Government intervention on the Scottish model.

(iii) Whether, if the referendum option is not adopted, it is accepted that it may not be possible to introduce the legislation in time to affect rate levels in 1982-83.

(iv) Whether, if the referendum option is adopted, this should be combined with a power of specific direction, subject to the detailed points related to transport authorities, police authorities and similar bodies.

(v) Whether, assuming that all these points have been resolved, the Committee is satisfied that the proposals are in general sufficiently worked out and thought through to enable the Bill to go before Legislation Committee and be introduced as quickly as possible thereafter.

p.p. ROBERT ARMSTRONG

4th November, 1981

Local Govt

cc CO
Paymaster
D/SS
D/N
Chancellor of Duchy
TSY (Chief Sec)
DHSS
D/Transport
D/Trade
D/I

Lord Privy Seal
HO
SO
MAFF
MOD
NIO
Lord President
DES
TSY
FCO

Lord Chancellor
HO.

file

10 DOWNING STREET

From the Private Secretary

3 November 1981

CONFIDENTIAL

Local Government Current Expenditure

The Prime Minister was grateful for your minute of 28 October about the provision to be made for local government current expenditure in 1982/83.

I am sending copies of this letter to the Private Secretaries to other members of the Cabinet and to David Wright (Cabinet Office).

M. C. SCHOLAR

D.A. Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Dealt with by CAW by telephone
to MAP 4/xi.

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

3 November 1981

Dear Mike,

I understand that at yesterday's meeting of E Committee the proposals in my Secretary of State's letter of 28 October (which John Wilson circulated to members of E Committee with his letter of 30 October) were accepted. Clearly no announcement can be made until further consideration is given to the position in England and Wales, as agreed by the Committee, but in the meantime it will be necessary to ensure that any reference to the Scottish position in the Prime Minister's Speech in the debate on the Address and any associated background briefing does not renew my Secretary of State's commitment to the referendum policy.

I think that the sentence dealing with accountability of rate levels which was included in our contribution for the Prime Minister's Speech (John Wilson's letter of 30 October) can stand and I now attach a copy of the non-attributable background note on the Local Government and Planning (Scotland) Bill which we have supplied to your Press Office and which contains a form of words on the accountability of local authorities for the level of their rates which we hope will hold the position satisfactorily.

I am copying this to the Private Secretaries to members of E Committee, the Secretary of State for Wales, the Attorney General and the Lord Advocate; and to David Wright (Cabinet Office).

Yours ever,

Muir.

A MUIR RUSSELL
Private Secretary

NON-ATTRIBUTABLE BACKGROUND NOTE

LOCAL GOVERNMENT AND PLANNING (SCOTLAND) BILL

> ".......to implement my Government's conclusions on the Report of the Committee of Inquiry into Local Government in Scotland....to improve the accountability of local authorities for the level of their rates."

The Report of the Committee of Inquiry into Local Government in Scotland, chaired by Lord Stodart of Leaston was published in January 1981 (Cmnd 8115), and the Government's conclusions on it were announced by the Secretary of State for Scotland, Mr George Younger, in the House of Commons on June 17 1981 (Official Report Vol 6, No 122, Cols 1024-5).

The Bill will implement those conclusions requiring legislation. The main effect will be substantially to eliminate concurrency of functions between the two tiers of local authorities in Scotland by allocating powers specifically to one tier. The principal changes will base responsibility for leisure and recreation, tourism and the countryside on district councils, although regional councils will be able to assist with costs and will retain powers for certain countryside matters, notably in relation to country and regional parks. Responsibility for industrial promotion will be concentrated on regional councils, though all authorities will retain certain powers to facilitate industrial development.

On 9 November the Secretary of State for Scotland announced his intention to seek further powers designed to improve the accountability of local authorities to the electorate where he was satisfied that they were planning a high level of expenditure. Under existing powers - afforded by Part II of the Local Government (Miscellaneous Provisions) (Scotland) Act 1981 - the Secretary of State may reduce rate support grant if he is satisfied that an authority has planned an excessive and unreasonable level of expenditure. The authority may reduce its rate poundage commensurately as an alternative to loss of grant. Only one authority whose expenditure was regarded as excessive and unreasonable in 1981 took advantage of the opportunity to reduce the rate poundage. As a result numerous representations have been received by the Secretary of State from ratepayers that they have had no immediate and direct benefit from the Government's intervention. The Secretary of State's intention is that rate-payers should so benefit and his detailed proposals, which are still under consideration, will be designed to achieve this.

The Bill will also contain other minor changes in planning and local government legislation which have been awaiting a suitable legislative opportunity.

The Bill will enable the Secretary of State to make changes in the provisions concerning the valuation for the rating of external plant and machinery. The Government have already indicated they intend to ease the rating burden on industries in Scotland with a large amount of free-standing plant and machinery not housed within other premises.

Scottish Information Office
Scottish Office
Dover House
Whitehall
LONDON

01-233 8520
233 8722

3 November 1981

√ MLS.

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon George Younger TD MP
Secretary of State
Scottish Office
Dover House
Whitehall
London SW1A 2AU

2 November 1981

Dear George,

Your letter of 28 October to Willie Whitelaw proposes that the new power you intend to take to limit rates should be subject to endorsement not by the local electorate, but by Parliament. In principle, I would not wish to dissent: as you know, I very much favour the idea of centrally imposed rate caps, and what you propose comes closer to that ideal than your original intention. But it appears from your letter that the powers you now propose to take would enable you either to cut rates or to cut grant, but not both. Under your original proposal, it would have been possible to combine the two. I still believe that option should be kept available, and would be reluctant to agree to the change you propose if this were to be ruled out.

Copies of this letter go to the recipients of yours and to members of E Committee.

Yours

Leon

LEON BRITTAN

PART 6 ends:-

Scottish Office to MAP + encls
30.10.81

PART 7 begins:-

E(81) 31st - 2.11.81