PO-CH/NL/0427
PART B

Part. B.

CONFIDENTIAL

(Circulate under cover and notify REGISTRY of movement)

Begins: 9/6/89.
Ends :18/7/89.

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH/NL/0427
PART. B.

PO CH/NL/0427 PART. B

Chancellor's (Lawson) Papers:
Local Authority Capital Expenditure
and Rate Settlements 1989.

DD's: 25 Years

[signature]
24/1/96.

CABINET OFFICE PAPER

The following Cabinet Office papers have been taken off the file. If you require access to these papers please contact the Cabinet Office.

Reference	Date Of Paper
E (LF) (89) 3	16 June 1989

CONFIDENTIAL

CHIEF SECRETARY

FROM: B H POTTER (LG1)
X4790
Date: 9 June 1989

cc: Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)
Mrs Chaplin

LOCAL AUTHORITY CURRENT SETTLEMENT

Mrs Phillips (DOE) telephoned me early this morning to report the outcome of DOE officials' meeting with Mr Ridley yesterday.

2. Mr Ridley is "not yet ready" to reach a view and put forward a package deal to you, which would then be presented to colleagues on E(LF). He is particularly concerned about distributional issues - the combined impact of the safety net and new needs assessment on short-term and long-term community charges in different parts of the country. But he has also come to the conclusion that he needs a little more on Revenue Support Grant than proposed under Option C. (Mr Gummer has been stiffening his resistance.)

3. Also Mr Ridley is worried about defending a deal at or near Option C to colleagues in E(LF) and about the impact on the RPI of the community charges implied by Option C.

4. Mrs Phillips told me that Mr Ridley next move was likely to be to seek a private word with you. The main ideas he will wish to put to you are as follows.

(i) A package a little beyond Option C: in particular he is looking for £100-200 million in extra grant (though he may well start with a higher negotiating figure). In terms of AEF, he is seeking a deal at £22.9b/£23b.

(ii) A radically revised safety net: he has asked officials to consider three variants to the existing safety net:

(a) broadly the present form but with a lower maximum contribution than £75 and a non-linear phasing out of the safety net over the four years. The non-linear phasing out idea (which had also occurred to us) has the advantage of protecting the losers for a little longer and giving them time to adjust their expenditure, while after year 1 the gainers should still be able to set lower community charges year after year even if they maintain spending in real terms.

(b) a much less comprehensive safety net, broadly along the lines of that in Scotland. This would operate on the tail-ends of the distribution of community charges, with only the very largest losers getting compensation paid for by postponing the very largest gains.

(c) complete abolition of the safety net - Mr Ridley has of course never supported the safety net.

5. I indicated that Treasury were prepared to be quite flexible on the safety net (it cannot cost us any Exchequer money). We are of course already undertaking some further work internally on the safety net; and we hope to be in a position to report the results to you by very early next week. But, within the limitations of a self-financing safety net and the scope to redirect grant under the new needs assessment, there is no reason in principle while the Treasury should not entertain at least ideas (a) and (b) above. You will wish to judge whether (c) is politically feasible at this stage.

6. On AEF, however, I reminded Mrs Phillips of the Prime Minister's firm line. The instructions are clearly set out in Paul Gray's minute: that options within the scope of B and C only should be presented to colleagues at E(LF). I indicated that you were still looking for a settlement within that range.

Conclusion

7. Mr Ridley's vacillation is very awkward. We are now running out of time. The paper to E(LF) colleagues must go round by no later than Friday June 16th. Mr Ridley is not planning to see the further work by officials on the safety net until Tuesday, June 13. Any deal between you and Mr Ridley must be done on Tuesday or Wednesday of next week.

8. I said to Mrs Phillips that I was sure you would welcome a further private word with Mr Ridley next week. You may well judge that if a firm arrangement on both the safety net and AEF at Option C or perhaps £100 million beyond that is available, that would be worthwhile. However LG1 would be disinclined to go much beyond that: we are concerned that DOE have still not grasped the impact of the likely increase in specific grants, (including the new specific grant proposed for ILEA) on the amount within AEF available for RSG. When they do they may well seek to reopen any deal. At the very least you might come under great pressure in E(LF) to concede the £100 million proposed for ILEA as an addition to AEF.

9. You may wish to have a word with us in advance of any private meeting with Mr Ridley.

Barry H. Potter

BARRY H POTTER

'lgl.va/potter/minutes/lac.d.cc

CONFIDENTIAL

Passed to PS/CST
AA
13/6.

There are certain problems of looks, as we already know. But I see no reason whatever for anything like X.

CHIEF SECRETARY

FROM: B H POTTER (LG1)
X4790
Date: 12 June 1989

cc: Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)
Mr Rutnam (LG1)
Mr Jessop
Mrs Chaplin

Ch
A bit ominous. And see later.
AA

LOCAL AUTHORITY CURRENT: DISTRIBUTION OF COMMUNITY CHARGES

You asked LG1 to consider the likely distribution of community charges (CCs) under a Option C settlement; to explore options for changing that distribution in 1990-91; and to check on the likely long-term pattern of CCs.

2. I attach a submission prepared by Mr Hudson which sets out the likely short and long-term patterns of community charges and the options for changes: (this makes first use of the new community charge model which we have developed in co-operation with MSOR division).

3. It may be helpful to summarise the conclusions - not least in the light of a further important development this afternoon.

4. As Mr Hudson notes, for any given level of grant and spending, in the short-term each local authority's community charge is mainly influenced by the safety net. In the long run, the community charge is affected by the pattern of new needs assessments.

5. Indeed the long-term position is determined only by the needs assessment (ignoring for the moment any possible developments over that period in specific grants). So if E(LF) were concerned with the proposed pattern of long-term community charges, the only solution would involve a redistribution of needs assessments. And putting more grant into the North of the country would automatically result in lower grant (and higher community charges) elsewhere.

6. In the short-term there are three main influences on the pattern of community charges:

i) the long-term needs assessment; this is largely overridden in 1990-91, but has an increasingly powerful influence as the safety net is withdrawn;

ii) the form of safety net adopted; and

iii) any new specific grants at the margin, notably the proposed education grant for the inner London boroughs.

7. DOE have developed a preferred package on i). Changes would affect the long-term pattern. Mr Hudson's note explains the options and limitations of various forms of the safety net (ii). His most optimistic conclusion can be summarised as follows:

a) it should be possible to set a lower maximum contribution to the safety net for long-term gaining LAs than the £75 per adult already announced; this means that starting community charges in such authorities, (including those whose MPs saw the Prime Minister last week) would be below present expectations;

b) for the losing LAs, it is not possible to give more protection in year 1 than already envisaged ie that the community charge should be no higher in real terms than last year's rate bill per adult; but one might change the proposed phasing out of the safety net so that this degree of protection lasted a little longer than presently envisged.

8. However Mr Hudson has quite rightly looked at the position under the agreed arrangements for the safety net - specifically that the safety net should be self-financing.

9. Mr Ridley's thinking has apparently moved on. I cannot be sure but suspect from conversations with DOE officials this afternoon that Mr Ridley has now fastened on to a new form of safety net: this is as follows:

i) the aim would be to allow gaining LAs from the community charge, ie mostly those in the South, to realise all or almost all their gains from the outset of the new scheme;

ii) the safety net would apply only to the major losers;

iii) losing authorities above a specified threshold would receive additional grant to enable them to hold down community charges to the rate bill per adult in 1989-90 uprated for inflation + £x amount per adult (the threshold);

iv) this additional grant would be phased out in a non-linear way ie the protection afforded could last until around 1993-94 and then be withdrawn quite sharply;

v) the cost of this would be met directly from extra RSG ie the safety net would no longer be self-financing;

vi) new legislation would be required: this would be included in the Local Government and Housing Bill within the next few weeks.

10. Mr Ridley's objective is apparently a much smaller scale safety net; well-targetted on the main losers; and designed to be phased out only slowly.

11. I suspect this is the specific proposal that Mr Ridley wishes to put to you privately in the next day or so. He may feel that he has had some encouragement from the Prime Minister following last week's meeting with MPs. In effect he will seek to split the AEF settlement into two parts: the first would be within the original Option B to Option C range (as discussed with the Prime Minister and recorded in Paul Gray's letter); the second would be an extra tranche of RSG to deliver the perceived distributional objectives.

12. DOE are unsurprisingly not being very forthcoming on the figures. Mr Rutnam and Mr Jessop have kindly undertaken some very quick estimates of the cost. Detailed assessments can be run on the computer tomorrow. The provisional conclusions are:

i) a safety net designed to allow a maximum additional real burden of £30 per adult in 1990-91 would cost in the region of £500m - much too expensive to contemplate;

ii) on the other hand, to keep the total cost down to £200m, would mean that only the 5 heaviest losers would benefit from the safety net - clearly insufficient;

premature.

iii) the middle course might be to accept a modest Exchequer contribution to the safety net (no more than £200m); to set an acceptable threshold for the maximum real loss (say £30 per adult); and to finance the remaining gap by contributions from the major gainers. An initial guess on the size of contributions would be £15-20 per adult.

13. If Mr Ridley puts forward this type of proposal, and you are content with iii) above, we must seek to contain the cost within an acceptable overall settlement. (And there will be a continuing cost for the later years.) I suggest your line to take might be as follows:

- start from Option B as the basic cost of the settlement (£22.7b) - going to Option C if necessary to reach agreement;

- agree to explore whether an extra small tranche of grant designed to achieve this distributional objective would be possible but retaining the idea of a modest contribution from the major gainers;

- insist that the cost of the ILEA specific grant (which achieves a similar distributional objective) should also be met from within this tranche; this would give you between £200m (with Option C) and £300 (Option B) to offer, with a £23b overall settlement for AEF.

14. You may wish to discuss this further with us.

Barry H. Potter

BARRY H POTTER

FROM: A P HUDSON (LG1)
DATE: 12 JUNE 1989
EXT: 4945

1. MR POTTER BHP 12/6
2. CHIEF SECRETARY

cc: Mr A J C Edwards
Mr G C White
Mr Rutnam
Mr Jessop
Mrs Chaplin

Copies attached for:
Chancellor
Sir P Middleton
Mr Anson
Mr Phillips

LOCAL AUTHORITY CURRENT: LEVELS OF COMMUNITY CHARGES

You asked for information on the likely distribution of community charges, following Mr Favell's meeting with the Prime Minister and other discussions with Parliamentary colleagues.

2. We have also now heard that DoE are working on some new options related to the distribution of grant and hence community charges (Mr Potter's minutes of 9 and 12 June) - we had been told originally that they were not interested in adjusting the form of the safety net. This minute works through the problems and possible solutions as we see them, but refers to their new schemes where relevant.

THE PROBLEMS

3. As I understand it, two distributional problems have emerged:

(a) the long-term losers, where the community charge will be much higher than the rate bill per adult under the old system;

(b) and the safety net contributors, who are long-term gainers, but will find up to (on present plans) £75 of their gains delayed by the operation of the safety net.

These are different problems, which would need different solutions. As you know, the long-term community charge is determined by the structure of the new system, and in particular the new needs assessments. But for the first year, the effect of changes in needs assessments is largely overridden by the safety net. So to solve the first year problem, we have to amend the safety net. But that will make no difference to the longer term position, where we have to look for other solutions.

5. I attach a list of projected community charges, based on Option C for AEF (£22.8 billion), and DoE's forecast of 3 per cent real growth in local authority spending, which we share privately, though we have not admitted this to DoE.

- The authority with the biggest long-term loss (shown in the right hand column) is at the top, and the long-term community charge is shown in the first column.

- The second column shows the safety-netted community charge - in other words, what we would actually expect to appear on the doorstep on 1 April.

- The third column shows the 1989-90 rate bill per adult, uprated in line with inflation (4 per cent).

- The fourth column shows the benefit from, or contribution to, the safety net - in other words, the difference between column 1 (the long-term charge) and column 2 (the safety-netted charge).

These figures are from our own model of the new system, developed by PSE and MSOR divisions. I must put a health warning on the precise numbers, because we have to iron out some differences between ourselves and DoE. But the broad picture is right.

6. As you will see, the ten biggest losers are all in Inner London, as the impact of overspending in general, and the ILEA overspend in particular, comes home to the chargepayer. But

thereafter there are a lot of districts in Yorkshire and Lancashire, including Calderdale, Pendle, and Rossendale, which you mentioned to Mr Potter. The constituencies of the four MPs who went to see the Prime Minister (Stockport, Westminster North, Birmingham Yardley, and Richmond-upon-Thames) are, not surprisingly, all gainers making the maximum contribution to the safety net.

THE SOLUTIONS

The first-year problem

7. The solution to the first-year problem lies in the safety net.

8. Thanks to functional changes, and the level of AEF envisaged, it is now clear that, without making any special adjustments, the maximum contribution to the safety net is going to be significantly lower than the £75 which was originally envisaged, and is in the public domain. How much lower will depend on the precise grant settlement, and on the precise scope of the safety net. But, for illustration, it would come down to around £50 on the following assumptions:

- AEF at Option C;
- losers to pay no more than the 1989-90 rate bill per adult plus 4 per cent;
- provided that their local authority increases its spending by no more than the percentage implied by the difference between aggregate actual spending in 1989-90 (adjusted for functional changes) and the need to spend in 1990-91.

9. The last formulation is complicated, but the objective is a simple one. The aim of the safety net is to protect domestic taxpayers from sharp increases in the burden of domestic taxation. This has been expressed in terms of the burden of domestic taxation remaining constant in real terms, if local authorities spend no more than a certain amount. We have considerable flexibility about how we define that amount. DoE have gone for an

approach which gives protection for an increase in actual spending (adjusted for functional changes), in each authority, of about 6 per cent, which is the difference between aggregate actual spending in 1989-90, and the aggregate need to spend in 1990-91.

10. Boiled down, the message would be: this year, you are spending X; next year, on the same basis, we think you need to spend about 6 per cent more; we know the overspenders can't solve their overspend immediately; so we will allow each authority to increase its spending by 6 per cent without raising extra from the chargepayer, by putting back grant and business rate revenue if necessary.

11. It would be easy to get the maximum contribution to the safety net down further, by making the losers start to realise their loss in the first year. For example, if the losers paid an extra £10 per head, the maximum contribution would come down by a further £10 or so. This has some attractions from a policy point of view. Apart from reducing the penalty of the safety net for the long-term gainers, it reduces the scope for them to build unreasonably high charges into the system, which might not then come down as the safety net contribution comes down, but would instead finance higher spending. And it is unusual to have a phasing process in which bills for the losers are actually frozen in the first year, with the first increases not emerging until April 1991. But the safety net is a zero-sum game. So if the maximum contribution comes down, Stockport and Richmond will gain, but Pendle and Calderdale will be paying more.

12. DoE have mentioned the possibility of scrapping the safety net altogether. This is tempting, but probably unrealistic, unless we can find some other way of mitigating the long-term losses in certain areas (see paras 21-27 below). If there are big losses, they almost certainly need to be phased in, to give households time to adjust to the new bill, and to give time for the accountability of the community charge to bring down overspending.

13. DoE's second idea is less extreme, but would limit safety net protection to the biggest losers, and limit the job of

financing it to the biggest gainers. For the losers, this would be the same as the approach in paragraph 12, with losses up to, say, £10 realised in full, and protection thereafter. But on the original approach, the maximum contribution would go back up, compared to paragraph 12, because the same cost was being spread amongst only the biggest gainers, rather than all gainers. On the face of it, this would make the position in places such as Stockport worse, but we can certainly look at any exemplifications DoE produce.

14. DoE's third idea could help with either problem. They are exploring the idea of phasing out the safety net in a non-uniform way. So far, the intention has been that an authority's contribution to, or entitlement from, the safety net would be phased out in equal steps. So Bolsover, receiving £80 per head in 1990-91, would get £60 in 1991-92, £40 in 1992-93, and £20 in 1993-94, with the full community charge coming in in 1994-95. But the legislation gives scope for changing this either way. So Bolsover could be given more protection for longer by a profile of, say, 80 - 65 - 50 - 25. Or the contributing authorities could get more of their gains sooner through a profile of, say 80 - 50 - 30 - 10. Indeed, the safety net could be phased out a year early. The choice depends on whether Ministers are more concerned about long-term gainers or long-term losers.

15. The general message on the first-year problem and the safety net is that there is plenty of scope for adjusting the safety net variables to produce a given result. And this in itself is costless, from the Treasury's point of view, because the legislation specified that the safety net has to be self-financing. But, by the same token, it is a zero-sum game: a reform which brings lower charges in one part of the country will mean higher charges somewhere else. And this comes back to putting pressure on the grant settlement, because more grant means that the whole profile of community charges will be slightly lower, and reduces the cost of protection for the losers (other things being equal) and hence the contribution required from the gainers.

The long-term problem

16. The problem here is more intractable, because it is inherent in the reform of the way grant and business rate revenue are distributed.

17. The basic difference is that, at present, an area with high rateable value will get less grant than an area with low rateable value. The aim is that both should be able to set the same poundage in order to spend at need. Since a given poundage will raise far more in Barnet than in Barnsley, the latter will get more grant accordingly. But the new system will look at resources simply in terms of numbers of people: the aim is that Barnet and Barnsley should both be able to spend at need and charge the CCSN. So there will be a shift of grant away from areas with low rateable values.

18. Also, the burden of overspending in the past has been shared between business and domestic ratepayers. With the business contribution now fixed, the burden of overspending falls exclusively on the domestic chargepayer. This makes a big difference in London.

19. Finally, the central assumption on needs assessments directs more grant to London and the Mets, at the expense of the shires, mainly by giving more weight to special educational needs in the inner cities.

20. The safety net is of no value in dealing with the long-term problem. It could delay the impact. And protection could probably be skewed, for example, towards areas starting from particularly low rateable values. But if the political problem is the shadow of the long-term community charge the area will eventually face, the safety net is not the answer.

21. Instead, we have to look to the grant system. More grant across the board would offer poor value-for-money, since once needs are equalised, it is distributed on a per head basis throughout the country. A better approach would be either a

specific grant targeted at the areas in question, or an adjustment to the needs assessment, which would target more RSG at those areas.

22. As you know, we have been looking at the idea of a specific grant for Inner London, to recognise the continuing extra costs for the boroughs of taking over education from ILEA.

In the long run, a grant of £110 million would reduce the community charge in Greenwich from around £650 to around £590, and in Islington from £485 to £425. And it could also help in the first year, in reducing Westminster's contribution to the safety net, and hence bringing down its first-year charge from £449 to £411 or below.

23. We shall be letting you have a further note shortly on the detailed arguments for and against an ILEA specific grant. But it does look to be the way to keep down the extremely high charges in London, and to give the boroughs more time to get on top of the ILEA overspend.

24. Looking at the other large losers, it looks as though a similar specific grant benefiting authorities in Yorkshire and Lancashire would be helpful. The problem is devising a set of criteria which would deliver that.

25. The same goes for adjusting the needs assessment. Lancashire loses a little of its GRE on each of the DoE packages, but the proportionate loss is not great. And it results less from anything specific to Lancashire, as from the general transfer of education GRE from the shires to London.

26. We cannot so far see anything in the GREs which would enable us to target grant closely on authorities like Pendle and Calderdale. Much of the grant depends on the education GRE. Beyond that, individual indicators may help individual districts - including visitor nights in the Other Services GRE helps Blackpool and Bournemouth, for instance. But we cannot see any one of these to meet this particular problem either.

27. DoE may, however, be able to do so. They are inevitably more familiar with the details of particular indicators and the circumstances of particular authorities than we are, and may be able to spot the right package.

CONCLUSION AND NEXT STEPS

28. One thing which does emerge from this analysis is that we shall not be able to achieve everything. In practical terms, this means assessing what the most serious problems are, and fixing the safety net, specific grants, and needs assessments accordingly, recognising that this may make some lesser problem worse.

29. The Treasury interest in all this, of course, is to sort out as many of these problems as possible in ways which minimise the pressure on the overall grant settlement. We would be grateful to know which of the problems you think are the most serious, so that we can do more work on the solutions to those.

30. Our own provisional assessment is that:

(a) the lower maximum contribution to the safety net should go some way to alleviating that problem;

(b) from a Treasury point of view, the lower this is, the better - the question is how much the losers can be expected to bear in the first year;

(c) it might be worth hinting to Mr Favell, at the appropriate time, that there is a measure of good news coming on this;

(d) the "Pendle" problem is more difficult, and we shall need to look further at the options with DoE;

(e) but the number of authorities and constituencies involved is not all that great.

APH

A P HUDSON

Version of: 9 June 1989.

AUTHORITY	LONG-RUN CC (Community Charge)	FIRST YEAR SNCC (Safety Net CC)	RBPA (Rate Poll Per Adult)	SNCC-CC	RBPA-CC GAIN/LOSS
Greenwich X	651	357	300	-295	-351
Hammersmith and F X	712	444	374	-268	-338
Southwark	603	356	289	-247	-315
Tower Hamlets	571	340	265	-231	-306
Islington	732	506	430	-226	-302
Hackney	632	418	345	-215	-287
Lambeth	605	395	326	-210	-280
Lewisham X	559	343	286	-216	-273
Wandsworth X	415	263	212	-152	-203
Camden X	636	519	449	-117	-186
Calderdale X	400	282	242	-118	-158
Haringey X	688	604	537	-84	-151
Wear Valley	355	241	206	-114	-149
Sheffield X	418	322	283	-96	-135
Barnsley	358	261	226	-97	-132
Barrow in Furness X	332	236	202	-96	-130
Newham	489	427	362	-62	-127
Copeland	324	230	197	-94	-126
Sedgefield	354	264	229	-91	-125
Burnley	312	223	187	-89	-125
Kirklees	347	262	223	-84	-124
Brent	616	557	496	-59	-120
Pendle X	298	214	179	-84	-119
Derwentside	340	255	221	-85	-119
Wansbeck	362	283	247	-78	-114
Bolsover	353	273	239	-80	-114
Manchester	440	379	326	-61	-114
Rotherham	365	291	253	-74	-111
Doncaster	374	301	263	-73	-111
Hyndburn X	289	213	179	-76	-110
Gateshead	361	291	252	-70	-109
Boothferry X	335	264	228	-71	-107
Kingston Upon Hul	346	281	241	-65	-105
Teesdale	279	206	175	-73	-105
Bradford	327	268	224	-59	-103
Wakefield	345	278	242	-67	-103
Easington	310	241	208	-68	-102
Allerdale	310	241	209	-68	-100
E. Yorks X	345	281	245	-64	-100
Rossendale X	306	241	206	-65	-100
Hartlepool	350	295	254	-54	-96
Eden X	305	244	213	-61	-93
Rochdale	358	310	267	-49	-91
S. Tyneside	331	281	242	-50	-89
Blackburn	281	230	194	-51	-88
Scunthorpe	375	327	288	-48	-87
Sunderland	309	261	223	-48	-86
Carlisle	315	262	229	-53	-85
Durham	316	264	231	-53	-85
Liverpool	392	355	307	-37	-85
High Peak X	345	294	260	-51	-85
Leicester	326	280	243	-46	-83
Bassetlaw	311	264	232	-46	-79
Langbaurgh-on-Tee X	386	350	308	-37	-78
Newcastle upon Ty	362	326	284	-37	-78
Alnwick	320	277	243	-42	-76
Blyth Valley	355	315	280	-40	-76
Torridge X	250	203	174	-47	-76
Tameside	333	297	258	-37	-75
N. Tyneside X	392	358	318	-34	-74

← long run gain/loss

← first year gain/loss

X means one or more Conservative MPs!

☐ are ones identified by CST as marginal/politically sensitive

Chesterfield	337	298	264	-39	-73
Selby	282	238	209	-44	-73
Cleethorpes	342	307	270	-35	-72
Berwick-upon-Twee	312	275	241	-37	-70
Ashfield	283	244	213	-38	-70
N.E. Derbs	355	318	285	-37	-70
Hounslow	447	426	378	-21	-69
Darlington	324	289	255	-35	-69
Mansfield	303	268	235	-36	-68
Great Grimsby	324	294	256	-31	-68
Wigan	341	311	274	-30	-68
Richmondshire	265	227	198	-38	-67
Chester-le-Street	306	272	240	-33	-65
Middlesbrough	349	328	284	-22	-65
Oldham	308	285	243	-23	-65
Amber Valley	321	290	258	-31	-63
Glanford	321	294	258	-27	-63
Tynedale	317	288	255	-30	-63
Holderness	324	298	263	-26	-61
York	247	216	186	-31	-61
Preston	293	268	233	-25	-60
Leeds	286	262	229	-23	-57
Bristol	366	343	309	-23	-57
Scarborough	273	247	217	-27	-57
Craven	263	235	207	-28	-56
Erewash	327	305	272	-23	-55
Lancaster	270	250	216	-21	-54
N. Devon	247	221	192	-26	-54
Forest of Dean	259	235	206	-24	-53
Crawley	316	294	264	-22	-52
Stockton-on-Tees	354	343	303	-11	-52
Ribble Valley	275	256	223	-19	-51
Ryedale	266	244	216	-21	-49
Thamesdown	303	288	256	-15	-47
N. Wilts	279	263	233	-16	-46
Ealing	372	371	327	-1	-45
S. Lakeland	300	287	256	-13	-45
Waltham Forest	376	378	331	2	-45
Mid Devon	244	227	200	-17	-44
Bath	308	295	264	-13	-44
Newark and Sherwo	286	274	242	-12	-44
Kerrier	246	233	203	-13	-43
Oswestry	260	249	217	-11	-43
Hillingdon	374	373	333	-1	-41
S. Derbs	323	315	283	-8	-40
St. Helens	306	305	267	0	-39
Salford	327	331	291	4	-37
Stoke-on-Trent	252	247	216	-4	-35
Knowsley	339	349	304	10	-35
Barking and Dagen	285	289	251	3	-34
Swale	237	233	204	-5	-34
S. Ribble	267	265	233	-1	-33
Derbyshire Dales	335	335	302	0	-33
N. Shropshire	246	245	214	-1	-32
W. Lindsey	240	239	209	-1	-30
S. Shropshire	245	245	214	0	-30
Dartford	251	251	221	0	-30
Blackpool	275	280	245	5	-30
W. Devon	243	241	213	-2	-30
Chorley	261	263	232	2	-29
Penwith	241	242	213	1	-29
Restormel	238	239	210	1	-28
Bexley	279	288	253	8	-26
King's Lynn and W	236	237	210	1	-26

Bolton	273	284	247	11	-26
Medina	277	280	252	3	-25
Nottingham	271	279	246	8	-25
Castle Morpeth	330	338	305	8	-25
Northavon	313	317	288	5	-24
Harrogate	288	293	264	5	-24
S. Holland	235	241	212	5	-23
N. Warwickshire	337	345	314	7	-23
Weymouth and Port	233	236	210	3	-23
Wrekin	288	298	265	10	-23
Hambleton	263	267	240	5	-23
W. Wilts	263	269	241	6	-22
Kingswood	290	296	268	6	-22
N. Cornwall	248	256	226	7	-22
Lincoln	229	238	208	9	-21
Fenland	246	254	226	8	-20
Caradon	247	255	226	9	-20
N. Kesteven	230	239	211	8	-20
Teignbridge	248	256	229	8	-19
Carrick	250	262	232	11	-18
S. Wight	291	302	273	10	-18
Wyre	262	275	244	14	-18
Portsmouth	234	246	216	12	-18
Broxtowe	275	288	258	13	-18
Dover	227	237	209	11	-17
Harlow	451	470	433	20	-17
Staffs Moorlands	255	267	238	12	-17
N.W. Leics	275	290	259	15	-16
Halton	279	296	264	16	-15
Kettering	268	285	253	17	-15
Great Yarmouth	247	261	232	14	-15
E. Lindsey	226	240	211	14	-15
S. Somerset	277	293	264	16	-13
Cannock Chase	262	279	249	18	-12
Bury	324	346	312	23	-12
Taunton Deane	269	287	258	18	-11
Warrington	283	303	272	20	-11
Sedgemoor	275	294	265	19	-10
Coventry	325	355	315	30	-10
Norwich	275	296	265	21	-10
Derby	320	343	310	24	-9
Plymouth	233	252	224	20	-9
Wansdyke	289	308	280	19	-9
Mendip	268	288	259	20	-9
Tonbridge and Mal	243	262	234	19	-9
Newcastle-under-L	255	275	246	21	-8
Breckland	235	253	227	18	-8
Kennet	258	279	251	21	-8
Exeter	229	249	221	20	-8
Boston	222	243	214	21	-8
Nuneaton and Bedw	321	345	314	24	-7
Woodspring	312	335	306	23	-7
East Northants	250	274	243	24	-7
Leominster	197	217	191	20	-6
N. Norfolk	236	258	231	22	-5
Forest Heath	230	252	225	21	-5
Stroud	263	286	258	23	-5
Mid Suffolk	251	273	246	22	-5
N. Dorset	226	245	222	19	-5
East Staffs	242	267	238	25	-4
Corby	273	303	270	29	-4
Gillingham	222	246	218	24	-4
Rutland	248	274	244	26	-4
Waveney	241	265	238	24	-3

LOSERS ↓

City of London	545	572	542	27	-3
Gloucester	230	255	227	25	-3
Wellingborough	252	280	249	29	-2
E. Cambs	234	260	233	26	-2
W. Dorset	225	248	223	23	-2
Gedling	275	304	274	29	-2
Peterborough	278	307	276	29	-1
Canterbury	234	261	232	27	-1

BREAK EVEN

W. Somerset	281	311	281	30	0
Beverley	323	357	323	34	0

GAINERS ↓

Wirral	382	423	383	41	1
Thanet	239	272	243	33	4
S. Kesteven	218	251	223	33	5
Ipswich	285	321	291	36	5
Shrewsbury and At	251	287	257	36	6
Southampton	223	258	229	35	6
S. Hams	250	283	256	34	6
Vale Royal	272	308	278	37	7
Tunbridge Wells	236	271	243	35	7
Crewe and Nantwic	294	333	302	39	8
S. Herefordshire	183	216	191	33	8
Maidstone	225	261	233	36	8
Ashford	236	273	245	36	8
Bridgnorth	232	272	242	40	10
St. Edmundsbury	228	265	239	37	11
Gravesham	235	275	246	40	11
Mid Beds	306	349	318	43	12
Brighton	323	367	335	43	12
Purbeck	220	257	233	37	13
Congleton	271	314	284	43	13
Fylde	262	307	275	45	13
Reading	271	315	284	44	13
Hinckley and Bosw	249	293	263	43	13
E. Devon	232	273	246	41	14
Rochester upon Me	196	239	212	43	16
Torbay	252	297	268	45	16
Hastings	257	301	273	44	17
Enfield	305	352	322	47	17
Thurrock	353	400	370	47	17
Hereford	169	213	187	43	17
W. Oxon	254	296	272	42	17
Rushcliffe	271	319	289	47	18
Melton	246	293	263	47	18
S. Norfolk	236	280	254	44	18
Birmingham	268	315	285	47	18
Havering	246	293	264	47	18
Sefton	273	321	292	47	18
Northampton	285	333	304	47	18
Huntingdonshire	234	280	253	46	19
W. Lancs	261	308	280	47	19
Broadland	235	281	255	46	20
Salisbury	247	294	267	47	20
Babergh	241	288	261	47	20
Ellesmere Port an	288	335	309	47	21
Blaby	245	292	267	47	22
North Beds	294	341	316	47	22
Tamworth	241	288	263	47	23
Kingston-upon-Tha	307	354	330	47	23
Rugby	292	340	316	47	23
Walsall	286	334	310	47	24
Stafford	232	280	257	47	25
Colchester	266	314	292	47	25
Merton	266	313	291	47	26
Redbridge	211	258	238	47	27

Stevenage X	365	412	392	47	27
Wealden X	263	311	292	47	28
Adur X	261	308	290	47	29
Shepway	255	303	284	47	29
Sutton X	286	333	316	47	30
Sevenoaks X	232	280	262	47	30
Braintree X	276	323	306	47	30
Rushmoor	212	259	242	47	31
Watford X	316	363	347	47	31
Harborough X	270	317	301	47	31
Bournemouth X	232	279	263	47	31
Sandwell	252	299	284	47	32
Suffolk Coastal X	258	305	290	47	32
Chester X	275	322	307	47	32
Wyre Forest X	219	267	252	47	33
Oxford X	270	317	303	47	34
Milton Keynes X	282	329	316	47	34
Charnwood	231	279	265	47	34
Broxbourne X	297	345	332	47	34
Cherwell X	245	292	279	47	35
Oadby and Wigston	252	299	287	47	35
Tewkesbury X	236	283	271	47	35
E. Herts X	311	358	348	47	36
New Forest	232	279	271	47	39
Kensington and Ch X	375	422	414	47	39
Daventry X	267	314	306	47	39
Gosport X	216	263	256	47	40
Woking X	322	369	364	47	43
Chichester X	226	273	269	47	43
Tendring	276	323	319	47	43
Tandridge X	268	315	311	47	43
Welwyn Hatfield X	374	422	418	47	43
Basildon X	395	443	439	47	44
South Beds X	324	371	368	47	44
Cotswold X	247	294	291	47	45
Stockport X	272	319	316	47	45
Test Valley	214	261	261	47	47
Trafford	246	293	292	47	47
Dudley X	259	306	306	47	47
Isles of Scilly	173	220	221	47	48
Bromley X	213	260	261	47	48
Worthing X	213	260	261	47	48
Cheltenham X	245	292	294	47	49
Harrow X	282	330	333	47	50
Mole Valley X	289	337	341	47	52
Eastleigh X	228	275	280	47	52
Spelthorne X	243	290	295	47	52
Wolverhampton X	258	305	311	47	53
Arun X	226	274	280	47	54
Redditch X	219	266	273	47	54
Brentwood X	364	411	418	47	54
Runnymede X	247	294	301	47	54
S. Northants X	245	292	300	47	54
Lewes X	258	305	313	47	55
Mid Sussex X	238	285	294	47	56
Aylesbury Vale X	247	295	303	47	56
Malvern Hills X	211	258	266	47	56
Lichfield	239	287	296	47	56
Slough X	221	268	279	47	58
Horsham X	209	256	267	47	58
Hove X	246	293	305	47	59
Winchester X	233	280	292	47	59
Worcester X	206	253	265	47	59
S. Staffs X	236	283	295	47	60

Newbury	232	279	293	47	61
Basingstoke and D	189	236	250	47	61
E. Hants	230	277	291	47	62
Vale of White Hor	242	290	304	47	62
N. Herts	313	361	376	47	63
Luton	303	350	366	47	64
Cambridge	270	317	336	47	66
Fareham	221	269	289	47	68
Maldon	270	317	338	47	68
Havant	218	265	286	47	68
S. Oxfordshire	256	303	325	47	69
E. Dorset	247	294	318	47	71
Poole	226	273	299	47	73
Bracknell	231	279	305	47	73
Rother	258	306	332	47	73
Christchurch	234	281	307	47	73
Richmond-upon-Tha	286	333	362	47	76
Reigate and Banst	287	334	364	47	77
Hertsmere	330	378	408	47	78
Wychavon	206	253	285	47	79
Croydon	195	242	274	47	79
Warwick	288	335	369	47	81
Dacorum	295	343	377	47	81
Uttlesford	281	328	363	47	83
Hart	234	282	317	47	83
Castle Point	266	314	350	47	83
Guildford	250	297	334	47	84
Eastbourne	262	310	346	47	84
Bromsgrove	187	234	271	47	85
Southend-on-Sea	274	321	361	47	87
Wokingham	251	298	338	47	87
St. Albans	302	349	390	47	89
Surrey Heath	266	314	356	47	89
Macclesfield	265	312	355	47	90
S. Cambs	217	264	307	47	90
Stratford on Avon	278	325	369	47	91
Rochford	280	327	375	47	95
Waverley	268	315	367	47	99
Three Rivers	318	365	418	47	100
Chelmsford	267	314	368	47	101
Solihull	220	267	321	47	101
Barnet	264	311	368	47	104
Epsom and Ewell	302	349	407	47	105
Windsor and Maide	241	289	360	47	119
Wycombe	262	310	396	47	133
Elmbridge	318	366	460	47	142
Epping Forest	269	316	415	47	146
Westminster	436	483	589	47	153
Chiltern	272	319	480	47	207
S. Bucks	253	301	478	47	225

CONFIDENTIAL

CHIEF SECRETARY

FROM: B H POTTER (LG1)
X4790
Date: 13 June 1989

cc: Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)
Mr Rutnam (LG1)
Mr Jessop (PSE)
Mrs Chaplin

MWP

LOCAL AUTHORITY CURRENT SETTLEMENT

In the margins of another meeting this morning, you discussed with the Secretary of State for Environment his revised proposals on the local authority (LA) current settlement for 1990-91. You are to discuss this revised package on Thursday with Mr Ridley on the basis of a draft E(LF) paper.

2. At this morning's meeting, I undertook to explore the sort of package put forward by Mr Ridley: I am indebted to Messrs Hudson, Rutnam and Jessop for the computer simulations.

Mr Ridley's revised package

3. What Mr Ridley proposed was as follows:

(i) Option C on AEF (£22.8 billion) plus £200 million extra ie AEF of £23 billion.

(ii) The safety net to be confined to losing LAs which lose by more than £50 per adult ie all authorities where the community charge bill on a given assumption about spending is more than £50 above the 1989-90 average rate bill per adult, uprated for inflation.

(iii) The cost of this safety net would be £300-£400 million; Mr Ridley correctly identified three ways of meeting that cost:

(a) by a levy on all other CC payers;

(b) by postponing some of the gains for CC payers in gaining authorities; and

(c) by top slicing an element within Revenue Support Grant (RSG).

He favoured (c) (which in practice, within a given AEF, is identical to (a)).

(iv) This safety net to be phased out over three years.

Assessment

4. Our view is that in practice there are three broad approaches to achieving the safety-net arrangement which Mr Ridley has in mind:

A: the cost would fall on the Exchequer; it could be met either within a top-sliced element of RSG as Mr Ridley proposed or as a transitional specific grant, within the AEF envelope (the difference is mainly presentational);

B: the cost could be met by postponing the gains for some gaining authorities;

C: the cost could be met by some combination of these two approaches.

5. However the cost of the safety-net depends on its form; and the pattern of gainers and losers also differs - even with the common objective of preventing (for a given spending assumption) CCs in any authority rising by more than £50 above the 1989-90 rate bill per adult, uprated for inflation.

6. Under approach A (exemplifications attached), our provisional assessment is that the cost of the safety-net would be around £450 million. The cost would be met from an element within RSG; but top-slicing RSG for this particular purpose adds to average CCs by about £16, because this £450 million is not available to hold down CCs in general. This shifts the whole distribution of CCs upwards; in brief the resulting pattern is as follows:

- major gainers (ie more than £16 per adult) will see their gains come through in 1990-91; though all gains will be £16 lower, this group will be better off than under the original safety-net;

- modest gainers (ie up to £15 per adult) will be transformed into modest losers under this proposal: they will be worse off: even though they did not get their gains before, they will now suffer losses;

- all losers will be worse off: modest losers (up to the £50 per adult threshold) will lose because of the £16 per adult levy; all big losers will suffer the £50 loss whereas under the original proposal they suffered no loss.

7. This scheme could be presentationally mitigated by holding the basic AEF back to £22.55 billion and providing a £450 million specific grant (so that the £16 per adult levy is seen as an Exchequer contribution rather than a redistributive element within RSG). But the distribution would be exactly the same.

8. Moreover Mr Ridley envisaged a relatively rapid phasing out of the safety-net. So the protection of even the big losers would disappear quite quickly as the CCs implied by the long-term needs assessment feed through.

9. Under approach B, there are a number of variants. The simplest would be that all gainers had to contribute £19; but we also see some attractions in an approach whereby LAs are allowed a flat rate per adult gain plus a percentage of the remaining gains. The tariff can be selected from the following:

Flat Rate £	% of remaining gains
10	31
20	38
30	46
40	58
80	73

If you were attracted to this, a flat rate gain of £30 plus around half the remainder looks about right.

10. The cost of the approach is lower at around £380 million. The difference is that with no levy on all CC payers pushing up average CCs as under approach A, the number of authorities with losses of over £50 per adult is less.

11. The pattern of gains and losses if we follow the simple approach is as follows:

(i) the medium and large gainers still gain relative to the original safety net proposals;

(ii) some of the small gainers (ie less than £19 per adult) are in the same position as under the original safety-net - but better off than under A;

(iii) small losers lose more than under the original safety-net but less than under approach A;

(iv) large losers lose relative to the original safety-net but are in the same position as under A.

12. We have not had the opportunity yet to look at an approach which combines A and B.

13. Additions to AEF above £23.0 billion on either approach A or B, will bring lower CCs for all authorities except big losers.

Conclusion

14. In our view, Mr Ridley's new safety-net ideas represent three important steps forward - and one step back:

(a) he has found a way of letting gainers get much more of their gains in the first year;

(b) he is prepared to allow some losses to feed through;

(c) he is prepared to simplify by ignoring small gains and losses;

BUT

(d) he has made matters worse for some sensitive areas in the North.

15. However our concern is that Mr Ridley will now bid for AEF of £23.2 billion: ie option C plus £400/£450 million to meet the costs of his safety-net from RSG. LG1 consider your objective at Thursday's meeting might be:

(i) to indicate the broad acceptance of the principle of Mr Ridley's proposals on the safety-net;

(ii) to go no further than AEF of £23.0 billion; and

(iii) to look for a contribution from gainers as under approach B above because the cost of the safety-net is less and the pattern of gains and losses very little different (and in some respects rather better).

16. In advance of your meeting with Mr Ridley, it would help if we could get sight of DOE's numbers and discuss with their officials different formulations of the safety net. Now that we know Mr Ridley's broad intentions, are you content for us to try and reach agreement with DOE on the simulations?

17. LG1 will provide further briefing in advance of your meeting with Mr Ridley.

BHP

BARRY H POTTER

13 June 1989

AEF = £ 23 bn.

Maximum loss of £ 50

UTHORITY	CC	SNCC	RBPA	LONG TERM GAIN/LOSS	SAFETY NET LOSS
ower Hamlets	634	315	265	-370	-50
reenwich	664	350	300	-364	-50
ammersmith and Fu	704	424	374	-330	-50
outhwark	572	339	289	-283	-50
andsworth	470	262	212	-258	-50
ewisham	515	336	286	-229	-50
ambeth	547	376	326	-221	-50
slington	607	480	430	-176	-50
ackney	513	395	345	-168	-50
alderdale	369	292	242	-127	-50
ear Valley	330	256	206	-124	-50
arking and Dagenh	373	301	251	-122	-50
heffield	391	333	283	-108	-50
arrow in Furness	310	252	202	-107	-50
arnsley	332	276	226	-106	-50
amden	555	499	449	-106	-50
aringey	641	587	537	-104	-50
opeland	298	247	197	-101	-50
edgefield	329	279	229	-100	-50
endle	273	229	179	-94	-50
irklees	312	273	223	-90	-50
erwentside	304	271	221	-84	-50
olsover	322	289	239	-83	-50
yndburn	261	229	179	-82	-50
eesdale	256	225	175	-81	-50
oothferry	308	278	228	-80	-50
otherham	333	303	253	-80	-50
oncaster	342	313	263	-79	-50
ansbeck	325	297	247	-78	-50
asington	285	258	208	-77	-50
akefield	319	292	242	-76	-50
llerdale	285	259	209	-76	-50
. Yorks	320	295	245	-75	-50
ossendale	279	256	206	-73	-50
urnley	259	237	187	-72	-50
den	283	263	213	-70	-50
. Tyneside	310	292	242	-68	-50
radford	293	274	224	-68	-50
ewcastle upon Tyn	345	334	284	-61	-50
artlepool	315	304	254	-61	-50
igh Peak	321	310	260	-61	-50
rent	556	546	496	-61	-50
lackburn	254	244	194	-60	-50
arlisle	287	279	229	-58	-50
orridge	232	224	174	-58	-50
cunthorpe	346	338	288	-57	-50
ochdale	324	317	267	-57	-50
underland	280	273	223	-57	-50
ateshead	308	302	252	-56	-50
iddlesbrough	340	334	284	-56	-50
ingston Upon Hull	295	291	241	-54	-50
urham	284	281	231	-53	-50
elby	262	259	209	-53	-50
eicester	296	293	243	-53	-50
lnwick	295	293	243	-51	-50
erwick-upon-Tweed	292	291	241	-51	-50
angbaurgh-on-Tees	355	355	308	-47	-47
ichmondshire	245	245	198	-47	-47
lyth Valley	326	326	280	-46	-46
.E. Derbs	331	331	285	-46	-46

leethorpes	314	314	270	-44	-44
hester-le-Street	283	283	240	-42	-42
shfield	254	254	213	-41	-41
id Devon	241	241	200	-41	-41
mber Valley	298	298	258	-40	-40
ansfield	275	275	235	-40	-40
hesterfield	303	303	264	-39	-39
ewham	401	401	362	-39	-39
assetlaw	271	271	232	-39	-39
carborough	256	256	217	-39	-39
ynedale	292	292	255	-38	-38
igan	311	311	274	-37	-37
lanford	295	295	258	-37	-37
illingdon	369	369	333	-36	-36
reat Grimsby	292	292	256	-36	-36
olderness	298	298	263	-35	-35
raven	242	242	207	-35	-35
. Devon	227	227	192	-35	-35
yedale	250	250	216	-34	-34
orest of Dean	239	239	206	-33	-33
eeds	261	261	229	-33	-33
ristol	341	341	309	-32	-32
ork	218	218	186	-32	-32
rewash	304	304	272	-32	-32
arlington	287	287	255	-31	-31
artford	252	252	221	-31	-31
ameside	288	288	258	-30	-30
ancaster	246	246	216	-30	-30
ibble Valley	252	252	223	-29	-29
. Lakeland	284	284	256	-29	-29
errier	229	229	203	-26	-26
. Wilts	258	258	233	-25	-25
ldham	267	267	243	-24	-24
ath	286	286	264	-22	-22
swestry	237	237	217	-20	-20
ansdyke	299	299	280	-19	-19
ewark and Sherwoo	261	261	242	-19	-19
. Devon	232	232	213	-19	-19
tockton-on-Tees	321	321	303	-18	-18
. Wilts	258	258	241	-17	-17
. Derbs	300	300	283	-17	-17
hamesdown	271	271	256	-15	-15
aling	341	341	327	-14	-14
wale	217	217	204	-13	-13
. Shropshire	227	227	214	-13	-13
toke-on-Trent	229	229	216	-13	-13
. Tyneside	330	330	318	-12	-12
rawley	275	275	264	-11	-11
. Ribble	243	243	233	-10	-10
erbyshire Dales	312	312	302	-10	-10
. Lindsey	219	219	209	-10	-10
t. Helens	276	276	267	-9	-9
ing's Lynn and W.	219	219	210	-8	-8
estormel	219	219	210	-8	-8
. Shropshire	222	222	214	-8	-8
enwith	221	221	213	-8	-8
edina	260	260	252	-8	-8
. Holland	220	220	212	-8	-8
alford	298	298	291	-7	-7
enland	232	232	226	-6	-6
eymouth and Portl	216	216	210	-5	-5
horley	237	237	232	-5	-5
ambleton	245	245	240	-5	-5

Tonbridge and Mall	239	239	234	-4	-4
Northavon	292	292	288	-4	-4
Staffs Moorlands	242	242	238	-4	-4
Blackpool	248	248	245	-3	-3
Harrogate	267	267	264	-3	-3
N. Cornwall	229	229	226	-2	-2
Kingswood	270	270	268	-2	-2
S. Wight	275	275	273	-2	-2
Merton	292	292	291	0	0
Portsmouth	217	217	216	0	0
Bexley	254	254	253	0	0
Teignbridge	229	229	229	0	0
N. Kesteven	210	210	211	0	0
Dover	209	209	209	1	1
Caradon	226	226	226	1	1
Wrekin	264	264	265	1	1
Breckland	224	224	227	2	2
Exeter	218	218	221	3	3
Carrick	229	229	232	3	3
Lincoln	204	204	208	4	4
Torbay	264	264	268	4	4
Broxtowe	253	253	258	5	5
Wyre	238	238	244	6	6
E. Lindsey	205	205	211	6	6
Sedgemoor	257	257	265	8	8
Halton	256	256	264	8	8
Nottingham	238	238	246	8	8
S. Somerset	255	255	264	8	8
S. Kesteven	215	215	223	8	8
N. Dorset	212	212	222	9	9
N.W. Leics	250	250	259	9	9
Kettering	244	244	253	9	9
Preston	223	223	233	9	9
Harlow	423	423	433	11	11
Boston	204	204	214	11	11
Great Yarmouth	221	221	232	11	11
W. Dorset	213	213	223	11	11
Liverpool	296	296	307	11	11
Plymouth	213	213	224	11	11
Warrington	260	260	272	11	11
E. Cambs	221	221	233	12	12
Forest Heath	213	213	225	12	12
Mendip	248	248	259	12	12
Taunton Deane	245	245	258	12	12
Leominster	179	179	191	12	12
Kennet	238	238	251	13	13
Cannock Chase	237	237	249	13	13
East Northants	231	231	243	13	13
Woodspring	293	293	306	13	13
Bolton	234	234	247	13	13
Newcastle-under-Ly	233	233	246	13	13
N. Warwickshire	300	300	314	14	14
Mid Suffolk	232	232	246	14	14
N. Norfolk	217	217	231	14	14
Redbridge	223	223	238	14	14
Tandridge	296	296	311	15	15
Waltham Forest	316	316	331	15	15
Bury	296	296	312	15	15
Knowsley	288	288	304	15	15
Nuneaton and Bedwo	299	299	314	16	16
S. Norfolk	238	238	254	16	16
Waveney	221	221	238	16	16
Castle Morpeth	289	289	305	16	16

llingham	202	202	218	16	16
ast Staffs	221	221	238	17	17
roud	240	240	258	17	17
oucester	209	209	227	17	17
rby	293	293	310	18	18
tland	226	226	244	18	18
nterbury	213	213	232	19	19
. Somerset	262	262	281	19	19
edling	255	255	274	19	19
ounslow	358	358	378	20	20
righton	315	315	335	20	20
abergh	241	241	261	20	20
ellingborough	228	228	249	21	21
orby	249	249	270	21	21
. Devon	223	223	246	23	23
eterborough	253	253	276	23	23
urbeck	209	209	233	24	24
rentwood	394	394	418	24	24
. Hams	231	231	256	24	24
oventry	291	291	315	24	24
hanet	218	218	243	25	25
everley	297	297	323	26	26
. Herefordshire	165	165	191	26	26
shford	218	218	245	27	27
outhampton	202	202	229	28	28
unbridge Wells	215	215	243	28	28
hrewsbury and Atc	229	229	257	28	28
avering	236	236	264	28	28
ale Royal	250	250	278	29	29
elton	234	234	263	29	29
aidstone	204	204	233	29	29
ridgnorth	212	212	242	30	30
rewe and Nantwich	270	270	302	31	31
ravesham	215	215	246	32	32
t. Edmundsbury	207	207	239	32	32
orthampton	272	272	304	32	32
ochester upon Med	178	178	212	33	33
irral	350	350	383	34	34
. Oxon	238	238	272	34	34
herwell	245	245	279	34	34
id Beds	283	283	318	34	34
ongleton	249	249	284	35	35
inckley and Boswo	228	228	263	35	35
orwich	230	230	265	35	35
ereford	151	151	187	36	36
eading	248	248	284	36	36
pswich	254	254	291	36	36
ournemouth	227	227	263	36	36
ylde	239	239	275	37	37
astings	236	236	273	37	37
. Lancs	242	242	280	38	38
roadland	217	217	255	38	38
ushcliffe	250	250	289	39	39
untingdonshire	212	212	253	40	40
ealden	251	251	292	40	40
alisbury	227	227	267	41	41
romley	220	220	261	42	42
ushmoor	200	200	242	42	42
aventry	264	264	306	42	42
hurrock	328	328	370	42	42
ingston-upon-Tham	287	287	330	43	43
efton	248	248	292	44	44
olchester	248	248	292	44	44

Blaby	223	223	267	44	44
Shepway	240	240	284	44	44
Enfield	277	277	322	45	45
Tamworth	219	219	263	45	45
Rugby	271	271	316	45	45
Stafford	212	212	257	45	45
Bracknell	257	257	305	47	47
Sevenoaks	214	214	262	48	48
North Beds	268	268	316	48	48
Ellesmere Port and	261	261	309	48	48
Adur	241	241	290	49	49
Stevenage	341	341	392	51	51
Braintree	255	255	306	51	51
Harborough	250	250	301	51	51
Tewkesbury	219	219	271	52	52
Oadby and Wigston	235	235	287	52	52
Sutton	264	264	316	52	52
Wyre Forest	200	200	252	52	52
Broxbourne	278	278	332	53	53
Suffolk Coastal	236	236	290	54	54
E. Herts	293	293	348	55	55
New Forest	216	216	271	55	55
Cheltenham	239	239	294	55	55
Chester	252	252	307	55	55
Gosport	200	200	256	56	56
Charnwood	210	210	265	56	56
Walsall	254	254	310	56	56
Chichester	212	212	269	57	57
Isles of Scilly	160	160	221	60	60
Sandwell	223	223	284	61	61
Watford	286	286	347	61	61
Birmingham	223	223	285	62	62
Woking	302	302	364	62	62
Milton Keynes	253	253	316	63	63
Tendring	256	256	319	63	63
Spelthorne	231	231	295	64	64
Cotswold	227	227	291	64	64
Test Valley	196	196	261	64	64
South Beds	303	303	368	65	65
Worthing	196	196	261	65	65
Welwyn Hatfield	351	351	418	67	67
Runnymede	234	234	301	67	67
Stockport	248	248	316	68	68
Arun	211	211	280	69	69
Manchester	257	257	326	69	69
Mole Valley	271	271	341	70	70
Redditch	203	203	273	70	70
Dudley	236	236	306	70	70
Eastleigh	209	209	280	70	70
Mid Sussex	222	222	294	71	71
Basildon	368	368	439	72	72
Horsham	195	195	267	72	72
Trafford	220	220	292	72	72
Lewes	241	241	313	73	73
Oxford	229	229	303	74	74
S. Northants	225	225	300	75	75
Vale of White Hors	229	229	304	75	75
Lichfield	219	219	296	76	76
Malvern Hills	190	190	266	77	77
Harrow	256	256	333	77	77
Aylesbury Vale	226	226	303	77	77
S. Staffs	218	218	295	78	78
Winchester	214	214	292	78	78

Hove	227	227	305	78	78
Worcester	187	187	265	78	78
Newbury	215	215	293	78	78
Basingstoke an	171	171	250	78	78
Slough	199	199	279	79	79
E. Hants	212	212	291	80	80
S. Oxfordshire	244	244	325	80	80
E. Dorset	237	237	318	81	81
Havant	204	204	286	82	82
N. Herts	293	293	376	84	84
Maldon	254	254	338	84	84
Christchurch	222	222	307	85	85
Fareham	203	203	289	86	86
Reigate and Banste	277	277	364	87	87
Poole	211	211	299	88	88
Wolverhampton	222	222	311	89	89
Luton	276	276	366	90	90
Rother	241	241	332	91	91
Hart	222	222	317	95	95
Richmond-upon-Tham	265	265	362	97	97
Wychavon	188	188	285	98	98
Epsom and Ewell	310	310	407	98	98
Windsor and Maiden	262	262	360	99	99
Hertsmere	309	309	408	99	99
Cambridge	237	237	336	99	99
Dacorum	277	277	377	100	100
Guildford	233	233	334	101	101
Bromsgrove	169	169	271	102	102
Warwick	266	266	369	102	102
Uttlesford	260	260	363	103	103
Castle Point	246	246	350	104	104
Croydon	170	170	274	104	104
Eastbourne	242	242	346	104	104
Stratford on Avon	264	264	369	104	104
Southend-on-Sea	256	256	361	105	105
Wokingham	233	233	338	105	105
Rochford	268	268	375	106	106
Surrey Heath	247	247	356	108	108
St. Albans	281	281	390	109	109
S. Cambs	198	198	307	109	109
Waverley	255	255	367	112	112
Macclesfield	243	243	355	112	112
Kensington and Che	300	300	414	114	114
Chelmsford	247	247	368	121	121
Three Rivers	297	297	418	122	122
Solihull	198	198	321	123	123
Barnet	239	239	368	128	128
Epping Forest	277	277	415	138	138
Wycombe	240	240	396	155	155
Elmbridge	296	296	460	164	164
Westminster	402	402	589	187	187
City of London	346	346	542	197	197
Chiltern	250	250	480	229	229
S. Bucks	236	236	478	242	242

lg1.va/potter/minutes/lacs2

LA CURRENT SETTLEMENT MTG WITH MR RIDLEY

CONFIDENTIAL

CHIEF SECRETARY

MWP

FROM: B H POTTER (LG1)
X4790
Date: 14 June 1989

cc: Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)
Mr Rutnam (LG1)
Mr Jessop (PSE)
Mrs Chaplin

Ch/ CST is particularly keen to discuss the outcome of this meeting with Mr Ridley. An AEF of £23.0 billion was agreed. DIS

Good.

LOCAL AUTHORITY CURRENT SETTLEMENT: MEETING WITH SECRETARY OF STATE FOR ENVIRONMENT

You are to discuss Mr Ridley's proposals for the 1990-91 LA current settlement in England tomorrow afternoon. A letter will arrive from Mr Ridley tomorrow morning putting forward a package: we discussed that package with DOE officials this morning. Mr Ridley is seeking a deal with you.

2. In brief, Mr Ridley is looking for AEF of about £23.2b - that is some £400m above Option C and £200m above your target outcome. Our view is that a deal looks possible at your target outcome, or perhaps just a shade above it.

Objectives

3. To reach a firm agreement tomorrow, it will be necessary at a minimum to establish two elements of the E(LF) package:

A) the quantum of AEF

B) the form of the safety net.

In addition, it would be highly desirable to agree other main features of the package:

C) the need to spend

D) the ILEA specific grant

4. Full briefing on each of these is provided separately in attachments A-D; these have been prepared by Messrs Hudson, White and Rutnam. The main points are noted below.

A) AEF

5. The Prime Minister agreed at the meeting on 25 May that E(LF) should be presented with figures for AEF between Option B (£22.7b) and Option C (£22.8b). Mr Ridley's proposed E(LF) package appears to be £300m above that at £23.1b; however in addition, he is likely to support the proposed specific grant for ILEA adding between a further £50-£100m (depending on its form), taking the total up to £23.2b ie £400m above Option C.

6. Your opening position should be that you only agreed to Option B on the basis of a self-financing safety net: if Mr Ridley wants a new form of safety net, the cost should come from within the quantum of AEF proposed by the Prime Minister.

7. In negotiation, you might indicate that the only justification for more AEF than under Option C is to meet perceived distributional objectives: it is clearly desirable to do that in the most cost-effective way. But "top-slicing" RSG is an expensive form of safety net - other methods cost less and distribute the burden differently (see Section B). You will need to be persuaded that the form of safety net justifies any departure from the Option B-Option C range approved by the Prime Minister. (You have, however, already not ruled out the £23.0b figure which Mr Ridley actually quoted yesterday morning N.B he did not say £23.2b!)

8. DOE have exemplified their safety net approach with 3 different levels of AEF: Option C (£22.8b); £23.0b; and the DOE target (£23.2b). The results are in the table attached: the main point is that each £200m addition to AEF reduces CCSN and actual CCs by around £6 per adult, except for beneficiaries under the safety net where the CCs are the same under each AEF option.

B) Form of safety net

9. The form of the safety net is at the heart of the matter. Mr Ridley's basic proposal is:

i) safety net protection confined to the major losers that is local authorities where the community charge on a given assumption about spending is more than £50 above the 1989-90 average rate bill per adult, uprated for inflation;

ii) gain to come through in full, immediately.

You indicated interest in that idea yesterday: LG1 favour the new limited basis for the safety net but not DOE's approach to paying for it.

10. Mr Ridley proposes that the Exchequer pay for the safety net by top-slicing RSG. The alternative is to make gainers give up some of their gains in 1990-91 to meet the costs of the safety net. LG1 tend to favour this alternative approach.

11. The DOE proposals would allow larger gains but for fewer charge payers; our alternative would generate smaller gains but for more community charge payers. Ultimately, a political judgement has to be made: DOE officials made it clear that Mr Ridley and Mr Gummer had made that judgement in putting forward the DOE proposals. But there are three aspects of each approach which may be helpful in making that judgement - cost, presentation and distribution.

12. The <u>cost</u> of Mr Ridley's package is about £450m: that is the total amount of RSG necessary to keep down community charges to no more than £50 above the 1989-90 rate bill per adult uprated for inflation. This is greater than under the alternative proposal, where the cost would be £380m. This is because the top-slicing of RSG adds to average community charges by about £14 per adult (because the money is not available to hold down community charges in general) and pushes more authorities into the category of major losers qualifying for safety net protection.

13. In terms of <u>presentation</u>, Mr Ridley's option leads to a higher CCSN. The point is complex: but because Mr Ridley proposes <u>not</u> to show the safety net adjustment on the community charge demand note, the CCSN has to include this £13 levy for all but the beneficiaries under the safety net. Under Mr Ridley's proposals the CCSN would be published as £282 - quite a high figure.

14. Under the alternative approach the CCSN - for the same AEF and need to spend figure - would be £269. The presentational advantage is clear. DOE argue that if such an approach were adopted, it would be necessary to show the safety net adjustment. But that need not be done, if the adjustment were included in the grant figure (see B below).

15. In <u>distributional</u> terms, DOE's proposal and the alternative are relatively close. At its simplest, the DOE approach funds the cost of the safety net from a £13 premium on all CC payers (except beneficiaries); the alternative funds it from a £20 contribution from gainers only. To summarise:

<u>DOE</u>

- major gainers better off than under original safety net proposal;

- modest gainers (up to £13 per adult) worse off; they become small losers;

- all losers worse off (modest losers because of the extra £13; large losers suffer the proposed £50 loss per adult.)

Alternative

- major and medium gainers better off than under original safety net but about £7 per adult less so than under Mr Ridley's approach;

- small gainers in same position as under the original safety net - but do not become losers as under Mr Ridley's approach;

- small losers lose more than under the original safety net but less than under DOE approach;

- large losers lose more than under the original safety net but the same as under the DOE approach.

16. LG1's preference is, therefore, for the alternative approach. It is consistent with the existing commitment to a self-financing safety net; it is similar to the proposed treatment of the NNDR (assuming you can see off the DOE proposal for a premium on the poundage); and it is presentationally easier.

17. The precise form of contribution from the gainers is open to discussion. The simplest would be to set a maximum contribution of £20 (c.f £75 under the original safety net); but you could opt for a tariff such as allowing through the first £30 of all gains but postponing 50% of the remainder till later years (or £80 and 75 per cent).

Safety net adjustment on the demand note

18. Under Mr Ridley's proposal, the only authorities which will be required to show a safety net line on their community charge demand note would be the 60 or so major losers. Mr Ridley regards this as an important presentational advantage of his proposals.

19. Under our alternative, DOE officials take the view that it would be necessary to show the safety net adjustment as a separate line. They see this as the logical consequence of setting a lower CCSN.

20. Actually we see considerable logic in the view that the safety net adjustment needs to be shown on the demand note in order to encourage accountability. However since the sums are reasonably small, they could be wrapped up within the grant entitlement line. Moreover I suspect that whether the Government does or does not require the safety net to be shown on a demand note, individual local authorities will make sure it is if they judge that is in their interests.

21. If you decide to pursue the alternative safety net approach, you can also argue that it is not necessary to require the adjustment to the shown on the demand note. That should be at the discretion of individual authorities.

C) <u>Need to spend</u>

22. DOE have attempted one trick in the letter. They have added £100m to the need to spend figure, in Option C ie £32.8b rather than £32.7b. There is no remit for such a shift following the Prime Minister's meeting; it is certainly not necessary to meet any distributional objective. On the contrary, it adds to the CCSN and to the cost of the safety net. I recommend that you argue for holding need to spend at Option C ie £32.7b.

23. I understand that the Education Secretary has also brought to your attention the paper on need to spend which his officials in co-operation with those in other Departments have prepared. This will also be circulated for the E(LF) meeting. This "bottom-up" approach produces a need to spend figure of £34.5b - 18% above 1989-90 GREs; £1.7b above DOE's position on need to spend;and even £600m above DOE's forecast actual spend. It is off the map and can be dismissed as such.

E) ILEA specific grant

24. As you are already aware, there are attractions in a specific grant to provide additional grant resources to inner London boroughs taking over the education function. The alternative would be that all the overspend inherited from ILEA above the revised need to spend figures for each inner London borough will fall wholly upon the community charge payer.

25. In the version of the letter shown to us this morning, it was proposed that this specific grant should be paid after the safety net adjustment. But this is the most expensive way to go about it: and it results in very low community charge figures in inner London. And it means that losers in inner London get more protection than losers elsewhere. We have suggested to DOE that this is unrealistic: and they seemed sympathetic to the view.

26. Accordingly we have recommended that the specific grant is paid before the safety net adjustment is operated (and they have incorporated this in the attached exemplifications). This will still bring major benefits to certain inner London boroughs including Kensington, Westminster and Wandsworth. We recommend that you insist that the specific grants towards ILEA is included within AEF quantum agreed between you and Mr Ridley and is distributed before the safety net adjustment is applied.

Handling

27. Our recommended package is as follows:

(i) AEF = £23.0b

(ii) need to spend = £32.7b

(iii) CCSN = £266

(iv) safety net as proposed by Mr Ridley but paid for by a cap on gains.

28. It is difficult to judge how far Mr Ridley will be prepared to negotiate tomorrow. DOE have told us they are drafting the E(LF) paper with his proposal as it stands: they were anxious to give the impression that he is not prepared to move. That said, they were clearly embarrassed by the upward shift of £100 million in need to spend; prepared to consider incorporating the cost of the ILEA specific grant within a £23.1 billion AEF Mr Ridley has proposed; and agree with us that the precise form of the safety net is much a matter of political judgement. Our broad assessment is that, if you can reach agreement on the form of the safety net, it should also be possible to secure a firm understanding on AEF at £23.0 billion or a shade above that. You will wish to judge whether such a package is worthwhile.

29. If a deal is reached, it will of course be important to secure that deal immediately. That means in practice that the arrangement would have to be discussed with the Prime Minister, ideally within the following 24 hours. This is because the paper to E(LF) ought to be circulated on Friday 16 June and certainly no later than Monday 19 June.

30. You will wish to discuss the above brief with us. After the meeting, (and depending on whether there is a deal) we will need to consider whether the E(LF) paper should contain your endorsement of Mr Ridley's position; whether you should write in advance of E(LF); or whether you should make your position clear at the meeting.

Barry H Potter

BARRY H POTTER

ANNEX A

Aggregate Exchequer Finance (AEF)

1. Options considered at Prime Minister's meeting

£ billion

	A	B	C	D
AEF	22.3	22.7	22.8	23.4
of which grant	11.8	12.2	12.3	12.9

2. The conclusion of the meeting was that papers for E(LF) should be based on Options B/C.

3. Mr Ridley is now seeking to increase AEF above Option C,

£ billion

	Ridley proposal for E(LF)	Starting point (Option C)	Fall back
AEF	23.2	22.8	23.0
of which grant	12.7	12.3	12.5

4. Mr Ridley will argue that Option C needs to be increased because of:

(a) additional grant to finance safety net of £0.3 - 0.4-billion

(b) ILEA specific grant of £0.1 billion.

5. Arguments against:

(a) original proposal at Prime Minister's meeting (Option-C) was generous, no reason why overall Exchequer support should be higher;

(b) additional grant for safety net is reduced by an alternative (and better) proposal (see Annex B);

(c) ILEA specific grant to be absorbed within original AEF;

(d) if pushed you may wish to concede that you are prepared to add something to help the safety net problem. If so you could offer to go up to £23.0 billion.

ANNEX B

SAFETY NET

Basic principles

The aim of the safety net is to protect local authorities from the effects of major changes in their income when the new system of local government finance is introduced in April 1990. These changes will be quite massive: without a safety net in place roughly £1 billion of grant and non-domestic rate income will move between different authorities. With a safety net in place these shifts can be delayed, and then introduced more or less quickly.

2. The basic principle of the safety net is simple. It is calculated by comparing two numbers:

a) the existing (ie 1989-90) rate bill per adult for each authority, assuming this is held constant in real terms; and

b) the community charge that the authority would have to raise in 1990-91 to finance its spending, assuming that the changes in grant/non-domestic rate income went ahead.

3. The difference between (a) and (b) represents the amount (in real terms) that each authority stands to gain or lose when the new system is fully in place. However, it should be noted that the size of this difference will depend on some other key assumptions which also need to be determined. This is true both for each authority individual and for all authorities together. These key assumptions are described below.

1) First, the community charge the authority would have to raise in 1990-91 (figure (b) above) depends on what is assumed about its spending. Thus, to calculate the safety net we need to make an overall assumption about LA spending in 1990-91. The lower this assumption is the lower community charges under figure (b) will appear to be - and so (for authorities which will lose grant/non-domestic rate income) the smaller the gap between their community charge and existing rate bill per adult.

This gives us <u>some</u> scope for adjusting the safety net to our advantage. But in practice this scope is limited, as

a) we have announced to the local authorities that for safety net purposes we shall assume that they hold their spending broadly 'constant in real terms'; and

b) DOE would resist any attempt to go back on this, by using a spending assumption that could not be defended as realistic.

In their exemplifications so far, DOE have calculated gains and losses assuming that authorities in total spend in line with their assessed need to spend. If we agree a <u>lower</u> aggregate assessed need, it may be possible to use this for calculating the safety net. But it would probably not be realistic to press DOE to use a lower spending assumption for the safety net than the assessed need to spend.

2) Second, there is a relationship between the size of gains and losses that we calculate in line with paragraph [2] above, and the size of AEF. The lower AEF is, the higher 1990-91 community charges will be, and so the larger the losses that losing authorities face. This makes our position generally a little more difficult. But it is crucial to remember that the practical effect on the safety net is small for the range of figures for AEF that are now being discussed. [(If we were to move from AEF of £22.8bn to £23bn under DOE's preferred option for the safety net, most community charges would only be around £6 lower.)]

<u>Original formulation</u>

4. In public, we have so far said that the safety net will:

- require all gaining authorities to contribute their gains to the safety net, subject to a maximum contribution of £75 (ie gains larger than £75 would feed through);

- postpone all losses for losing authorities, except for a few pounds per head to be borne by all losing authorities;

- be phased out in four equal steps (the first year without any safety net in place being 1994-95).

In short, we have said so far that in the first year of the new system, almost no losses will feed through, and that we will also postpone all except a few large gains over £75.

5. As you know, we have now found that it would be possible to run this type of safety net while reducing the amount that gainers have to contribute significantly. We found that under the central options that you and Mr Ridley have discussed with the Prime Minister, losers could be fully protected while introducing all gains over £40-50, rather than £75. Authorities would then be making a maximum contribution to the safety net of only £40-50.

6. It would be possible to reduce this maximum contribution still further, if we introduced some losses for losing authorities. Indeed a number of variants with higher or lower losses, and lower or higher maximum contributions, could be worked out on these lines. However, all of these share two major disadvantages, as Messrs Ridley and Grummer see it

- all gaining authorities have to make a contribution to the safety net;

- the contribution that they make has to be shown as such on the community charge demand note.

7. The gaining authorities - most are in outer London and the South - include many of the Government's own supporters. The losers - in Inner London and the North - are generally Labour authorities. There are therefore obvious political dangers in requiring gaining authorities to make a contribution. In particular:

a) it would then be easy (if not technically correct) to represent the contributions as funding Labour authorities' overspending;

b) it would be more difficult to ensure that the Government's own supporters were aware of the full benefits that the new system of local government finance will bring them.

DOE's new proposal

8. DOE have therefore come up with a new formulation of the safety net. The main features are:

- gains would come through in full, immediately;
- losses up to £50 per adult would be realised in full;
- authorities losing more than that would receive safety net grant to keep the losses down to £50 per adult;
- this protection would be financed by "top-slicing" RSG: in other words, grant which would otherwise reduce community charges generally would be diverted to protect the big losers;
- so the effect is to spread the burden evenly between all community charge payers except for the big losers.

9. The arguments for this approach are:

- the gains come through in full: Mr Ridley and Mr Gummer apparently see this as the key to selling the policy, politically;
- the cost of protecting the losers can then be presented as falling on the Exchequer.

10. The arguments against are:

- compared to the original type of safety net, the cost is in fact spread over all but the big losers, with a premium of about £13 per adult on the community charge;

- this means:

  a. although gains come through immediately, they are £13 lower than the eventual gain under the original scheme;

  b. people gaining less than £13 originally are turned into losers - we think this may cover thirty authorities, with perhaps 2-3 million chargepayers;

  c. modest losers all lose £13 more than they would do otherwise;

- these effects are very similar to Mr Ridley's proposal of paying for the NNDR transition through a premium on the poundage, which we are opposing;

- the CCSN, on DOE's formulation, goes up to £282: this is a presentational device, in fact, designed to avoid showing any safety-net adjustment on the demand note - the CCSN, as we have understood it up to now, would be £269-270 (need to spend of £32.8 billion less AEF of £23.0 billion, divided between 36 million chargepayers), but rather than show the £13 adjustment on the demand note, they prefer to count it as part of the CCSN;

- the £50 losses coming through mean that chargepayers in losing areas such as Pendle get significantly less protection than originally envisaged;

- there could be a risk for the Exchequer: once there is an agreed policy objective of allowing gains through in full, the cost of further protection for the losers would have to be met by extra grant;

- DOE propose to take new legislation (when the Local Government and Housing Bill goes to the Lords in July) to enable them to distribute the grant the way they suggest: this again is presentational, because existing legislation gives adequate cover;

- this may, however, help with one further risk to us: the top-slice of safety net grant should be simply transitional, until the losers reach their full bills - this might be hard to secure, in future years, if it were part of ordinary RSG, but easier if DOE present it as a separate Exchequer contribution, which does not reduce the CCSN.

11. Assessment. Within any given grant settlement, the question of how the grant is distributed depends in the end, on political judgments about gainers and losers. DOE Ministers' judgment is:

- it is vital to get gains through in full;

- in particular, they are very keen to avoid showing any adjustments on the CC demand note;

- to that end, they are prepared to see much higher losses in Pendle etc than originally envisaged;

- and to turn small gainers into small losers;

- and to take legislation, and show a higher CCSN, to present the scheme as an Exchequer contribution rather than a separate levy.

You will obviously wish to form your own view on the politics of all this. We understand that a delegation from losing authorities is due to see the Prime Minister shortly - a sort of counterpoint to Mr Favell's delegation.

Alternatives

12. The alternative approach would be to revert to the original idea that some or all of the protection for the losers could be financed explicitly by deferring gains for the gainers.

13. This could be done:

- to reduce AEF, without increasing the general £13 premium on chargepayers;

- or within a given AEF, to reduce or eliminate that general premium, and thus the number of gainers turned into losers;

- or again, within a given AEF, to increase protection for the losers, without increasing the general premium.

14. This is the familiar point: within any given AEF, gains at one end mean losses elsewhere - either at the other end, or spread out more generally.

15. If it were decided that the gainers should pay something towards the safety net, the burden could be divided up in two broad ways:

a. the original formulation (see above);

b. an approach which would allow gains through in full up to a given threshold, plus a proportion of the gain above that threshold.

We asked DOE about the result of applying the <u>original formulation</u> of the safety net to Mr Ridley's package. They say that the maximum contribution from the gainers would be around £20.

16 In other words, Mr Ridley's proposals for funding the safety net means charges in the gaining authorities are only in fact £~~8~~7 or so lower than they would be on the original approach. The question is, whether that is worth taking legislation, pushing up the CCSN, and turning gainers into losers.

17. This approach would mean that modest gainers (below £17-20) would get little or none of their gains in the first year. <u>Approach b</u>. would allow modest gains through, and abate big gains rather more. We have not yet exemplified this in full. But very roughly, the same protection for losers could be paid for by allowing through the first £80 of gains, plus one-quarter of remaining gains. In other words:

- the majority of gainers would get their gains in full;
- protection for big losers would be paid for by delaying gains for big gainers.

18. Whether this approach is attractive or not depends on the relative priority attached to allowing gains through in full, or if gainers are to meet some of the cost, to the relative burden on small gainers and large gainers.

ANNEX D

NAME OF CHARGING AUTHORITY

COMMUNITY CHARGE BILL FOR THE PERIOD
1st April 1990 - 31st MARCH 1991

NAME
AND
ADDRESS

DATE OF ISSUE

ADDRESS OF PROPERTY GIVING RISE TO CHARGE
(IF DIFFERENT)

Ref No.

You are shown in the Community Charges Register as liable to pay a Community Charge as set out below. The Community Charge helps to pay for spending on local services. Some of this spending is also paid for by the Government and from rates paid by businesses. The Governments grant system is designed to allow (before transitional "safety net" contributions) a standard level of service to be provided for a community charge of £

	YOUR BILL AMOUNT NEEDED BY YOUR SPENDING BODIES TO PAY FOR THE SPENDING THEY PROPOSE (£ Per head)	THE READY RECKONER AMOUNT NEEDED TO PAY FOR THE STANDARD LEVEL OF SERVICE (£ Per head)
NAME OF PRECEPTING BODY 1 NAME OF PRECEPTING BODY 2 NAME OF PRECEPTING BODY 3 NAME OF PRECEPTING BODY 4 NAME OF PRECEPTING BODY 5		
LESS GOVERNMENT GRANTS BUSINESS RATES		
CONTRIBUTIONS TO OR FROM SAFETY NET (SEE NOTES)		
AMOUNT NEEDED		
ADJUSTMENT (SEE NOTES)		
COMMUNITY CHARGE		
TOTAL AMOUNT OF PERSONAL COMMUNITY CHARGE DUE FOR THE PERIOD DD/MM/YY - DD/MM/YY		
LESS REBATE ENTITLEMENT		
AMOUNT PAYABLE BY YOU		

This Community Charge account is payable in 10 monthly instalments.

First payment of £ due DD/MM/YY
followed by
9 payments of £ due on the nth day of each month

YOU MUST INFORM ME IF YOU CHANGE YOUR PLACE OF RESIDENCE. DO THIS BY FILLING IN THE FORM OVERLEAF

Payment documents to follow

FOR DETAILS OF HOW TO PAY SEE OVER
TELEPHONE ENQUIRIES TO 123 456 7890

FORM ATB5

ANNEX C

Need to spend

1. Options considered at Prime Minister's meeting

				£ billion
	A	B	C	D
Need to spend	31.8	32.4	32.7	33.2

2. The conclusion of the meeting was that papers for E(LF) should be based on Options B/C.

3. Mr Ridley is now seeking an increase in the need to spend to £32.8 billion.

4. No reason for any increase in need to spend. It is unclear why Mr Ridley is proposing £32.8 billion. Only reason we could get from officials was that it amounted to budgets plus 3½ per cent - £32.7 billion is budgets plus 3.2 per cent. But it is not clear why 3½ per cent is important.

5. Arguments against an increase in need to spend:

(a) £32.7 billion already represents an increase over GREs of 9 per cent;

(b) a further increase leads to a higher CCSN;

(c) increases amount of expenditure "safety netted" and hence size of contributions into the safety net.

6. You will wish to be aware that the departmental paper for E(LF) on the need to spend, based on a "bottom up" approach is likely to suggest a figure of £34.5 billion.

ANNEX D

ILEA specific grant

1. ILEA currently spends about £1 billion on education compared to a needs assessment of about £600 million. Under the new needs assessment this is likely to increase to about £700-800 million. There will still remain a large overspend.

2. To help finance the additional burden that is to be placed on the inner London boroughs one solution would be to introduce a specific grant.

3. The specific grant would be phased out over a number of years (6 years say). It would recognise that savings cannot be achieved immediately and would be designed to allow boroughs to achieve savings over this period. The level of grant would start at £110 million in 1990-91.

4. If it is agreed that a specific grant is to be introduced then there are two ways in which it can operate:

(a) distribute the specific grant and then apply the safety net;

(b) apply the safety net and then distribute the grant.

The effects of the two are very different.

5. Under (a) the safety net dominates and, in the first year, the main authorities which benefit are contributors to the safety net (City of London, Kensington and Chelsea, and Westminster). The high spending London boroughs are protected by the safety net and this overrides the effect of the specific grant. The grant therefore provides little help to the 'losers' who benefit from the safety net.

6. Under (b) all inner London boroughs gain. It has the effect of reducing CCs in high spending boroughs to relatively low levels. First they benefit from the safety net and then they benefit from the specific grant. Under (b) the grant reduces CCs by a further £50-70. It will mean low CCs in the first year but, as both grant and the safety net are phased out, there will be large increases in CCs.

7. We were told by DOE officials that Mr Ridley favours (b). But whilst this certainly reduces CCs in London it is difficult to see how it could be justified. We believe that (a) is preferable for the following reasons:

(1) the grant is designed to help boroughs adjust to their educational responsibilities, as such it is no different from any other specific grant. It should therefore be taken into account before applying the safety net;

(2) the safety net is a transitional arrangement that provides protection to losers - it is not necessary to provide any additional help. If we judge losses of £50 are bearable then this should apply to inner London as well;

(3) option (b) reduces CCs for high overspending authorities to low levels that would be difficult to justify compared to the rest of the country;

(4) option (b) will lead to large increases in CCs for those high spending authorities as the safety net and grant are phased out;

(5) concerned about authorities that do not get protection from the safety net - these can be helped by option (a) just as well as option (b).

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

CONFIDENTIAL

16 June 1989

Dear Paul

LOCAL AUTHORITY GRANT SETTLEMENT 1989

Since the Prime Minister's meeting on 25 May, my Secretary of State has been considering further with the Chief Secretary the best form of a possible grant settlement which could be put to colleagues for the E(LF) discussion next Thursday.

2. One new factor which Mr Ridley has been considering with Mr Major is the position of London, and in particular the inner London boroughs which are taking over education from ILEA. The boroughs will be inheriting ILEA's high spending levels, and inevitably it will take them a year or two to trim this down to more reasonable levels even those boroughs which have the will to do so. School closures will be needed in many areas, and that would take some time to carry through.

3. Following some analysis of this post-ILEA problem by officials Mr Ridley and Mr Major are persuaded there is some force in these arguments, and that it would be helpful to provide a special specific grant for the inner London boroughs phased out over three to four years to ease the problem of transition and managing the scaling down of excessive spending. They envisage a grant of £100 million in the first year which would need to be top-sliced from the total of Exchequer grant. A small amendment would be needed to the present power to pay grant to the inner London boroughs to prepare for taking over education. This could be added to the current Local Government and Housing Bill in the Lords.

4. Taking this into account they then had another look at the main aggregates which have to be determined:

- The total standard spending level (the new phrase which they propose to replace the term "need to spend"), and
- the level of Aggregate External Finance (AEF).

5. On the standard spending level some additional technical adjustments to the base line have had to be made for financing items since the Prime Minister's meeting. The Secretary of State now therefore thinks it reasonable to fix this figure at £32.8 billion, £100 million more than the Option C previously discussed; John Major has reluctantly agreed.

6. On the level of Aggregate External Finance in order to provide head room for the proposed ILEA grant, and taking account of the technical financing changes they now think it reasonable to go to £23 billion, £200 million more than previous Option C. This would give a community charge for standard spending (CCSS) of £275.

7. The most important point which they have then been looking at further is the safety net. The existing safety net proposals envisage that in the first year authorities which stand to lose grant in the longer term should receive broadly sufficient extra safety net grant to ensure that their average community charge for spending at their 1989/90 level in real terms should not have to go up from the average 1989/90 rate bill per head by more than 4% if they spend at the standard level. In order to finance that protection, authorities standing to gain grant and thus have lower community charges in the longer term, would have to contribute up to a maximum of £75 per head to pay for the safety net.

8. It is becoming increasingly clear to my Ministers however from the pressures building up that this blocking of "legitimate" gains will be deeply unpopular, particularly among some of the Government's own supporters, and that many charge payers in gaining areas will be highly indignant at having to pay up to an extra £75 per head to keep down charges in other areas many of which are spending excessively. My Secretary of State and the Chief Secretary have therefore been considering whether there is any way in which more of the gains could be allowed to come through more quickly.

9. They do not want to depart from the self financing principle for the safety net which is built into the legislation, i.e. that any protection for losers must be paid for by restricting first year gains. But they do think they could give a much better first year deal to many of the gainers by allowing a small part of the losses to come through in the first year. One possibility would be a revised safety net scheme on the following lines:

(i) Losses up to £25 per head to be allowed to come through in the first year, with any larger losses being off-set by safety net grant. This degree of protection would cost £620 million (as against (£950 m) for full safety net) and would benefit 102 authorities.

CONFIDENTIAL

(ii) This safety net is to be paid for by allowing authorities to keep gains up to £20 and 25% of any gains above that in the first year. This would mean 168 authorities contributing to the safety net.

10. Under this arrangement the 54 authorities which stand to lose less than £25 per head, and the 42 authorities which stand to gain less than £20 per head would not be involved in the safety net at all, either as contributors or beneficiaries. This is a very considerable advantage in terms of simplifying the presentation, but particularly in eliminating the need to show safety net adjustments in the community charge bills for those authorities. The maximum loss of £25 per head is fairly modest, and likely to be lost in all the other consequences of the change from rates to community charge. And spreading the gains so as to give all gainers any gain up to £20 per head in full, and then a percentage of their long term gains above £20 seems to give a fairer distribution than the earlier proposals. It would however reduce the first year gains of the largest gainers such as Westminster and some of the Buckinghamshire authorities very considerably.

11. There could be other variants here which will need to be considered further, within the general constraints of the total of grant here proposed and the self financing principle for the safety net.

12. My Secretary of State is very conscious that the aggregate figures he is now preparing are higher than the range indicated by the Prime Minister at the earlier meeting. He and the Chief Secretary have however examined them very carefully, and they feel confident that with the Prime Minister's support it should be possible to defend this package against the further pressures that other spending colleagues may bring to bear next Thursday as indicated by the paper they are circulating separately. It is on that basis that Mr Ridley seeks the Prime Minister's agreement to his putting these revised proposals to colleagues.

13. I attach a draft E(LF) paper setting out these proposals which we would circulate on Monday for next Thursday's meeting if the Prime Minister is content.

CONFIDENTIAL

14. Exemplifications are also attached, and E(LF) will no doubt want to look at these very carefully. In Mr Ridley's view the proposals he is now making are by no means excessively generous. The Exchequer grants total will only go up by 5% from this year, below the rate of inflation. Such a settlement is likely to result in actual community charges which will average around £300 per head assuming they spend only 7% above 1989/90 budgets and will be considerably more in some places. Such a settlement will be seen as a tough one and is likely to come under considerable attack when it is published in July. The Secretary of State sees this however as the price that must be paid to ensure that the accountability pressures of the community charge begin to operate on local authority spending decisions right from the start next year.

15. On the safety net my Secretary of State has not been able to see the latest exemplifications which have been prepared today, and will want to consider fine tuning this part of the proposals, particularly about the treatment of gainers, over the weekend.

16. I am copying this letter to the Chief Secretary's Private Secretary and to Richard Wilson.

Yours
Roger

ROGER BRIGHT
Private Secretary

Paul Gray Esq
Private Secretary
10 Downing Street
London SW1

CONFIDENTIAL

FROM: BARRY H POTTER (LG1)
DATE: 16 June 1989
x4790

CHIEF SECRETARY

mwp

cc Chancellor
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr A J C Edwards
Mrs Lomax
Mr MacAuslan
Mr G C White
Mr Hudson
Mr Rutnam
Mrs Chaplin

LOCAL AUTHORITY CURRENT SETTLEMENT

Following the agreement reached between you and the Environment Secretary yesterday evening, DOE have been preparing the proposed E(LF) paper and the minute to the Prime Minister recording the agreement.

2. As I mentioned to you this morning, a hitch arose on the precise form of the safety-net. It turned out that if one allowed all gaining authorities to gain up to £25 per head plus X%, sufficient to pay for all losses up to £25 per adult, the X% figure was only 12%. Accordingly DOE officials explored further options. The favoured option now is that gains up to £20 per adult should be allowed plus 25% of the remainder.

3. In accordance with the leeway you gave me this morning, I indicated to Cabinet Office and to DOE that I thought you could accept this.

4. I attach a copy of the minute which has been sent to the Prime Minister. With the amendments which we have inserted, I hope you will find it acceptable.

5. First it makes very clear that the only reasons you have gone above the Option C on AEF is to accommodate:

(a) the extra specific grant for ILEA; and

(b) the extra £100 addition to the standard spending assumption (if that had not been done the burden would have fallen on the CCSS).

6. Secondly, there is only one option on AEF mentioned in the paper. This is clearly ideal. However the draft as first shown to us included three options on the safety-net: I asked that they be shown not as options but as points of comparison and that one specific safety-net only should be exemplified, ie that agreed last night as amended slightly during the course of this morning.

7. Thirdly, the minute makes it clear that this is an agreed package.

8. Also attached to the papers are the exemplifications for individual authorities. Looking through the numbers, the pattern of gainers and losers has changed relative to the original safety-net; the new distribution has one obvious casualty. Westminster is left worse off than under the original safety-net proposals; as you know they will object vehemently; and the Prime Minister has indicated some sympathy with their troubles on the original safety-net proposals.

9. One way of ameliorating the Westminster position would be to add a cap on the postponement of gains at the top end. This would also help the other main gainers which have "lost" relative to the original safety-net proposals, ie authorities in places like Buckinghamshire. But it would complicate the formula for allowing gains through; ie gains up to £X in full, plus Y% subject to an overall maximum contribution of Z. It would reduce the £20 or 25% figure for the gains formula. A difficult judgement will need to be made.

10. I have also spoken to Richard Wilson to convey the points about the settlement and your reaction to it, which you thought might usefully be included in his brief for the Prime Minister.

11. Finally LG1 are now preparing briefing for the E(LF) meeting. We will of course also provide briefing on Mr Baker's paper. However that paper was not circulated today; and may not be circulated on Monday. I understand that the Health Secretary has declined to support the figures included within the tables put forward by DH officials.

BHP

BARRY H POTTER

CONFIDENTIAL

CHIEF SECRETARY

FROM: A P HUDSON (LG1)
X4945
Date: 7 July 1989

cc: Chancellor
Mr Anson
Mr Phillips
Mrs Lomax (GEP)
Mr A J C Edwards (LG1)
Mr Potter (LG1)

LOCAL AUTHORITY CURRENT: TIMES ARTICLE ON SAFETY NET

Following the Times article on the safety net, you asked for an amended list of exemplifications, showing the safety net contribution or entitlement for each authority under the agreed settlement, incorporating the ILEA specific grant, and the special protection for the "north", plus the maximum contribution of £75, (to be financed by extra grant of £13 million on top of the £23.1 billion agreed for AEF).

2. I attach the list. This has two additional columns. Column 6 shows the contributions and entitlements given in the exemplifications which DoE published some time ago of 1988-89 charges, with the original safety net - these figures were the basis for those used in the <u>Times</u> article. Second, at the Chancellor's request, column 7 is designed to show the percentage of the gain or loss which comes through in the first year - I am sorry that we have not been able to provide these today. For almost all the gainers, the figure is 47%, by definition.

3. The main message of the tables is that the revised safety net will bring good news to contributing authorities. In no case is the contribution now higher than £75, in cash terms. In most cases, the contribution will be lower, sometimes substantially lower. And unlike under the original safety net, <u>all</u> the gainers get around half their gains in the first year - previously most gainers would have seen no benefit whatsoever in the first year.

4. For the losers, of course, the news is less good: many see losses of £25, which they are not expecting. But the most sensitive areas are protected by special arrangements. And the fact that the losers take some of their losses may help to sell the revised safety net to Conservative backbenchers who see it as a subsidy from underspenders to overspenders. With some of the losses coming through, the degree of cross-subsidy is reduced.

5. In fact, though I recognise this is a difficult point to get across, the safety net does not make low spenders, as such, pay for the protection given to overspenders. There are some overspenders among the gainers (such as Basildon and Brentwood), and there are some underspenders among the losers (such as Torridge and Blackburn). What matters is mainly an authority's rateable value. In the past, for a given level of needs, an authority with low rateable value got more grant than an authority with high rateable value. Under the new system, that will no longer be the case. In phasing in this shift, the safety net is benefiting areas of low rateable value at the expense of areas of high rateable value. But so far from <u>creating</u> a subsidy from the south to the north, the safety net is simply a way of phasing out that subsidy, which was an integral part of the old system, but does not feature in the new system.

6. I understand that DOE are now thinking of making their announcement on Wednesday 19 July. But this is very much subject to the views of the Lord President, whom Mr Ridley is seeing on Tuesday (11 July) to discuss the legislative implications of the settlement. You will no doubt be considering whether anything could or should be done in advance of the announcement to try to defuse pressure for the Exchequer to fund the whole of the safety net, eg hinting to Mr Favell and maybe others privately that their concerns have been listened to.

APH

A P HUDSON

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn. of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL. 5 Safety Net (SN) contribution (+)/ entitlement (-) E(LF) decision	COL 6 Times '88-9	COL 7 % move to long-run charge
GREATER LONDON							
City of London	541	325	421	2	+75 *	+13	56
Camden	[illegible]	442	425	12	-17	-200	†
Greenwich	285	579	246	13	-333	-311	†
Hackney	351	239	263	15	+ 24	-232	79
Hammersmith and Fulham	373	563	348	14	-215	-205	†
Islington	446	425	416	14	- 9	-155	†
Kensington and Chelsea	393	205	282	9	+ 75 *	+44	59
Lambeth	309	334	277	14	- 57	-213	†
Lewisham	275	423	241	12	-182	-257	†
Southwark	281	439	247	15	-192	-246	†
Tower Hamlets	282	397	240	16	-157	-304	†
Wandsworth	202	350	175	11	-175	-192	†
(m) (a) Westminster	587	341	449	13	+75 *	+75	56
Barking and Dagenham	244	365	269	9	-96	-9	
(a) Barnet	361	246	307	7	+61	+75	
Bexley	247	294	272	7	-22	+1	
Brent	491	461	477	13	+16	+41	
Bromley	255	260	260	6	0	+42	
(m) Croydon	267	164	219	7	+55	+61	
Ealing	321	312	317	10	+ 5	+15	
Enfield	316	274	296	8	+22	+25	
Haringey	532	566	557	14	- 9	+11	
Harrow	327	264	298	8	+34	+57	
Havering	257	298	282	7	-16	+23	
Hillingdon	328	402	353	9	-49	+18	
Hounslow	373	351	362	10	+11	+33	
Kingston-upon-Thames	324	328	328	8	0	+39	
Merton	285	304	304	8	0	+52	
Newham	[illegible]	319	339	[illegible]	+20	-15	
Redbridge	[illegible]	242	242	[illegible]	0	+30	
(m) Richmond-upon-Thames	357	305	332	6	+27	+66	
Sutton	309	307	308	[illegible]	+1	+39	
Waltham Forest	325	275	302	10	+27	-8	

† Inner London LAs moving further from their long-run charge.
(m) On *Times* list of marginals
* adjusted for decision to cap contributions at £75
(a) Previously shown as £75 contribution in DoE 1988-89 exemplifications
(m) On [illegible]

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Turnas	COL. 7 % move to long-run charge
GREATER MANCHESTER							
Bolton	242	243	243	9	0	-4	
(m) Bury	308	308	308	8	0	+11	
Manchester	322	288	306	11	+18	-15	
Oldham	237	259	255	10	-4	-24	
Rochdale	262	343	277	10	-66	-51	
Salford	286	283	285	9	+2	-10	
(m) Stockport	313	269	292	8	+23	+54	
Tameside	253	304	274	9	-30	-45	
Trafford	287	235	263	8	+28	+62	
Wigan	269	343	294	9	-49	-36	
MERSEYSIDE							
Knowsley	300	247	275	11	+28	-13	
Liverpool	302	276	290	11	+14	-36	
St Helens	262	313	287	9	-26	-27	
Sefton	288	270	279	8	+9	+25	
(m) Wirral	381	350	366	10	+16	+31	
SOUTH YORKSHIRE							
Barnsley	221	367	221	8	-146	-94	
Doncaster	258	372	270	9	-102	-69	
Rotherham	249	349	255	9	-94	-73	
Sheffield	278	384	287	9	-97	-62	
TYNE AND WEAR							
Gateshead	248	324	255	9	-69	-64	
Newcastle upon Tyne	279	335	304	10	-31	-28	
North Tyneside	313	345	338	9	-7	-23	
South Tyneside	236	301	251	9	-50	-63	
Sunderland	217	275	225	9	-50	-65	
WEST MIDLANDS							
Birmingham	281	193	240	10	+47	+57	
Coventry	311	281	297	10	+16	+18	
Dudley	302	250	277	8	+27	+46	
Sandwell	279	211	247	9	+26	+12	
(a) Solihull	318	208	267	7	+59	+75	
Walsall	305	255	282	9	+27	+22	
Wolverhampton	306	196	255	10	+59	+50	
WEST YORKSHIRE							
Bradford	218	277	218	10	-59	-59	
Calderdale	236	379	236	10	-143	-99	
Kirklees	217	327	217	9	-110	-93	
Leeds	223	254	244	8	-10	-26	
Wakefield	237	345	242	8	-103	-67	

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Tunias	COL 7 % move to long-run charge
	AVON							
	Bath	255	298	280	7	-18	-21	
	Bristol	298	345	323	8	-22	-12	
	Kingswood	263	264	264	7	0	0	
	Northavon	299	276	288	7	+12	0	
	Wansdyke	278	288	288	7	0	+10	
	Woodspring	305	285	296	7	+11	+16	
	BEDFORDSHIRE							
	North Bedfordshire	310	238	276	8	+38	+28	
(m)	Luton	361	233	301	8	+68	+67	
	Mid Bedfordshire	316	245	282	8	+37	+26	
	South Bedfordshire	364	273	322	8	+49	+56	
	BERKSHIRE							
(a)	Bracknell	305	239	274	7	+35	+75	
(a)	Newbury	299	178	242	7	+64	+75	
	Reading	274	225	251	8	+26	+43	
(m)	Slough	265	150	211	7	+61	+64	
(a)	Windsor and Maidenhead	349	241	298	7	+57	+75	
(a)	Wokingham	340	202	276	7	+74	+75	
	BUCKINGHAMSHIRE							
	Aylesbury Vale	288	186	240	7	+54	+59	
(a)	South Bucks	458	213	344	7	+75 *	+75	
(a)	Chiltern	463	231	354	7	+75 *	+75	
	Milton Keynes	331	217	278	8	+61	+37	
(a)	Wycombe	386	223	310	7	+75 *	+75	
	CAMBRIDGESHIRE							
(m) (a)	Cambridge	323	249	288	7	+39	+75	
	East Cambridgeshire	235	212	224	7	+12	+7	
	Fenland	223	230	230	7	0	-2	
	Huntingdonshire	250	208	230	7	+22	+23	
	Peterborough	274	256	265	7	+9	+13	
(a)	South Cambridgeshire	297	192	248	5	+56	+75	
	CHESHIRE							
(m)	Chester	303	258	282	7	+24	+34	
	Congleton	280	256	269	7	+13	+21	
	Crewe and Nantwich	308	276	293	3	+17	+18	
(m)	Ellesmere Port and Neston	292	267	281	3	+14	+42	
	Halton	259	267	267	3	0	0	
(a)	Macclesfield	357	252	308	7	+56	+75	
	Vale Royal	267	253	260	7	+7	+14	
	Warrington	266	270	270	3	0	+4	

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL.5 SN contribution(+)/ entitlement(-) E(LF)	COL. 6 Turnos	COL. 7 % move to long-run charge
CLEVELAND							
Hartlepool	247	301	263	10	-38	-63	
Langbaurgh-on-Tees	308	337	333	10	-4	-71	
Middlesbrough	275	330	300	10	-30	-27	
Stockton-on-Tees	298	302	302	10	0	-8	
CORNWALL							
Caradon	220	218	219	7	+1	0	
Carrick	229	228	229	7	+1	0	
Kerrier	194	219	215	7	-4	-17	
North Cornwall	220	215	218	7	+3	0	
Penwith	205	219	217	7	-2	-5	
Restormel	205	217	217	7	0	-4	
CUMBRIA							
Allerdale	197	282	197	8	-85	-74	
Barrow in Furness	198	321	198	8	-123	-94	
Carlisle	227	282	238	8	-42	-63	
Copeland	191	293	191	8	-102	-94	
Eden	208	256	208	7	-48	-67	
South Lakeland	249	280	274	8	-6	-28	
DERBYSHIRE							
Amber Valley	249	316	274	8	-42	-20	
Bolsover	225	342	226	8	-116	-68	
Chesterfield	257	342	282	8	-60	-26	
Derby	311	311	311	8	0	+18	
Erewash	265	325	290	8	-35	-11	
High Peak	254	328	279	8	-49	-36	
North East Derbyshire	277	347	302	8	-45	-23	
South Derbyshire	281	309	306	8	-3	0	
Derbyshire Dales	297	315	315	8	0	+2	
DEVON							
East Devon	241	224	233	7	+9	+17	
Exeter	216	238	238	7	0	+10	
North Devon	185	220	205	7	-15	-29	
Plymouth	217	223	223	[illegible]	0	+4	
South Hams	257	229	2[illegible]	[illegible]	+15	+21	
Teignbridge	225	229	229	7	0	0	
Mid Devon	193	220	218	7	-2	-21	
Torbay	258	293	293	[illegible]	-10	+28	
Torridge	169	216	169	7	-47	-47	
West Devon	205	212	212	7	0	-8	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.9bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL. 5 SN ~~contribution~~ (+)/ ~~entitlement~~ (-) E(LF)	COL. 6 Times	COL. 7 % move to long-run charge
	DORSET							
	Bournemouth	254	251	253	7	+2	+48	
(a)	Christchurch	305	248	278	6	+30	+75	
	North Dorset	216	193	205	6	+12	+18	
(a)	Poole	292	235	265	6	+30	+75	
	Purbeck	227	197	213	6	+16	+32	
	West Dorset	222	203	214	6	+11	+19	
	Weymouth and Portland	203	233	228	6	-5	+4	
(a)	East Dorset	317	235	279	6	+44	+75	
	DURHAM							
	Chester-le-Street	237	281	261	8	- ~~*~~ 20	-39	
	Darlington	248	285	273	8	-12	-44	
	Derwentside	209	301	209	8	-92	-85	
	Durham	227	280	252	8	-28	-54	
	Easington	200	288	200	8	-84	-70	
	Sedgefield	225	325	225	8	-100	-88	
	Teesdale	183	224	183	7	-41	-73	
	Wear Valley	205	313	205	8	-108	-107	
	EAST SUSSEX							
	Brighton	335	348	348	8	0	+54	
(a)	Eastbourne	343	269	308	7	+39	+75	
	Hastings	269	238	255	7	+17	+35	
	Hove	290	223	259	7	+36	+65	
	Lewes	309	228	271	6	+43	+73	
(a)	Rother	325	221	276	6	+55	+75	
	Wealden	289	224	259	6	+35	+49	
	ESSEX							
(m) (a)	Basildon	434	353	396	8	+43	+75	
	Braintree	302	229	268	7	+39	+42	
	Brentwood	408	386	397	8	+11	+33	
(a)	Castle Point	339	234	290	7	+56	+76	
(a)	Chelmsford	371	229	304	7	+75	+75	
	Colchester	291	230	263	7	+33	+37	
(a)	Epping Forest	414	267	346	7	+75 *	+75	
	Harlow	425	417	422	8	+5	+3	
(a)	Maldon	327	224	279	7	+55	+75	
(a)	Rochford	363	242	307	7	+65	+75	
(a)	Southend-on-Sea	357	254	309	7	+55	+75	
	Tendring	310	246	280	7	+34	+57	
(m)	Thurrock	365	313	341	8	+28	+32	
(a)	Uttlesford	363	226	299	7	+73	+75	

...TE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN ~~contribution~~(+)/ entitlement(-) E(LF)	COL 6 Twins	COL 7 % move to long-run charge
	GLOUCESTERSHIRE							
(m)	Cheltenham	280	255	268	7	+13	+52	
	Cotswold	282	223	254	7	+33	+69	
	Forest of Dean	201	228	226	7	-2	-31	
	Gloucester	231	232	232	7	0	0	
	Stroud	251	241	246	7	+5	+8	
	Tewkesbury	270	215	244	6	+29	+42	
	HAMPSHIRE							
	Basingstoke and Deane	249	162	208	6	+66	+52	
	East Hampshire	287	173	234	6	+61	+68	
	Eastleigh	282	187	238	6	+51	+54	
	Fareham	287	182	238	6	+56	+66	
	Gosport	245	189	219	7	+30	+41	
(a)	Hart	314	191	256	6	+65	+75	
	Havant	280	175	231	7	+56	+68	
	New Forest	264	190	229	6	+39	+43	
	Portsmouth	205	219	219	7	0	0	
	Rushmoor	231	174	205	7	+31	+23	
	Southampton	221	190	206	7	+16	+11	
	Test Valley	262	164	216	6	+52	+45	
	Winchester	293	176	239	6	+63	+62	
	HEREFORD AND WORCESTER							
(a)	Bromsgrove	264	175	222	6	+47	+25	
(m)	Hereford	185	173	179	6	+6	+9	
	Leominster	176	147	163	6	+16	0	
	Malvern Hills	258	185	224	6	+39	+57	
	Redditch	270	214	244	7	+30	+52	
	South Herefordshire	189	148	170	6	+22	+9	
	Worcester	259	216	239	7	+23	+61	
(a)	Wychavon	280	191	238	6	+47	+75	
	Wyre Forest	242	215	229	7	+14	+34	
	HERTFORDSHIRE							
	Broxbourne	326	264	297	7	+32	+59	
(a)	Dacorum	375	253	318	7	+65	+75	
	East Hertfordshire	336	274	307	7	+33	+68	
(a)	Hertsmere	405	298	355	7	+57	+75	
(a)	North Hertfordshire	374	265	323	7	+58	+75	
(a)	St Albans	389	259	328	7	+69	+75	
(m)	Stevenage	386	332	361	8	+29	+59	
(a)	Three Rivers	406	277	345	7	+68	+75	
	Watford	340	283	313	8	+30	+64	
(a)	Welwyn Hatfield	417	337	380	8	+43	+75	

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SW contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL 7 % move to long-run charge
HUMBERSIDE							
Beverley	317	302	310	8	+8	+17	
Boothferry	220	309	226	9	-83	-70	
Cleethorpes	264	332	289	9	-43	-38	
Glanford	259	286	284	8	-2	-35	
Great Grimsby	251	322	276	9	-46	-42	
Holderness	262	288	287	8	-1	-28	
Kingston upon Hull	233	330	233	9	-97	-66	
East Yorkshire	242	318	255	9	+63	-59	
Scunthorpe	284	372	309	9	+63	-54	
ISLE OF WIGHT							
Medina	245	250	250	7	0	+4	
South Wight	269	265	267	7	+2	0	
KENT							
Ashford	239	198	220	7	+22	+24	
Canterbury	224	199	212	7	+13	+15	
Dartford	218	235	235	7	0	0	
Dover	198	188	193	7	+5	0	
Gillingham	211	187	199	7	+12	+9	
Gravesham	232	193	214	7	+21	+23	
Maidstone	231	180	207	7	+27	+20	
Rochester upon Medway	205	163	186	7	+23	+22	
Sevenoaks	257	192	227	7	+35	+39	
Shepway	278	229	255	7	+26	+41	
Swale	198	203	203	7	0	-5	
Thanet	234	209	222	7	+13	+24	
Tonbridge and Malling	229	224	227	7	+3	+11	
Tunbridge Wells	245	190	219	7	+29	+22	
LANCASHIRE							
Blackburn	183	235	183	8	-52	-72	
Blackpool	239	290	264	8	-26	-11	
Burnley	176	260	176	8	-84	-108	
Chorley	228	239	239	8	0	-14	
Fylde	272	250	262	8	+12	+17	
Hyndburn	176	257	176	8	-81	-85	
Lancaster	[illegible]	254	236	8	-18	-33	
Pendle	169	270	169	8	-101	-92	
Preston	233	221	227	8	+6	-33	
Ribble Valley	215	246	240	8	-6	-31	
Rossendale	199	277	199	8	-78	-76	
South Ribble	228	249	249	8	0	-14	
(m) West Lancashire	275	239	258	8	+21	+22	
Wyre	239	249	249	8	0	0	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 67% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution(+)/ entitlement (-) E(LF)	COL 6 Tumas	COL 7 % move to long-run charge
LEICESTERSHIRE							
Blaby	266	226	247	7	+21	+32	
Charnwood	265	213	241	7	+28	+38	
Harborough	307	244	278	7	+34	+41	
Hinckley and Bosworth	257	233	245	7	+12	+25	
Leicester	232	289	257	9	-32	-29	
Melton	258	231	246	7	+15	+21	
North West Leicestershire	258	249	254	8	+5	+2	
Oadby and Wigston	281	244	263	7	+19	+40	
Rutland	243	212	229	7	+17	+12	
LINCOLNSHIRE							
Boston	208	225	225	7	0	0	
East Lindsey	204	207	207	7	0	-1	
Lincoln	199	225	222	7	-3	-9	
North Kesteven	205	203	204	7	+1	-5	
South Holland	204	224	224	7	0	-4	
South Kesteven	222	211	217	7	+6	+7	
West Lindsey	200	203	203	7	0	-13	
NORFOLK							
Breckland	223	214	219	7	+5	+13	
Broadland	253	218	237	6	+19	+33	
Great Yarmouth	222	243	243	7	0	+4	
North Norfolk	228	215	222	7	+7	+14	
Norwich	256	261	261	7	0	+9	
South Norfolk	251	233	243	7	+10	+34	
King's Lynn and West Norfolk	203	220	220	7	0	0	
NORTHAMPTONSHIRE							
(M) Corby	274	248	262	8	+14	+10	
Daventry	303	248	277	8	+29	+39	
East Northamptonshire	233	215	224	7	+9	+8	
Kettering	246	244	245	8	+1	0	
Northampton	296	282	290	8	+8	+36	
South Northamptonshire	293	209	254	7	+45	+55	
Wellingborough	242	231	237	8	+6	+5	
NORTHUMBERLAND							
Alnwick	242	296	267	8	-29	-45	
Berwick-upon-Tweed	231	295	238	8	-57	-36	
Blyth Valley	271	345	296	8	-49	-45	
Castle Morpeth	303	288	296	8	+8	0	
Tynedale	257	288	282	8	-6	-39	
Wansbeck	238	348	240	8	-108	-81	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn. of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL 7 % move to long-run charge
NORTH YORKSHIRE							
Craven	197	239	211	7	-28	-30	
Hambleton	226	236	236	7	0	0	
Harrogate	260	273	273	7	0	-1	
Richmondshire	187	231	212	7	-19	-38	
Ryedale	211	248	236	7	-12	-21	
Scarborough	204	269	221	7	-48	-27	
Selby	205	263	230	7	-33	-44	
York	187	248	193	7	-55	-34	
NOTTINGHAMSHIRE							
Ashfield	206	257	215	7	-42	-54	
Bassetlaw	228	260	253	8	-7	-65	
Broxtowe	258	260	260	7	0	-6	
Gedling	274	254	265	7	+9	0	
Mansfield	225	279	248	8	-29	-51	
Newark and Sherwood	249	250	250	7	0	-29	
Nottingham	234	250	250	8	0	-19	
Rushcliffe	289	249	270	7	+21	+18	
OXFORDSHIRE							
Cherwell	269	232	252	6	+20	+28	
(m) Oxford	294	220	259	6	+39	+12	
South Oxfordshire	321	230	278	6	+48	+61	
Vale of White Horse	302	220	264	6	+44	+52	
West Oxfordshire	272	220	248	6	+28	+17	
SHROPSHIRE							
Bridgnorth	228	187	209	7	+22	+20	
North Shropshire	200	201	201	7	0	-4	
Oswestry	202	222	222	7	0	-12	
Shrewsbury and Atcham	251	223	238	7	+15	+19	
South Shropshire	208	188	199	7	+11	-3	
Wrekin	267	256	262	8	+6	+9	
SOMERSET							
Mendip	250	249	250	7	+1	+6	
Sedgemoor	259	258	258	7	0	+5	
Taunton Deane	255	264	264	7	0	+1	
West Somerset	271	264	268	7	+4	+18	
South Somerset	259	264	254	[illegible]	0	+5	

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Tunas	COL 7 % move to long run charge
STAFFORDSHIRE							
Cannock Chase	244	255	255	7	0	+3	
East Staffordshire	230	229	229	7	0	+4	
Lichfield	294	230	264	7	+34	+59	
Newcastle-under-Lyme	238	254	254	7	0	0	
South Staffordshire	291	224	260	7	+36	+63	
Stafford	252	226	240	7	+14	+23	
Staffordshire Moorlands	233	242	242	7	0	0	
Stoke-on-Trent	210	255	235	7	-20	-17	
Tamworth	264	244	255	7	-11	+31	
SUFFOLK							
Babergh	253	249	251	7	+2	+28	
Forest Heath	226	229	229	6	0	+2	
(m) Ipswich	283	287	287	7	0	+24	
Mid Suffolk	241	228	235	7	+7	+8	
St Edmundsbury	230	214	222	6	+8	+19	
Suffolk Coastal	287	238	264	7	+26	+45	
Waveney	231	244	244	7	0	+10	
SURREY							
(a) Elmbridge	445	304	379	7	+75	+75	
(a) Epsom and Ewell	398	323	363	7	+60	+75	
Guildford	334	224	282	6	+52	+73	
(a) Mole Valley	336	262	301	7	+39	+75	
(a) Reigate and Banstead	358	276	319	6	+42	+75	
(a) Runnymede	294	247	272	6	+25	+75	
Spelthorne	293	234	266	6	+32	+58	
(a) Surrey Heath	352	241	300	6	+59	+75	
Tandridge	302	280	292	7	+12	+72	
(a) Waverley	362	240	305	6	+65	+75	
(a) Woking	368	288	331	7	+43	+75	
WARWICKSHIRE							
North Warwickshire	307	306	307	7	+1	0	
Nuneaton and Bedworth	308	317	317	8	0	+14	
Rugby	313	281	298	7	+17	+44	
(a) Stratford on Avon	369	268	322	7	+54	+75	
(a) Warwick	361	283	325	7	+42	+75	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 67% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL 7 % move to long-run charge
WEST SUSSEX							
Adur	281	238	261	6	+23	+42	
Arun	270	209	241	6	+32	+61	
Chichester	262	192	229	6	+37	+94	
Crawley	269	270	270	7	0	-21	
Horsham	261	179	223	6	+46	+57	
Mid Sussex	287	209	251	6	+42	+69	
Worthing	248	217	234	6	+17	+56	
WILTSHIRE							
Kennet	241	227	235	7	+8	0	
North Wiltshire	226	256	251	7	-5	-25	
Salisbury	262	224	244	7	+20	+17	
Thamesdown	253	302	278	7	-24	-34	
West Wiltshire	232	260	257	7	-3	-2	
ALL PURPOSE AUTHORITY							
Isles of Scilly	214	505	239	11	-266	+55	

DATE: 5-JUL-89

ANNEX B

AREAS BENEFITTING FROM SPECIFIC GRANT

Burnley
Pendle
Wear Valley
Hyndburn
Barrow in Furness
Calderdale
Teesdale
Easington
Kirklees
Barnsley
Copeland
Blackburn
Rossendale
Derwentside
Kingston upon Hull
Bradford
Torridge
Sedgefield
Allerdale
Eden
Bolsover
Wansbeck
Wakefield
York
Boothferry
Rotherham
Berwick-upon-Tweed
Gateshead
Sunderland
Ashfield
Sheffield
Carlisle
Doncaster
East Yorkshire
Craven
Rochdale
South Tyneside
Hartlepool
Scarborough
North Devon
Oldham
Tameside
Penwith
Leeds
Kerrier
Lincoln
Mansfield
High Peak
Chester-le-Street
Bassetlaw

FROM: A C S ALLAN
DATE: 10 July 1989

PS/CHIEF SECRETARY

cc Mr Anson
Mr Phillips
Mrs Lomax
Mr Devereux
Mr Potter
Mr A Hudson

LOCAL AUTHORITY CURRENT: TIMES ARTICLE ON SAFETY NET

The Chancellor has seen Mr Hudson's minute of 7 July. He feels it is absurd that Inner London local authorities should, as a result of the new safety net, move away from their long-run position. He feels we should see how this could be avoided, with the money saved being used for a more rational purpose.

ACSA

A C S ALLAN

lg1.va/hudson/minutes/lac.sn

CONFIDENTIAL

1. MR POTTER (LG1) BHP 10/7

2. CHIEF SECRETARY

Copies attached for:
Chancellor
Mr Anson

FROM: A P HUDSON (LG1)
X4945
Date: 10 July 1989

cc: Mr Phillips
Mrs Lomax (GEP)
Mr A J C Edwards (LG1)

LOCAL AUTHORITY CURRENT: SAFETY NET

I attach a completed version of the exemplifications attached to my 7 July submission. This now has attached the figures the Chancellor asked for, showing the percentage of the gain or loss which comes through in the first year.

APH

A P HUDSON

see X
(protect for all authorities
– London @ end)

All v satisfactory except for Inner London, where all save City of London, Kensington & Chelsea, Hackney & Westminster are assured. v

DATE: 5-JUL-89

Column 1A shows projected first-year community charges, if authorities spend 7% above this year's budgets (total £33·9bn).

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 1A FIRST YEAR CHARGE @£33·9bn (ie +7%)	COL 2 Long run charge @ £32·8bn	COL 3 up to £25 loss, +7% of gains allowed @ £32·8bn	COL 4 Effect on charge of 1% rise in spending	COL 5 Safety Net (SN) contribution(+)/entitlement(-) E(LF) decision	COL 6 Times '88-9	C…
	GREATER LONDON								
	City of London	541	429	325	421	2	+75 *	+13	5[illegible]
	Camden	446	470	442	425	12	-17	-200	†
	Greenwich	285	295	579	246	13	-333	-311	†
	Hackney	351	319	239	263	15	+24	-232	79
	Hammersmith and Fulham	373	401	563	348	14	-215	-205	†
	Islington	446	469	425	416	14	-9	-155	†
	Kensington and Chelsea	393	316	205	282	9	+75 *	+44	5[illegible]
	Lambeth	309	330	334	277	14	-57	-213	†
	Lewisham	275	286	423	241	12	-182	-257	†
	Southwark	281	303	439	267	15	-192	-266	†
	Tower Hamlets	282	300	397	240	16	-157	-304	†
	Wandsworth	202	216	350	175	11	-175	-192	†
(m) (a)	Westminster	587	498	341	449	13	+75 *	+75	56
	Barking and Dagenham	244	303	365	269	9	-96	-9	
(a)	Barnet	361	333	246	307	7	+61	+75	
	Bexley	247	298	294	272	7	-22	+1	
	Brent	491	526	461	477	13	+16	+41	
	Bromley	255	283	260	260	6	0	+62	
(m)	Croydon	267	245	164	219	7	+55	+61	
	Ealing	321	355	312	317	10	+5	+15	
	Enfield	316	326	276	296	8	+22	+25	
	Haringey	532	610	566	557	14	-9	+11	
	Harrow	327	328	264	298	8	+34	+57	
	Havering	257	308	298	282	7	-16	+23	
	Hillingdon	328	379	402	353	9	-49	+18	
	Hounslow	373	400	351	362	10	+11	+33	
	Kingston-upon-Thames	324	358	328	328	8	0	+39	
	Merton	285	334	304	304	8	0	+52	
	Newham	356	342	319	338	14	+20	-15	
	Redbridge	231	268	242	242	7	0	+30	
(m)	Richmond-upon-Thames	357	355	305	332	6	+27	+66	
	Sutton	309	334	307	308	7	+1	+39	
	Waltham Forest	325	340	275	302	10	+27	-8	

SEE SEPARATE TABLE

† Inner London LAs moving further from their long-run charge.
(m) On *Times* list of marginals
* adjusted for decision to cap contributions at £75
(a) [illegible] Shown as £75 contribution in DoE 1988-89 exemplifications
(m) On [illegible]

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 1A	COL 2 Long run charge	COL 3 Up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Tories	COL. % m… to long-r… charge
	GREATER MANCHESTER								
	Bolton	242	277	243	243	9	0	-4	
(m)	Bury	308	338	308	308	8	0	+11	
	Manchester	322	247	288	306	11	+18	-15	
	Oldham	237	293	259	255	10	-4	-24	
	Rochdale	262	315	343	277	10	-66	-51	
	Salford	286	319	283	285	9	+2	-10	
(m)	Stockport	313	332	269	292	8	+23	+54	
	Tameside	253	308	304	274	9	-30	-45	
	Trafford	287	293	235	263	8	+28	+62	
	Wigan	269	328	343	294	9	-49	-36	
	MERSEYSIDE								
	Knowsley	300	316	247	275	11	+28	-13	
	Liverpool	302	331	276	290	11	+14	-36	
	St Helens	262	321	313	287	9	-26	-27	
	Sefton	288	309	270	279	8	+9	+25	
(m)	Wirral	381	404	350	366	10	+16	+31	
	SOUTH YORKSHIRE								
	Barnsley	221	251	367	221	8	-146	-94	
	Doncaster	258	304	372	270	9	-102	-69	
	Rotherham	249	289	349	255	9	-94	-73	
	Sheffield	278	321	384	287	9	-97	-62	
	TYNE AND WEAR								
	Gateshead	248	289	324	255	9	-69	-64	
	Newcastle upon Tyne	279	342	335	304	10	-31	-28	
	North Tyneside	313	372	345	338	9	-7	-23	
	South Tyneside	236	285	301	251	9	-50	-63	
	Sunderland	217	259	275	225	9	-50	-65	
	WEST MIDLANDS								
	Birmingham	281	278	193	240	10	+47	+57	
	Coventry	311	335	291	297	10	+16	+18	
	Dudley	302	307	250	277	8	+27	+46	
	Sandwell	279	281	211	247	9	+26	+12	
(a)	Solihull	318	293	208	257	7	+59	+75	
	Walsall	305	316	255	282	9	+27	+22	
	Wolverhampton	306	293	196	255	10	+59	+50	
	WEST YORKSHIRE								
	Bradford	218	256	277	218	10	-59	-59	
	Calderdale	236	274	379	236	10	-143	-99	
	Kirklees	217	251	327	217	9	-110	-93	
	Leeds	223	274	254	244	8	-10	-26	
	Wakefield	237	272	345	242	8	-103	-67	

ATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 1A	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL. 7 % move to long-run charge
	AVON								
	Bath	255	306	298	280	7	−18	−21	
	Bristol	298	353	345	323	8	−22	−12	
	Kingswood	263	290	264	264	7	0	0	
	Northavon	299	314	276	288	7	+12	0	
	Wansdyke	278	314	288	288	7	0	+10	
	Woodspring	305	322	285	296	7	+11	+16	
	BEDFORDSHIRE								
	~~North Bedfordshire~~	310	306	238	276	8	+38	+28	
(m)	~~Luton~~	361	331	233	301	8	+[illegible]	+[illegible]	
	~~Mid Bedfordshire~~	316	312	245	282	8	+77	+26	
	~~South Bedfordshire~~	364	352	273	322	8	+49	+56	
	BERKSHIRE								
(a)	Bracknell	305	300	239	274	7	+35	+75	
(a)	Newbury	299	268	178	242	7	+64	+75	
	Reading	274	281	225	251	8	+26	+43	
(m)	Slough	265	237	150	211	7	+61	+64	
(a)	Windsor and Maidenhead	349	324	241	298	7	+57	+75	
(a)	Wokingham	340	302	202	276	7	+74	+75	
	BUCKINGHAMSHIRE								
	Aylesbury Vale	288	266	186	240	7	+54	+59	
(a)	South Bucks	458	370	213	344	7	+75 *	+75	
(a)	Chiltern	463	380	231	354	7	+75 *	+75	
	~~Milton Keynes~~	331	308	217	278	8	+61	+37	
(a)	Wycombe	386	336	223	310	7	+75 *	+75	
	CAMBRIDGESHIRE								
(m) (a)	Cambridge	323	314	249	288	7	+39	+75	
	~~East Cambridgeshire~~	235	250	212	224	7	+12	+7	
	Fenland	223	256	230	230	7	0	−2	
	Huntingdonshire	250	256	208	230	7	+22	+23	
	Peterborough	274	291	256	265	7	+9	+13	
(a)	South Cambridgeshire	297	271	192	248	5	+56	+75	
	CHESHIRE								
(m)	Chester	303	308	258	282	7	+24	+34	
	Congleton	290	295	256	269	7	+13	+21	
	Crewe and Nantwich	308	323	276	293	3	+17	+18	
(m)	Ellesmere Port and Neston	292	311	267	281	3	+14	+42	
	Halton	259	297	267	267	3	0	0	
(a)	Macclesfield	357	334	252	308	7	+56	+75	
	Vale Royal	267	296	253	260	7	+7	+14	
	Warrington	266	300	270	270	3	0	+4	

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 1A	COL 2 Long run charge	COL 3 Up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL. 5 SN contribution(+)/ entitlement(-) E(LF)	COL. 6 Twins	COL. 7 % move long-run charge
CLEVELAND								
Hartlepool	247	301	301	263	10	-38	-63	
Langbaurgh-on-Tees	308	371	337	333	10	-4	-71	
Middlesbrough	275	338	330	300	10	-30	-27	
Stockton-on-Tees	298	340	302	302	10	0	-8	
CORNWALL								
Caradon	220	245	218	219	7	+1	0	
Carrick	229	255	228	229	7	+1	0	
Kerrier	194	241	219	215	7	-4	-17	
North Cornwall	220	244	215	218	7	+3	0	
Penwith	205	243	219	217	7	-2	-5	
Restormel	205	243	217	217	7	0	-4	
CUMBRIA								
Allerdale	197	227	282	197	8	-85	-74	
Barrow in Furness	198	228	321	198	8	-123	-94	
Carlisle	227	268	282	238	8	-42	-63	
Copeland	191	221	293	191	8	-102	-94	
Eden	208	234	256	208	7	-48	-67	
South Lakeland	249	304	280	274	8	-6	-28	
DERBYSHIRE								
Amber Valley	249	304	316	274	8	-42	-20	
Bolsover	225	256	342	226	8	-116	-68	
Chesterfield	257	312	342	282	8	-60	-26	
Derby	311	341	311	311	8	0	+18	
Erewash	265	320	325	290	8	-35	-11	
High Peak	254	309	328	279	8	-49	-36	
North East Derbyshire	277	332	347	302	8	-45	-23	
South Derbyshire	281	336	309	306	8	-3	0	
Derbyshire Dales	297	345	315	315	8	0	+2	
DEVON								
East Devon	241	259	224	233	7	+9	+17	
Exeter	216	264	238	238	7	0	+10	
North Devon	185	231	220	205	7	-15	-29	
Plymouth	217	249	223	223	7	0	+4	
South Hams	257	270	229	244	7	+15	+21	
Teignbridge	225	255	229	229	7	0	0	
Mid Devon	193	244	220	218	7	-2	-21	
Torbay	258	309	293	283	7	-10	+28	
Torridge	169	195	216	169	7	-47	-47	
West Devon	205	238	212	212	7	0	-8	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL. 1A	COL 2 Long run charge	COL 3 Up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL. 5 SN contribution (+)/ entitlement (-) E(LF)	COL. 6 Timing	COL. 7 % move to long-run charge
	DORSET								
	Bournemouth	254	279	251	253	7	+2	+48	
(A)	Christchurch	305	301	248	278	6	+30	+75	
	North Dorset	216	228	193	205	6	+12	+18	
(A)	Poole	292	288	235	265	6	+30	+75	
	Purbeck	227	236	197	213	6	+16	+32	
	West Dorset	222	237	203	214	6	+11	+19	
?	Weymouth and Portland	203	251	233	228	6	-5	+4	
(A)	East Dorset	317	302	235	279	6	+44	+75	
	DURHAM								
	Chester-le-Street	237	291	281	261	8	-20	-39	
	Darlington	248	303	285	273	8	-12	-44	
	Derwentside	209	239	301	209	8	-92	-85	
	Durham	227	282	280	252	8	-28	-54	
	Easington	200	230	288	200	8	-64	-70	
	Sedgefield	225	255	325	225	8	-100	-88	
	Teesdale	183	209	224	183	7	-41	-73	
	Wear Valley	205	235	313	205	8	-108	-107	
	EAST SUSSEX								
	Brighton	335	378	348	348	8	0	+54	
(A)	Eastbourne	343	295	269	308	7	+39	+75	
	Hastings	269	264	238	255	7	+17	+35	
	Hove	290	249	223	259	7	+36	+65	
	Lewes	309	254	228	271	6	+43	+73	
(A)	Rother	325	247	221	276	6	+55	+75	
	Wealden	289	250	224	259	6	+35	+49	
	ESSEX								
(M) (A)	Basildon	434	426	353	396	8	+63	+75	
	Braintree	302	294	229	268	7	+39	+42	
	Brentwood	408	427	386	397	8	+11	+33	
(A)	Castle Point	339	316	234	290	7	+56	+76	
(A)	Chelmsford	371	330	229	304	7	+75	+75	
	Colchester	291	289	230	263	7	+23	+37	
(A)	Epping Forest	414	372	267	346	7	+75	+75	
	[illegible]	425	448	417	422	7	+5	+3	
(A)	Maldon	327	305	224	279	7	+55	+75	
(A)	Rochford	363	333	242	307	7	+65	+75	
(A)	Southend-on-Sea	357	335	254	309	7	+55	+75	
	Tendring	310	306	246	280	7	+34	+57	
(M)	Thurrock	365	371	313	341	8	+28	+32	
(A)	Uttlesford	363	325	226	299	7	+73	+75	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 1A	COL 2 Long run charge	COL 3 Up to £25 loss 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN ~~contribution~~(+)/ entitlement(-) E(LF)	COL 6 Twins	COL % to long-charge
	GLOUCESTERSHIRE								
(m)	Cheltenham	280	294	255	268	7	+13	+52	
	Cotswold	282	280	223	254	7	+33	+69	
	Forest of Dean	201	252	228	225	7	-2	-31	
	Gloucester	231	258	232	232	7	0	0	
	Stroud	251	272	241	246	7	+5	+8	
	Tewkesbury	270	270	215	244	6	+29	+62	
	HAMPSHIRE								
	Basingstoke and Deane	249	231	162	208	6	+66	+52	
	East Hampshire	287	257	173	234	6	+61	+68	
	Eastleigh	282	261	187	238	6	+51	+54	
	Fareham	287	261	182	238	6	+56	+66	
	Gosport	245	245	189	219	7	+30	+41	
(a)	Hart	314	279	191	256	6	+65	+75	
	Havant	280	256	175	231	7	+56	+68	
	New Forest	264	252	190	229	6	+39	+43	
	Portsmouth	205	245	219	219	7	0	0	
	Rushmoor	231	231	174	205	7	+31	+23	
	Southampton	221	232	190	206	7	+16	+11	
	Test Valley	262	239	164	216	6	+52	+65	
	Winchester	293	262	176	239	6	+63	+62	
	HEREFORD AND WORCESTER								
(a)	Bromsgrove	264	245	175	222	6	+67	+75	
(m)	Hereford	185	202	173	179	6	+6	+9	
	Leominster	176	186	147	163	6	+16	0	
	Malvern Hills	258	247	185	224	6	+39	+57	
	Redditch	270	270	214	244	7	+30	+52	
	South Herefordshire	189	193	148	170	6	+22	+9	
	Worcester	259	265	216	239	7	+23	+61	
(a)	Wychavon	280	261	191	238	6	+47	+75	
	Wyre Forest	242	255	215	229	7	+14	+34	
	HERTFORDSHIRE								
	Broxbourne	326	323	264	257	7	+33	+59	
(a)	Dacorum	375	344	253	318	-	+65	+75	
	East Hertfordshire	336	333	274	307	7	+33	+68	
(a)	Hertsmere	405	381	298	355	7	+57	+75	
(a)	North Hertfordshire	374	349	265	323	7	+58	+75	
(a)	St Albans	389	354	259	328	7	+69	+75	
(m)	Stevenage	386	391	332	361	8	+29	+59	
(a)	Three Rivers	406	381	277	345	7	+68	+75	
	Watford	340	342	283	313	8	+30	+64	
(a)	Welwyn Hatfield	417	410	337	380	8	+43	+75	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 6%	COL. 1A	COL 2 Long run charge	COL 3 Up to £25 loss 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SS contribution (+)/ entitlement (-) E(LF)	COL 6 Tories	COL 7 % move to long-run charge
HUMBERSIDE								
Beverley	317	340	302	310	8	+8	+17	
Boothferry	220	260	309	226	9	-83	-70	
Cleethorpes	264	323	332	289	9	-43	-38	
Glanford	259	314	286	284	8	-2	-35	
Great Grimsby	251	310	322	276	9	-46	-42	
Holderness	262	317	298	287	8	-1	-28	
Kingston upon Hull	233	267	330	233	9	-97	-66	
East Yorkshire	242	289	318	255	9	+63	-59	
Scunthorpe	284	343	372	309	9	+63	-54	
ISLE OF WIGHT								
Medina	245	276	250	250	7	0	+4	
South Wight	269	293	265	267	7	+2	0	
KENT								
Ashford	239	246	198	220	7	+22	+24	
Canterbury	224	238	199	212	7	+13	+15	
Dartford	218	261	235	235	7	0	0	
Dover	198	219	188	193	7	+5	0	
Gillingham	211	225	187	199	7	+12	+9	
Gravesham	232	240	193	214	7	+21	+23	
Maidstone	231	233	180	207	7	+27	+20	
Rochester upon Medway	205	212	163	186	7	+23	+22	
Sevenoaks	257	253	192	227	7	+35	+39	
Shepway	278	281	229	255	7	+26	+41	
Swale	198	229	203	203	7	0	-5	
Thanet	234	248	209	222	7	+13	+24	
Tonbridge and Malling	229	253	224	227	7	+3	+11	
Tunbridge Wells	245	245	190	219	7	+29	+22	
LANCASHIRE								
Blackburn	183	213	235	183	8	-52	-72	
Blackpool	239	294	290	264	8	-26	-11	
Burnley	176	206	260	176	8	-84	-108	
Chorley	228	269	239	239	8	0	-16	
Fylde	272	292	250	262	8	+12	+17	
Hyndburn	176	206	257	176	8	-81	-85	
Lancaster	211	266	254	236	8	-18	-33	
Pendle	169	199	270	169	8	-101	-92	
Preston	233	257	221	227	8	+6	-33	
Ribble Valley	215	270	246	243	8	-6	-31	
Rossendale	199	229	277	199	8	-78	-76	
South Ribble	228	279	249	249	8	0	-14	
(m) West Lancashire	275	288	239	258	8	+21	+22	
Wyre	239	279	249	249	8	0	0	

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23 1bn. of which £200m for specific grants. Gross Total Standard Spending £32 8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 6%	COL. 1A [illegible] +7%	COL 2 Long run charge	COL 3 Up to £25 loss. +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution(+)/ entitlement (-) E(LF)	COL 6 Tumao	COL % m to lon run cha
LEICESTERSHIRE								
Blaby	256	273	226	247	7	+21	+32	
Charnwood	265	267	213	241	7	+28	+38	
Harborough	307	304	244	278	7	+34	+41	
Hinckley and Bosworth	257	271	233	245	7	+12	+25	
Leicester	232	289	289	257	9	-32	-29	
Melton	258	272	231	246	7	+15	+21	
North West Leicestershire	258	284	249	254	8	+5	+2	
Oadby and Wigston	281	289	244	263	7	+19	+40	
Rutland	243	255	212	229	7	+17	+12	
LINCOLNSHIRE								
Boston	208	251	225	225	7	0	0	
East Lindsey	204	233	207	207	7	0	-1	
Lincoln	199	248	225	222	7	-3	-9	
North Kesteven	205	230	203	204	7	+1	-5	
South Holland	204	260	224	224	7	0	-4	
South Kesteven	222	243	211	217	7	+6	+7	
West Lindsey	200	229	203	203	7	0	-13	
NORFOLK								
Breckland	223	245	214	219	7	+5	+13	
Broadland	253	260	218	237	6	+19	+33	
Great Yarmouth	222	269	243	243	7	0	+4	
North Norfolk	228	248	215	222	7	+7	+14	
Norwich	256	287	261	261	7	0	+9	
South Norfolk	251	269	233	243	7	+10	+34	
King's Lynn and West Norfolk	203	246	220	220	7	0	0	
NORTHAMPTONSHIRE								
(m) Corby	274	292	248	262	8	+14	+10	
Daventry	303	307	248	277	8	+29	+39	
East Northamptonshire	233	250	215	224	7	+9	+8	
Kettering	246	275	244	245	8	+1	0	
Northampton	296	320	282	290	8	+8	+36	
South Northamptonshire	293	280	209	254	7	+45	+55	
Wellingborough	242	267	231	237	8	+6	+5	
NORTHUMBERLAND								
Alnwick	242	297	296	267	8	-29	-45	
Berwick-upon-Tweed	231	268	295	238	8	-57	-36	
Blyth Valley	271	326	345	296	8	-49	-45	
Castle Morpeth	303	326	288	296	8	+8	0	
Tynedale	257	312	288	282	8	-6	-39	
Wansbeck	238	270	348	240	8	-108	-81	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL.1A	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL % ... to long-run charge
NORTH YORKSHIRE								
Craven	197	237	239	211	7	-28	-30	
Hambleton	226	262	236	236	7	0	0	
Harrogate	260	299	273	273	7	C	-1	
Richmondshire	187	238	231	212	7	-19	-38	
Ryedale	211	262	248	236	7	-12	-21	
Scarborough	204	247	259	221	7	-48	-27	
Selby	205	256	263	230	7	-33	-44	
York	187	219	248	193	7	-55	-34	
NOTTINGHAMSHIRE								
Ashfield	206	241	257	215	7	-42	-54	
Bassetlaw	228	283	260	253	8	-7	-65	
Broxtowe	258	286	260	260	7	0	-6	
Gedling	274	291	254	265	7	+9	0	
Mansfield	225	278	279	248	8	-29	-51	
Newark and Sherwood	269	276	250	250	7	0	-29	
Nottingham	234	280	250	250	8	C	-19	
Rushcliffe	289	296	249	270	7	+21	+18	
OXFORDSHIRE								
Cherwell	269	275	232	252	6	+20	+28	
(m) Oxford	294	282	220	259	6	+39	+12	
South Oxfordshire	321	301	230	278	6	+48	+61	
Vale of White Horse	302	287	220	264	6	+44	+52	
West Oxfordshire	272	271	220	248	6	+28	+17	
SHROPSHIRE								
Bridgnorth	228	235	187	209	7	+22	+20	
North Shropshire	200	227	201	201	7	C	-4	
Oswestry	202	248	222	222	7	0	-12	
Shrewsbury and Atcham	251	264	223	238	7	+15	+19	
South Shropshire	208	225	188	199	[illegible]	+11	-3	
Wrekin	267	292	256	262	8	+6	+9	
SOMERSET								
Mendip	250	276	249	250	7	+1	+6	
Sedgemoor	259	284	258	258	7	0	+5	
Taunton Deane	255	290	254	254	7	0	+1	
West Somerset	271	294	254	268	7	+4	+18	
South Somerset	259	290	254	254	7	0	+5	

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 1A	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Tunnicc	COL [illegible] % mo[illegible] to lon[illegible] run [illegible]
	STAFFORDSHIRE								
	Cannock Chase	244	281	255	255	7	0	+3	
	East Staffordshire	230	255	229	229	7	0	+4	
	Lichfield	294	290	230	264	7	+34	+59	
	Newcastle-under-Lyme	238	280	254	254	7	C	0	
	South Staffordshire	291	286	224	260	7	+36	+63	
	Stafford	252	266	226	240	7	+14	+23	
	Staffordshire Moorlands	233	268	242	242	7	0	0	
	Stoke-on-Trent	210	261	255	235	7	-20	-17	
	Tamworth	264	281	244	255	7	-11	+31	
	SUFFOLK								
	Babergh	253	277	249	251	7	+2	+28	
	Forest Heath	226	252	229	229	6	0	+2	
(m)	Ipswich	283	313	287	287	7	0	+24	
	Mid Suffolk	241	261	228	235	7	+7	+8	
	St Edmundsbury	230	245 ~~[illegible]~~	214	222	6	+8	+19	
	Suffolk Coastal	287	290	238	264	7	+26	+45	
	Waveney	231	270	244	244	7	0	+10	
	SURREY								
(a)	Elmbridge	445	405	304	379	7	+75	+75	
(a)	Epsom and Ewell	398	389	323	363	7	+60	+75	
	Guildford	334	305	224	282	6	+53	+73	
(a)	Mole Valley	336	327	262	301	7	+39	+75	
(a)	Reigate and Banstead	358	342	276	319	6	+42	+75	
(a)	Runnymede	294	295	247	272	6	+25	+75	
	Spelthorne	293	289	234	266	6	+32	+58	
(a)	Surrey Heath	352	323	241	300	6	+59	+75	
	Tandridge	302	318	280	292	7	+12	+72	
(a)	Waverley	362	328	240	305	6	+65	+75	
(a)	Woking	368	357	288	331	7	+43	+75	
	WARWICKSHIRE								
	North Warwickshire	307	333	306	307	7	+1	0	
	Nuneaton and Bedworth	308	347	317	317	8	0	+14	
	Rugby	313	324	281	298	7	+17	+44	
(a)	Stratford on Avon	369	348	268	322	7	+54	+75	
(a)	Warwick	361	351	283	325	7	+42	+75	

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL. 1A	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	COL 5 SN contribution (+)/ entitlement (-) E(LF)	COL 6 Times	COL % mo to long-r charg
WEST SUSSEX								
Adur	281	284	238	261	6	+23	+42	
Arun	270	264	209	241	6	+32	+61	
Chichester	262	252	192	229	6	+37	+94	
Crawley	269	296	270	270	7	0	-21	
Horsham	261	246	179	223	6	+44	+57	
Mid Sussex	287	274	209	251	6	+62	+69	
Worthing	248	257	217	234	6	+17	+56	
WILTSHIRE								
Kennet	241	261	227	235	7	+8	0	
North Wiltshire	226	277	256	251	7	-5	-25	
Salisbury	262	270	224	244	7	+20	+17	
Thamesdown	253	304	302	278	7	-24	-34	
West Wiltshire	232	283	260	257	7	-3	-2	
ALL PURPOSE AUTHORITY								
Isles of Scilly	214	280	505	239	11	-266	+55	

DATE: 5-JUL-89

ANNEX B

AREAS BENEFITTING FROM SPECIFIC GRANT

Burnley) Lancs
Pendle)
Wear Valley - Dur.
Hyndburn - Lancs)
Barrow in Furness)
Calderdale
Teesdale
Easington
Kirklees
Barnsley
Copeland
Blackburn
Rossendale
Derwentside
Kingston upon Hull
Bradford
Torridge
Sedgefield
Allerdale
Eden
Bolsover
Wansbeck
Wakefield
York
Boothferry
Rotherham
Berwick-upon-Tweed
Gateshead
Sunderland
Ashfield
Sheffield
Carlisle
Doncaster
East Yorkshire
Craven
Rochdale
South Tyneside
Hartlepool
Scarborough
North Devon
Oldham
Tameside
Penwith
Leeds
Kerrier
Lincoln
Mansfield
High Peak
Chester-le-Street
Bassetlaw

COL. 7

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
AVON	Bath	255	280	298	58
	Bristol	298	323	345	53
	Kingswood	264	264	264	100
	Northavon	299	288	275	47
	Wansdyke	278	288	288	100
	Woodspring	305	296	285	47
BEDS	North Beds	310	276	238	47
	Luton	361	301	233	47
	Mid Beds	316	282	244	47
	South Beds	364	322	273	47
BERKS	Bracknell	305	274	239	47
	Newbury	299	242	178	47
	Reading	274	251	224	47
	Slough	265	211	150	47
	Windsor and Maiden	348	298	240	47
	Wokingham	340	276	201	47
BUCKS	Aylesbury Vale	288	240	186	47
	S. Bucks	458	344	213	47
	Chiltern	463	354	231	47
	Milton Keynes	331	278	217	47
	Wycombe	386	310	223	47
CAMBS	Cambridge	323	288	248	47
	E. Cambs	235	224	211	47
	Fenland	223	230	230	100
	Huntingdonshire	250	230	208	47
	Peterborough	274	265	256	47
	S. Cambs	297	248	192	47
CHESHIRE	Chester	302	282	258	47
	Congleton	280	269	256	47
	Crewe and Nantwich	308	293	276	47
	Ellesmere Port and	292	281	267	47
	Halton	259	267	267	100
	Macclesfield	357	308	252	47
	Vale Royal	267	260	252	47
	Warrington	266	270	270	100
CLEVELAND	Hartlepool	247	263	301	30
	Langbaurgh-on-Tees	308	333	337	86
	Middlesbrough	277	300	330	44
	Stockton-on-Tees	298	302	302	100
CORNWALL	Caradon	220	219	218	47
	Carrick	229	229	228	47
	Kerrier	193	215	219	84
	N. Cornwall	220	218	215	47
	Penwith	205	217	219	86
	Restormel	205	217	217	100
CUMBRIA	Allerdale	197	197	282	0
	Barrow in Furness	198	198	321	0
	Carlisle	227	238	282	20
	Copeland	191	191	293	0
	Eden	208	208	256	0
	S. Lakeland	249	274	280	81
DERBS	Amber Valley	249	274	316	37
	Bolsover	225	225	342	0
	Chesterfield	258	282	342	29
	Derby	311	311	311	100
	Erewash	265	290	325	42
	High Peak	254	279	328	34
	N.E. Derbs	276	302	347	36
	S. Derbs	281	306	308	93
	Derbyshire Dales	297	315	315	100
DEVON	E. Devon	242	233	223	47
	Exeter	216	238	238	100
	N. Devon	185	205	220	57
	Plymouth	217	223	223	100
	S. Hams	257	244	228	47
	Teignbridge	225	229	229	100
	Mid Devon	194	218	219	96

COL. 7

July 10, 1

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
	Torbay	258	283	293	71
	Torridge	169	169	216	0
	W. Devon	205	212	212	100
DORSET	Bournemouth	254	253	251	47
	Christchurch	305	278	247	47
	N. Dorset	216	205	193	47
	Poole	292	265	235	47
	Purbeck	227	213	197	47
	W. Dorset	222	214	203	47
	Weymouth and Portl	203	228	233	83
	E. Dorset	317	279	234	47
DURHAM	Chester-le-Street	237	261	280	56
	Darlington	248	273	285	68
	Derwentside	209	209	301	0
	Durham	226	252	280	48
	Easington	200	200	288	0
	Sedgefield	225	225	324	0
	Teesdale	183	183	223	0
	Wear Valley	205	205	313	0
E.SUSSEX	Brighton	335	348	348	100
	Eastbourne	343	308	269	47
	Hastings	269	255	238	47
	Hove	290	259	223	47
	Lewes	309	271	227	47
	Rother	325	276	221	47
	Wealden	289	259	224	47
ESSEX	Basildon	434	396	353	47
	Braintree	302	268	228	47
	Brentwood	408	397	385	47
	Castle Point	339	290	233	47
	Chelmsford	371	304	229	47
	Colchester	291	263	230	47
	Epping Forest	415	346	267	47
	Harlow	425	422	417	47
	Maldon	327	279	224	47
	Rochford	366	307	242	47
	Southend-on-Sea	357	309	254	47
	Tendring	310	280	245	47
	Thurrock	365	341	313	47
	Uttlesford	363	299	226	47
GLOUCS	Cheltenham	280	268	255	47
	Cotswold	279	254	223	47
	Forest of Dean	203	226	228	92
	Gloucester	228	232	232	100
	Stroud	251	246	240	47
	Tewkesbury	271	244	215	47
HANTS	Basingstoke and De	245	208	162	47
	E. Hants	287	234	173	47
	Eastleigh	282	238	187	47
	Fareham	287	238	182	47
	Gosport	245	219	188	47
	Hart	314	256	190	47
	Havant	280	231	175	47
	New Forest	264	229	189	47
	Portsmouth	205	219	219	100
	Rushmoor	231	205	174	47
	Southampton	221	206	189	47
	Test Valley	262	216	164	47
	Winchester	294	239	176	47
HEREFORD	Bromsgrove	264	222	174	47
	Hereford	185	179	173	47
	Leominster	179	163	147	47
	Malvern Hills	258	224	185	47
	Redditch	270	244	214	47
	S. Herefordshire	189	170	148	47
	Worcester	259	239	216	47
	Wychavon	281	238	191	47
	Wyre Forest	242	229	215	47
HERTS	Broxbourne	326	297	264	47

COL. 7

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
	Dacorum	375	318	252	47
	E. Herts	336	307	274	47
	Hertsmere	405	355	297	47
	N. Herts	374	323	264	47
	St. Albans	389	328	259	47
	Stevenage	386	361	331	47
	Three Rivers	406	345	276	47
	Watford	340	313	283	47
	Welwyn Hatfield	417	380	337	47
HUMBER	Beverley	317	310	302	47
	Boothferry	220	226	309	7
	Cleethorpes	264	289	332	37
	Glanford	259	284	286	93
	Great Grimsby	251	276	322	35
	Holderness	262	287	288	96
	Kingston Upon Hull	233	233	330	0
	E. Yorks	242	255	318	17
	Scunthorpe	284	309	371	29
IOW	Medina	245	250	250	100
	S. Wight	269	267	265	47
KENT	Ashford	241	220	198	47
	Canterbury	224	212	199	47
	Dartford	218	235	235	100
	Dover	198	193	187	47
	Gillingham	211	199	186	47
	Gravesham	232	214	193	47
	Maidstone	231	207	179	47
	Rochester upon Med	205	186	163	47
	Sevenoaks	257	227	192	47
	Shepway	278	255	229	47
	Swale	198	203	203	100
	Thanet	234	222	209	47
	Tonbridge and Mall	228	227	223	14
	Tunbridge Wells	245	219	190	47
LANCS	Blackburn	183	183	234	0
	Blackpool	239	264	290	49
	Burnley	176	176	259	0
	Chorley	228	239	239	100
	Fylde	272	262	250	47
	Hyndburn	176	176	256	0
	Lancaster	211	236	253	60
	Pendle	169	169	270	0
	Preston	233	227	220	47
	Ribble Valley	215	240	245	83
	Rossendale	199	199	277	1
	S. Ribble	228	249	249	100
	W. Lancs	275	258	239	47
	Wyre	239	249	249	100
LEICS	Blaby	266	247	226	47
	Charnwood	265	241	213	47
	Harborough	307	278	244	47
	Hinckley and Boswo	257	245	232	47
	Leicester	232	257	289	44
	Melton	258	246	231	47
	N.W. Leics	259	254	249	47
	Oadby and Wigston	281	263	243	47
	Rutland	243	229	212	47
LINCS	Boston	208	225	225	100
	E. Lindsey	204	207	207	100
	Lincoln	199	222	224	92
	N. Kesteven	205	204	203	47
	S. Holland	204	224	224	100
	S. Kesteven	222	217	211	47
	W. Lindsey	200	203	203	100
NORFOLK	Breckland	223	219	214	47
	Broadland	253	237	218	47
	Great Yarmouth	222	243	243	100
	N. Norfolk	228	222	215	47
	Norwich	256	261	261	100
	S. Norfolk	251	243	232	47

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
	King's Lynn and W.	203	220	220	100
NORTHANTS	Corby	274	262	248	47
	Daventry	303	277	247	47
	East Northants	233	224	215	47
	Kettering	246	245	244	47
	Northampton	296	290	282	47
	S. Northants	293	254	209	47
	Wellingborough	244	237	230	47
NORTHUMB	Alnwick	242	267	296	47
	Berwick-upon-Tweed	231	238	295	11
	Blyth Valley	271	296	345	34
	Castle Morpeth	304	296	288	47
	Tynedale	257	282	287	83
	Wansbeck	238	240	348	2
N.YORKS	Craven	197	211	238	34
	Hambleton	226	236	236	100
	Harrogate	260	273	273	100
	Richmondshire	187	212	231	57
	Ryedale	211	236	248	67
	Scarborough	204	221	269	26
	Selby	205	230	262	44
	York	187	193	248	10
NOTTS	Ashfield	206	215	257	18
	Bassetlaw	228	253	259	81
	Broxtowe	258	260	260	100
	Gedling	274	265	254	47
	Mansfield	225	248	279	42
	Newark and Sherwoo	248	250	250	100
	Nottingham	234	250	250	100
	Rushcliffe	289	270	249	47
OXON	Cherwell	269	252	231	47
	Oxford	294	259	220	47
	S. Oxfordshire	321	278	230	47
	Vale of White Hors	302	264	220	47
	W. Oxon	272	248	220	47
SHROPS	Bridgnorth	228	209	187	47
	N. Shropshire	200	201	201	100
	Oswestry	202	222	222	100
	Shrewsbury and Atc	251	238	222	47
	S. Shropshire	208	199	187	47
	Wrekin	267	262	256	47
SOMERSET	Mendip	250	250	249	47
	Sedgemoor	259	268	268	100
	Taunton Deane	255	264	264	100
	W. Somerset	271	268	263	47
	S. Somerset	259	264	264	100
STAFFS	Cannock Chase	244	255	255	100
	East Staffs	230	229	229	100
	Lichfield	294	264	230	47
	Newcastle-under-Ly	238	254	254	100
	S. Staffs	291	260	224	47
	Stafford	252	240	226	47
	Staffs Moorlands	233	242	242	100
	Stoke-on-Trent	210	245	254	79
	Tamworth	264	255	244	47
SUFFOLK	Babergh	253	251	249	47
	Forest Heath	226	229	229	100
	Ipswich	283	287	287	100
	Mid Suffolk	241	235	228	47
	St. Edmundsbury	230	222	214	47
	Suffolk Coastal	287	264	238	47
	Waveney	231	244	244	100
SURREY	Elmbridge	445	379	304	47
	Epsom and Ewell	398	363	323	47
	Guildford	333	282	224	47
	Mole Valley	336	301	261	47
	Reigate and Banste	358	319	275	47

COL. 7

July 10, 1

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
	Runnymede	294	272	247	47
	Spelthorne	293	266	234	47
	Surrey Heath	352	300	240	47
	Tandridge	302	292	280	47
	Waverley	362	305	240	47
	Woking	368	331	288	47
WARWICKS	N. Warwickshire	307	307	307	100
	Nuneaton and Bedwo	308	317	317	100
	Rugby	313	298	281	47
	Stratford on Avon	369	322	268	47
	Warwick	361	325	283	47
W.SUSSEX	Adur	281	261	238	47
	Arun	270	241	209	47
	Chichester	262	229	191	47
	Crawley	269	269	269	100
	Horsham	261	223	179	47
	Mid Sussex	287	251	209	47
	Worthing	248	234	217	47
WILTS	Kennet	241	235	227	47
	N. Wilts	226	251	256	83
	Salisbury	262	244	224	47
	Thamesdown	253	278	302	51
	W. Wilts	232	257	260	89
METS	Bolton	242	239	243	0
	Bury	308	308	308	100
	Manchester	322	306	288	47
	Oldham	237	255	259	82
	Rochdale	262	277	342	18
	Salford	286	285	283	47
	Stockport	313	292	269	47
	Tameside	253	274	303	47
	Trafford	287	263	235	47
	Wigan	269	294	343	34
	Knowsley	300	275	247	47
	Liverpool	302	290	276	47
	St. Helens	262	287	313	49
	Sefton	288	279	270	47
	Wirral	381	366	350	47
	Barnsley	221	221	367	0
	Doncaster	258	270	372	11
	Rotherham	249	255	349	6
	Sheffield	278	287	384	9
	Gateshead	248	255	324	9
	Newcastle upon Tyn	279	304	335	45
	N. Tyneside	313	338	345	78
	S. Tyneside	236	251	300	23
	Sunderland	217	225	275	14
	Birmingham	281	240	193	47
	Coventry	311	297	281	47
	Dudley	302	277	249	47
	Sandwell	279	247	211	47
	Solihull	318	267	208	47
	Walsall	305	282	255	47
	Wolverhampton	306	255	196	47
	Bradford	218	218	276	0
	Calderdale	236	236	379	0
	Kirklees	217	217	326	0
	Leeds	223	244	253	70
	Wakefield	237	242	344	5
INNER LONDON	City of London	541	421	325	56
	Camden	446	425	441	392
	Greenwich	285	246	579	-13
	Hackney	351	263	239	79
	Hammersmith and Fu	373	348	563	-13
	Islington	445	416	425	144
	Kensington and Che	393	282	204	59
	Lambeth	316	277	334	-218

COL. 7

July 10, 1

	AUTHORITY	RATE BILL PER ADULT +4%	SAFETY NETTED CC	LONG RUN CC	% MOVE TO LONG RUN CC
	Lewisham	275	241	423	-23
	Southwark	281	247	439	-22
	Tower Hamlets	282	240	397	-36
	Wandsworth	202	175	350	-18
	Westminster	587	449	340	56
OUTER LONDON	Barking and Dagenh	244	269	365	20
	Barnet	361	307	246	47
	Bexley	247	272	294	53
	Brent	491	477	461	47
	Bromley	255	260	260	100
	Croydon	267	219	164	47
	Ealing	321	317	312	47
	Enfield	316	296	274	47
	Haringey	532	557	566	73
	Harrow	327	298	264	47
	Havering	257	282	297	62
	Hillingdon	328	353	402	34
	Hounslow	373	362	350	47
	Kingston-upon-Tham	324	328	328	100
	Merton	285	304	304	100
	Newham	356	339	319	47
	Redbridge	231	242	242	100
	Richmond-upon-Tham	356	332	305	47
	Sutton	309	308	306	47
	Waltham Forest	325	302	275	47
	Isles of Scilly	214	239	505	8

lg1.va/potter/minutes/lacs.pacc

CONFIDENTIAL

CHIEF SECRETARY

FROM: B H POTTER (LG1)
X4790
Date: 10 July 1989

[see also APH note below]

cc: Chancellor
Mr Phillips
Mr Anson
Mr Edwards (LG)
Mr Hudson (LG1)

LOCAL AUTHORITY CURRENT SETTLEMENT: POSSIBLE ACTUAL COMMUNITY CHARGES

Further to our discussion today I wish to confirm your earlier understanding as follows.

2. First you asked me to look at the suggestion that actual community charges in 1990-91 would be about £100 more than had previously been acknowledged. Two points are worth making:

i) no figure for 1990-91 has ever been published: the increase of £100 might compare a projected £350 for 1990-91 with the £240, quoted in March this year as the average rate bill per adult for 1989-90 for spending at need; if so, it compares an actual projected CC for 1990-91 with a CC for spending at need for 1989-90;

ii) but the only basis for a figure as high as £350 for projected actual CC next year would be the local authority associations' own highly inflated assumption about spending next year of £35½ billion; were someone with the knowledge of this year's settlement to combine the proposed AEF of £23.1 billion with this spending figure, then actual community charges would average around £350.

3. I can only assume this is what has been done. But it does not make sense. It assumes that local authorities' spending behaviour is not influenced by the quantum of central government support: in the past, reasonably firm grant settlements have been met by restraint in local authority spending. Also this kind of spending figure would imply a massive real increase in local authority spending next year - well outside the range of anything experienced over the last ten years.

4. Second you asked about likely actual CCs in 1990-91 against this speculative figure of £350. As you know the average rate bill per adult in 1989-90 was about £275. Uprating that by the Budget projection for the GDP deflator next year gives an average rate bill of £285. The proposed settlement for 1990-91 gives an average community charge of £272 in England for standard spending ie spending at need.

5. But we have also looked at what would happen if local authorities spent at existing 1989-90 budgets + 7%: that would imply an increase in real terms of 3% on the present forecast GDP deflator. As Mr Ridley has acknowledged such an increase would be at the upper end of the recent range of real rises; indeed in most recent years the increase in spending in real terms has been 2 or 3%.

6. On average community charges would be just below £300 in 1990-91, if LAs raised budgets by 7%. The distribution of those charges at budgets + 7% depends upon the safety net.

7. As you know several changes have now been made to the safety net proposals. As a result of these only a handful of authorities will have their contributions subject to the limit of £75 per adult. The majority of contributors to the safety net will pay much less - around £35 per adult, with the amounts falling in succeeding years. Unlike the previous formulation, all these gaining LAs would receive nearly half of the gains from the introduction of the community charge in the first year.

8. The bull points on the settlement and community charges are as follows:

- a large percentage of the gains will come through to gaining areas in the first year;

- in inner London, where community charges threaten to be highest, the proposed specific grant for education will convey a benefit of £63 per adult across all authorities;

- there will be special protection for authorities with low rateable values: they will suffer no losses in the first year; most of these authorities are in the north west of England; and

- the maximum that any losing authority has to pay works out at only 50p per week per adult; and

- if local authorities increase their spending by 7% over budgets, well in line with the practice over recent years, then average community charges would be just around £300.

pp **BARRY H POTTER**

PS. Some exemplifications will follow early tomorrow.

CONFIDENTIAL

CHIEF SECRETARY

FROM: G C WHITE (LG1)
X5731
Date: 11 July 1989

cc: Chancellor
Mr Anson
Mr Phillips
Mr Edwards (LG)
Mr Potter (LG1)
Mr Hudson (LG1)

LOCAL AUTHORITY CURRENT SETTLEMENT: POSSIBLE ACTUAL COMMUNITY CHARGES

As background to Mr Potter's minute of 10 July I attach a table which shows:

Column 1: 1989-90 average rate bill per adult uprated in line with the published GDP deflator of 4 per cent.

Column 2: Projected first-year community charges, assuming local authorities increase spending by 7 per cent, and incorporating agreed safety net.

Column 3: Safety net contribution (+)/entitlement (-).

2. The table provides a summary of projected first year community charges and contributions to/from the safety net.

G C WHITE

July 11, 198

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
INNER LONDON	City of London	541	429	75
	Camden	446	470	-16
	Greenwich	285	295	-333
	Hackney	351	319	24
	Hammersmith and F	373	401	-215
	Islington	445	469	-9
	Kensington and Ch	393	316	75
	Lambeth	316	330	-57
	Lewisham	275	286	-182
	Southwark	281	303	-192
	Tower Hamlets	282	300	-157
	Wandsworth	202	216	-175
	Westminster	587	498	75
OUTER LONDON	Barking and Dagen	244	303	-96
	Barnet	361	333	61
	Bexley	247	298	-22
	Brent	491	526	16
	Bromley	255	283	0
	Croydon	267	245	55
	Ealing	321	355	5
	Enfield	316	326	22
	Haringey	532	610	-9
	Harrow	327	328	34
	Havering	257	308	-15
	Hillingdon	328	379	-49
	Hounslow	373	400	12
	Kingston-upon-Tha	324	358	0
	Merton	285	334	0
	Newham	356	392	20
	Redbridge	231	268	0
	Richmond-upon-Tha	356	355	27
	Sutton	309	334	2
	Waltham Forest	325	340	27
METS	Bolton	242	277	-4
	Bury	308	338	0
	Manchester	322	347	18
	Oldham	237	293	-4
	Rochdale	262	315	-65
	Salford	286	319	2
	Stockport	313	332	23
	Tameside	253	308	-29
	Trafford	287	293	28
	Wigan	269	328	-49
	Knowsley	300	316	28
	Liverpool	302	331	14
	St. Helens	262	321	-26
	Sefton	288	309	9
	Wirral	381	404	16
	Barnsley	221	351	-146
	Doncaster	258	304	-102
	Rotherham	249	289	-94
	Sheffield	278	321	-97
	Gateshead	248	289	-69
	Newcastle upon Ty	279	342	-31
	N. Tyneside	313	372	-7
	S. Tyneside	236	285	-49
	Sunderland	217	259	-50
	Birmingham	281	278	47
	Coventry	311	335	16
	Dudley	302	307	28
	Sandwell	279	281	36
	Solihull	318	293	59
	Walsall	305	316	27
	Wolverhampton	306	293	59
	Bradford	218	256	-58
	Calderdale	236	274	-143
	Kirklees	217	251	-109
	Leeds	223	274	-9
	Wakefield	237	272	-102

[So at least all go up a bit, so doesn't look as if safety net subsidising lower average bills]

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
	Isles of Scilly	214	280	-266
AVON	Bath	255	306	-18
	Bristol	298	353	-22
	Kingswood	264	290	0
	Northavon	299	314	13
	Wansdyke	278	314	0
	Woodspring	305	322	11
BEDS	North Beds	310	306	38
	Luton	361	331	68
	Mid Beds	316	312	38
	South Beds	364	352	49
BERKS	Bracknell	305	300	35
	Newbury	299	268	64
	Reading	274	281	27
	Slough	265	237	61
	Windsor and Maide	348	324	58
	Wokingham	340	302	75
BUCKS	Aylesbury Vale	288	266	54
	S. Bucks	458	370	75
	Chiltern	463	380	75
	Milton Keynes	331	308	61
	Wycombe	386	336	75
CAMBS	Cambridge	323	314	40
	E. Cambs	235	250	13
	Fenland	223	256	0
	Huntingdonshire	250	256	22
	Peterborough	274	291	9
	S. Cambs	297	271	56
CHESHIRE	Chester	302	308	24
	Congleton	280	295	13
	Crewe and Nantwic	308	323	17
	Ellesmere Port an	292	311	14
	Halton	259	297	0
	Macclesfield	357	334	56
	Vale Royal	267	296	8
	Warrington	266	300	0
CLEVELAND	Hartlepool	247	301	-38
	Langbaurgh-on-Tee	308	371	-4
	Middlesbrough	277	338	-30
	Stockton-on-Tees	298	340	0
CORNWALL	Caradon	220	245	1
	Carrick	229	255	1
	Kerrier	193	241	-4
	N. Cornwall	220	244	3
	Penwith	205	243	-2
	Restormel	205	243	0
CUMBRIA	Allerdale	197	227	-85
	Barrow in Furness	198	228	-123
	Carlisle	227	268	-44
	Copeland	191	221	-102
	Eden	208	234	-48
	S. Lakeland	249	304	-6
DERBS	Amber Valley	249	304	-42
	Bolsover	225	256	-117
	Chesterfield	258	312	-60
	Derby	311	341	0
	Erewash	265	320	-35
	High Peak	254	309	-49
	N.E. Derbs	276	332	-45
	S. Derbs	281	336	-2
	Derbyshire Dales	297	345	0
DEVON	E. Devon	242	259	10
	Exeter	216	264	0
	N. Devon	185	231	-15
	Plymouth	217	249	0
	S. Hams	257	270	16

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
	Teignbridge	225	255	0
	Mid Devon	194	244	-1
	Torbay	258	309	-10
	Torridge	169	195	-47
	W. Devon	205	238	0
DORSET	Bournemouth	254	279	2
	Christchurch	305	301	31
	N. Dorset	216	228	12
	Poole	292	288	30
	Purbeck	227	236	16
	W. Dorset	222	237	11
	Weymouth and Port	203	251	-5
	E. Dorset	317	302	45
DURHAM	Chester-le-Street	237	291	-19
	Darlington	248	303	-12
	Derwentside	209	239	-92
	Durham	226	282	-28
	Easington	200	230	-88
	Sedgefield	225	255	-99
	Teesdale	183	209	-40
	Wear Valley	205	235	-108
E.SUSSEX	Brighton	335	378	0
	Eastbourne	343	295	39
	Hastings	269	264	17
	Hove	290	249	36
	Lewes	309	254	44
	Rother	325	247	55
	Wealden	289	250	35
ESSEX	Basildon	434	426	43
	Braintree	302	294	40
	Brentwood	408	427	12
	Castle Point	339	316	57
	Chelmsford	371	330	75
	Colchester	291	289	33
	Epping Forest	415	372	75
	Harlow	425	448	5
	Maldon	327	305	55
	Rochford	366	333	65
	Southend-on-Sea	357	335	55
	Tendring	310	306	35
	Thurrock	365	371	28
	Uttlesford	363	325	73
GLOUCS	Cheltenham	280	294	13
	Cotswold	279	280	31
	Forest of Dean	203	252	-2
	Gloucester	228	258	0
	Stroud	251	272	6
	Tewkesbury	271	270	29
HANTS	Basingstoke and D	245	231	46
	E. Hants	287	257	61
	Eastleigh	282	261	51
	Fareham	287	261	56
	Gosport	245	245	31
	Hart	314	279	66
	Havant	280	256	56
	New Forest	264	252	40
	Portsmouth	205	245	0
	Rushmoor	231	231	31
	Southampton	221	232	17
	Test Valley	262	239	52
	Winchester	294	262	63
HEREFORD	Bromsgrove	264	242	48
	Hereford	185	202	6
	Leominster	179	186	16
	Malvern Hills	258	247	39
	Redditch	270	270	30
	S. Herefordshire	189	193	22
	Worcester	259	265	23
	Wychavon	281	261	47
	Wyre Forest	242	255	14

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
HERTS	Broxbourne	326	323	33
	Dacorum	375	344	66
	E. Herts	336	333	33
	Hertsmere	405	381	58
	N. Herts	374	349	59
	St. Albans	389	354	69
	Stevenage	386	391	30
	Three Rivers	406	381	69
	Watford	340	343	30
	Welwyn Hatfield	417	410	43
HUMBER	Beverley	317	340	8
	Boothferry	220	260	-83
	Cleethorpes	264	323	-43
	Glanford	259	314	-2
	Great Grimsby	251	310	-46
	Holderness	262	317	-1
	Kingston Upon Hul	233	267	-97
	E. Yorks	242	289	-63
	Scunthorpe	284	343	-62
IOW	Medina	245	266	0
	S. Wight	269	293	2
KENT	Ashford	241	246	22
	Canterbury	224	238	13
	Dartford	218	261	0
	Dover	198	219	6
	Gillingham	211	225	13
	Gravesham	232	240	21
	Maidstone	231	233	28
	Rochester upon Me	205	212	23
	Sevenoaks	257	253	35
	Shepway	278	281	26
	Swale	198	229	0
	Thanet	234	248	13
	Tonbridge and Mal	228	253	4
	Tunbridge Wells	245	245	29
LANCS	Blackburn	183	213	-51
	Blackpool	239	294	-26
	Burnley	176	206	-83
	Chorley	228	269	0
	Fylde	272	292	12
	Hyndburn	176	206	-80
	Lancaster	211	266	-17
	Pendle	169	199	-101
	Preston	233	257	7
	Ribble Valley	215	270	-5
	Rossendale	199	229	-78
	S. Ribble	228	279	0
	W. Lancs	275	288	19
	Wyre	239	279	0
LEICS	Blaby	266	273	21
	Charnwood	265	267	28
	Harborough	307	304	34
	Hinckley and Bosw	257	271	13
	Leicester	232	289	-32
	Melton	258	272	15
	N.W. Leics	259	284	5
	Oadby and Wigston	281	289	20
	Rutland	243	255	17
LINCS	Boston	208	251	0
	E. Lindsey	204	233	0
	Lincoln	199	248	-2
	N. Kesteven	205	230	1
	S. Holland	204	260	0
	S. Kesteven	222	243	6
	W. Lindsey	200	229	0
NORFOLK	Breckland	223	245	5
	Broadland	253	260	19
	Great Yarmouth	222	269	0
	N. Norfolk	228	248	7

[go up because of safety net whereas might otherwise have fallen]

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
	Norwich	256	287	0
	S. Norfolk	251	269	11
	King's Lynn and W	203	246	0
NORTHANTS	Corby	274	292	14
	Daventry	303	307	30
	East Northants	233	350	9
	Kettering	246	275	1
	Northampton	296	320	8
	S. Northants	293	280	45
	Wellingborough	244	267	7
NORTHUMB	Alnwick	242	297	-29
	Berwick-upon-Twee	231	268	-57
	Blyth Valley	271	326	-49
	Castle Morpeth	304	326	8
	Tynedale	257	312	-5
	Wansbeck	238	270	-108
N.YORKS	Craven	197	237	-27
	Hambleton	226	262	0
	Harrogate	260	299	0
	Richmondshire	187	238	-19
	Ryedale	211	262	-12
	Scarborough	204	247	-48
	Selby	205	256	-32
	York	187	219	-55
NOTTS	Ashfield	206	241	-42
	Bassetlaw	228	283	-6
	Broxtowe	258	286	0
	Gedling	274	291	11
	Mansfield	225	278	-31
	Newark and Sherwo	248	276	0
	Nottingham	234	280	0
	Rushcliffe	289	296	21
OXON	Cherwell	269	275	21
	Oxford	294	282	39
	S. Oxfordshire	321	301	48
	Vale of White Hor	302	287	44
	W. Oxon	272	271	28
SHROPS	Bridgnorth	228	235	22
	N. Shropshire	200	227	0
	Oswestry	202	248	0
	Shrewsbury and At	251	264	16
	S. Shropshire	208	225	12
	Wrekin	267	292	6
SOMERSET	Mendip	250	276	1
	Sedgemoor	259	284	0
	Taunton Deane	255	290	0
	W. Somerset	271	294	5
	S. Somerset	259	290	0
STAFFS	Cannock Chase	244	281	0
	East Staffs	230	255	0
	Lichfield	294	290	34
	Newcastle-under-L	238	280	0
	S. Staffs	291	286	36
	Stafford	252	266	14
	Staffs Moorlands	233	268	0
	Stoke-on-Trent	210	261	-9
	Tamworth	264	281	11
SUFFOLK	Babergh	253	277	2
	Forest Heath	226	252	0
	Ipswich	283	313	0
	Mid Suffolk	241	261	7
	St. Edmundsbury	230	245	8
	Suffolk Coastal	287	290	26
	Waveney	231	270	0
SURREY	Elmbridge	445	405	75
	Epsom and Ewell	398	389	40
	Guildford	333	305	58

	AUTHORITY	RATE BILL +4%	FIRST YEAR CC @ 33.9 bn	CONTRIB (+) ENTITLE (-)
	Mole Valley	336	327	40
	Reigate and Banst	358	342	44
	Runnymede	294	295	25
	Spelthorne	293	289	32
	Surrey Heath	352	323	60
	Tandridge	302	318	12
	Waverley	362	328	65
	Woking	368	357	43
WARWICKS	N. Warwickshire	307	333	0
	Nuneaton and Bedw	308	347	0
	Rugby	313	324	17
	Stratford on Avon	369	348	54
	Warwick	361	351	42
W.SUSSEX	Adur	281	284	23
	Arun	270	264	32
	Chichester	262	252	38
	Crawley	269	296	0
	Horsham	261	246	44
	Mid Sussex	287	274	42
	Worthing	248	257	17
WILTS	Kennet	241	261	8
	N. Wilts	226	277	-5
	Salisbury	262	270	20
	Thamesdown	253	304	-24
	W. Wilts	232	283	-3

chex.ps/aa/9

CONFIDENTIAL

FROM: A C S ALLAN
DATE: 11 July 1989

PS/CHIEF SECRETARY

cc Mr Anson
Mr Phillips
Mrs Lomax
Mr A J C Edwards
Mr Potter
Mr A Hudson

LOCAL AUTHORITY CURRENT: SAFETY NET

The Chancellor has seen Mr Hudson's further note of 10 July with the complete version of the exemplifications, and in particular the figures showing the percentage of the gain or loss which comes through in the first year. He thought this showed a very satisfactory pattern, except for Inner London, where all save the City of London, Kensington and Chelsea, Hackney and Westminster are absurd.

ACSA

A C S ALLAN

CONFIDENTIAL

cst.ps/6jm11.7/mins

PERSONAL AND CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

FROM: **CHIEF SECRETARY**
DATE: **11 JULY 1989**

CHANCELLOR

??!

SAFETY NET

After E(LF) I chatted to John Gummer and now understand what is happening in the DOE. John's view is engagingly simple. He believes that the present package on AEF is unsustainable with colleagues and will be defeated either in uproar now or in the Autumn. He believes that the only way to sell it is to fund losses from the Exchequer at a cost of £950 million in the first year. Anything less would be unsaleable.

2 I also learned this morning in a passing conversation with the Chief Whip that DOE are now considering making the grant settlement announcement in the last week before the House rises for the Recess.

3 It seems clear to me that DOE ministers are not at all agreed on the policy and are genuinely nervous about how it will be received in the House and beyond.

4 I have not copied this note as it was a private conversation which I would not want quoted back at the DOE.

Nick Ridley has confirmed to me that he wants to make the announcement in the final week before the recess – perhaps the last week. But he is not [illegible] September [illegible] whatever [illegible].

CEvans

pp **JOHN MAJOR**

CHANCELLOR OF THE EXCHEQUER

Ch

PS/CST tells me John Gummer is now saying only sellable option is scrap safety net & fund losers from Exchequer. V bad. Did any of this come up with Mr Ridley?

[illegible]

[illegible]

CONFIDENTIAL

FROM: A P HUDSON (LG1)
X4945
Date: 12 July 1989

PS/CHIEF SECRETARY

cc: Chancellor
Mr Anson
Mr Phillips
Mr Edwards (LG)
Mr Potter (LG1)
Mr Hudson (LG1)
Mr GC White (LG1)
Without Attachments
Mr J Jones (MSOR)
Mr Sparrow (MSOR)
Mr Grother (MSOR)
Mr Jessop (PSE)

LOCAL AUTHORITY CURRENT SETTLEMENT: POSSIBLE ACTUAL COMMUNITY CHARGES

I attach an amended version of the tables attached to Mr White's minute of yesterday, with the first column showing, as you asked, the 1989-90 average rate bill per adult uprated by 7 per cent, in line with the increase in local authority spending assumed in Column 2.

2. The table now shows:

Column 1: 1989-90 average rate bill per adult uprated by 7 per cent.

Column 2: Projected first-year community charges, assuming local authorities increase spending by 7 per cent, and incorporating agreed safety net.

Column 3: Safety net contribution (+)/entitlement (-).

3. These figures were calculated by Mr Grother in MSOR Division. I should say how grateful we are for their help in producing these exemplifications throughout this exercise, often at very short notice.

APH

A P HUDSON

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
INNER LONDON	City of London	556	429	75
	Camden	459	470	-16
	Greenwich	293	295	-333
	Hackney	361	319	24
	Hammersmith and F	384	401	-215
	Islington	458	469	-9
	Kensington and Ch	404	316	75
	Lambeth	325	330	-57
	Lewisham	283	286	-182
	Southwark	289	303	-192
	Tower Hamlets	290	300	-157
	Wandsworth	208	216	-175
	Westminster	604	498	75
OUTER LONDON	Barking and Dagen	251	303	-96
	Barnet	372	333	61
	Bexley	254	298	-22
	Brent	505	526	16
	Bromley	262	283	0
	Croydon	275	245	55
	Ealing	331	355	5
	Enfield	325	326	22
	Haringey	548	610	-9
	Harrow	337	328	34
	Havering	265	308	-15
	Hillingdon	337	379	-49
	Hounslow	383	400	12
	Kingston-upon-Tha	334	358	0
	Merton	293	334	0
	Newham	366	392	20
	Redbridge	237	268	0
	Richmond-upon-Tha	367	355	27
	Sutton	318	334	2
	Waltham Forest	335	340	27
METS	Bolton	249	277	-4
	Bury	317	338	0
	Manchester	331	347	18
	Oldham	244	293	-4
	Rochdale	270	315	-65
	Salford	294	319	2
	Stockport	322	332	23
	Tameside	260	308	-29
	Trafford	296	293	28
	Wigan	276	328	-49
	Knowsley	308	316	28
	Liverpool	311	331	14
	St. Helens	269	321	-26
	Sefton	296	309	9
	Wirral	392	404	16
	Barnsley	227	351	-146
	Doncaster	265	304	-102
	Rotherham	256	289	-94
	Sheffield	286	321	-97
	Gateshead	255	289	-69
	Newcastle upon Ty	287	342	-31
	N. Tyneside	322	372	-7
	S. Tyneside	243	285	-49
	Sunderland	223	259	-50
	Birmingham	289	278	47
	Coventry	320	335	16
	Dudley	310	307	28
	Sandwell	287	281	36
	Solihull	327	293	59
	Walsall	314	316	27
	Wolverhampton	315	293	59
	Bradford	225	256	-58
	Calderdale	243	274	-143
	Kirklees	223	251	-109
	Leeds	229	274	-9
	Wakefield	244	272	-102

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
	Isles of Scilly	221	280	-266
AVON	Bath	262	306	-18
	Bristol	306	353	-22
	Kingswood	271	290	0
	Northavon	307	314	13
	Wansdyke	286	314	0
	Woodspring	314	322	11
BEDS	North Beds	319	306	38
	Luton	372	331	68
	Mid Beds	325	312	38
	South Beds	375	352	49
BERKS	Bracknell	314	300	35
	Newbury	308	268	64
	Reading	282	281	27
	Slough	273	237	61
	Windsor and Maide	359	324	58
	Wokingham	350	302	75
BUCKS	Aylesbury Vale	296	266	54
	S. Bucks	471	370	75
	Chiltern	477	380	75
	Milton Keynes	340	308	61
	Wycombe	397	336	75
CAMBS	Cambridge	332	314	40
	E. Cambs	241	250	13
	Fenland	230	256	0
	Huntingdonshire	257	256	22
	Peterborough	281	291	9
	S. Cambs	306	271	56
CHESHIRE	Chester	311	308	24
	Congleton	288	295	13
	Crewe and Nantwic	317	323	17
	Ellesmere Port an	301	311	14
	Halton	267	297	0
	Macclesfield	367	334	56
	Vale Royal	275	296	8
	Warrington	273	300	0
CLEVELAND	Hartlepool	254	301	-38
	Langbaurgh-on-Tee	317	371	-4
	Middlesbrough	285	338	-30
	Stockton-on-Tees	306	340	0
CORNWALL	Caradon	227	245	1
	Carrick	236	255	1
	Kerrier	199	241	-4
	N. Cornwall	226	244	3
	Penwith	211	243	-2
	Restormel	211	243	0
CUMBRIA	Allerdale	203	227	-85
	Barrow in Furness	203	228	-123
	Carlisle	234	268	-44
	Copeland	196	221	-102
	Eden	214	234	-48
	S. Lakeland	256	304	-6
DERBS	Amber Valley	256	304	-42
	Bolsover	231	256	-117
	Chesterfield	265	312	-60
	Derby	320	341	0
	Erewash	272	320	-35
	High Peak	262	309	-49
	N.E. Derbs	284	332	-45
	S. Derbs	289	336	-2
	Derbyshire Dales	305	345	0
DEVON	E. Devon	249	259	10
	Exeter	222	264	0
	N. Devon	191	231	-15
	Plymouth	223	249	0
	S. Hams	264	270	16

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
	Teignbridge	231	255	0
	Mid Devon	199	244	-1
	Torbay	266	309	-10
	Torridge	174	195	-47
	W. Devon	211	238	0
DORSET	Bournemouth	262	279	2
	Christchurch	314	301	31
	N. Dorset	222	228	12
	Poole	300	288	30
	Purbeck	234	236	16
	W. Dorset	229	237	11
	Weymouth and Port	209	251	-5
	E. Dorset	326	302	45
DURHAM	Chester-le-Street	244	291	-19
	Darlington	255	303	-12
	Derwentside	215	239	-92
	Durham	233	282	-28
	Easington	206	230	-88
	Sedgefield	232	255	-99
	Teesdale	188	209	-40
	Wear Valley	210	235	-108
E.SUSSEX	Brighton	345	378	0
	Eastbourne	352	295	39
	Hastings	276	264	17
	Hove	298	249	36
	Lewes	318	254	44
	Rother	334	247	55
	Wealden	297	250	35
ESSEX	Basildon	447	426	43
	Braintree	311	294	40
	Brentwood	419	427	12
	Castle Point	349	316	57
	Chelmsford	381	330	75
	Colchester	299	289	33
	Epping Forest	427	372	75
	Harlow	438	448	5
	Maldon	337	305	55
	Rochford	376	333	65
	Southend-on-Sea	368	335	55
	Tendring	319	306	35
	Thurrock	375	371	28
	Uttlesford	373	325	73
GLOUCS	Cheltenham	288	294	13
	Cotswold	287	280	31
	Forest of Dean	208	252	-2
	Gloucester	234	258	0
	Stroud	258	272	6
	Tewkesbury	279	270	29
HANTS	Basingstoke and D	252	231	46
	E. Hants	295	257	61
	Eastleigh	291	261	51
	Fareham	295	261	56
	Gosport	252	245	31
	Hart	323	279	66
	Havant	289	256	56
	New Forest	271	252	40
	Portsmouth	211	245	0
	Rushmoor	238	231	31
	Southampton	228	232	17
	Test Valley	269	239	52
	Winchester	302	262	63
HEREFORD	Bromsgrove	272	242	48
	Hereford	190	202	6
	Leominster	184	186	16
	Malvern Hills	265	247	39
	Redditch	278	270	30
	S. Herefordshire	195	193	22
	Worcester	266	265	23
	Wychavon	289	261	47
	Wyre Forest	249	255	14

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
HERTS	Broxbourne	336	323	33
	Dacorum	386	344	66
	E. Herts	346	333	33
	Hertsmere	417	381	58
	N. Herts	385	349	59
	St. Albans	400	354	69
	Stevenage	398	391	30
	Three Rivers	417	381	69
	Watford	349	343	30
	Welwyn Hatfield	429	410	43
HUMBER	Beverley	326	340	8
	Boothferry	226	260	-83
	Cleethorpes	271	323	-43
	Glanford	266	314	-2
	Great Grimsby	258	310	-46
	Holderness	269	317	-1
	Kingston Upon Hul	240	267	-97
	E. Yorks	249	289	-63
	Scunthorpe	292	343	-62
IOW	Medina	253	266	0
	S. Wight	276	293	2
KENT	Ashford	247	246	22
	Canterbury	230	238	13
	Dartford	225	261	0
	Dover	204	219	6
	Gillingham	217	225	13
	Gravesham	239	240	21
	Maidstone	238	233	28
	Rochester upon Me	211	212	23
	Sevenoaks	265	253	35
	Shepway	286	281	26
	Swale	204	229	0
	Thanet	241	248	13
	Tonbridge and Mal	234	253	4
	Tunbridge Wells	252	245	29
LANCS	Blackburn	188	213	-51
	Blackpool	246	294	-26
	Burnley	181	206	-83
	Chorley	235	269	0
	Fylde	280	292	12
	Hyndburn	181	206	-80
	Lancaster	217	266	-17
	Pendle	174	199	-101
	Preston	240	257	7
	Ribble Valley	222	270	-5
	Rossendale	204	229	-78
	S. Ribble	234	279	0
	W. Lancs	283	288	19
	Wyre	246	279	0
LEICS	Blaby	274	273	21
	Charnwood	272	267	28
	Harborough	316	304	34
	Hinckley and Bosw	264	271	13
	Leicester	238	289	-32
	Melton	266	272	15
	N.W. Leics	266	284	5
	Oadby and Wigston	289	289	20
	Rutland	251	255	17
LINCS	Boston	214	251	0
	E. Lindsey	210	233	0
	Lincoln	205	248	-2
	N. Kesteven	211	230	1
	S. Holland	210	260	0
	S. Kesteven	229	243	6
	W. Lindsey	206	229	0
NORFOLK	Breckland	229	245	5
	Broadland	260	260	19
	Great Yarmouth	228	269	0
	N. Norfolk	234	248	7

TTT

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
	Norwich	264	287	0
	S. Norfolk	259	269	11
	King's Lynn and W	209	246	0
NORTHANTS	Corby	282	292	14
	Daventry	312	307	30
	East Northants	239	350	9
	Kettering	253	275	1
	Northampton	305	320	8
	S. Northants	301	280	45
	Wellingborough	251	267	7
NORTHUMB	Alnwick	249	297	-29
	Berwick-upon-Twee	238	268	-57
	Blyth Valley	278	326	-49
	Castle Morpeth	312	326	8
	Tynedale	264	312	-5
	Wansbeck	244	270	-108
N.YORKS	Craven	203	237	-27
	Hambleton	232	262	0
	Harrogate	267	299	0
	Richmondshire	192	238	-19
	Ryedale	217	262	-12
	Scarborough	210	247	-48
	Selby	211	256	-32
	York	192	219	-55
NOTTS	Ashfield	212	241	-42
	Bassetlaw	234	283	-6
	Broxtowe	265	286	0
	Gedling	281	291	11
	Mansfield	232	278	-31
	Newark and Sherwo	255	276	0
	Nottingham	241	280	0
	Rushcliffe	297	296	21
OXON	Cherwell	277	275	21
	Oxford	302	282	39
	S. Oxfordshire	330	301	48
	Vale of White Hor	311	287	44
	W. Oxon	280	271	28
SHROPS	Bridgnorth	234	235	22
	N. Shropshire	206	227	0
	Oswestry	208	248	0
	Shrewsbury and At	258	264	16
	S. Shropshire	214	225	12
	Wrekin	274	292	6
SOMERSET	Mendip	257	276	1
	Sedgemoor	266	284	0
	Taunton Deane	263	290	0
	W. Somerset	279	294	5
	S. Somerset	266	290	0
STAFFS	Cannock Chase	251	281	0
	East Staffs	237	255	0
	Lichfield	302	290	34
	Newcastle-under-L	244	280	0
	S. Staffs	299	286	36
	Stafford	259	266	14
	Staffs Moorlands	239	268	0
	Stoke-on-Trent	216	261	-9
	Tamworth	272	281	11
SUFFOLK	Babergh	260	277	2
	Forest Heath	232	252	0
	Ipswich	291	313	0
	Mid Suffolk	248	261	7
	St. Edmundsbury	237	245	8
	Suffolk Coastal	295	290	26
	Waveney	238	270	0
SURREY	Elmbridge	458	405	75
	Epsom and Ewell	410	389	40
	Guildford	343	305	58

	AUTHORITY	RATE BILL +7%	FIRST YEAR CC @ £33.9 bn	CONTRIB (+) ENTITLE (-)
	Mole Valley	346	327	40
	Reigate and Banst	368	342	44
	Runnymede	302	295	25
	Spelthorne	302	289	32
	Surrey Heath	362	323	60
	Tandridge	311	318	12
	Waverley	372	328	65
	Woking	379	357	43
WARWICKS	N. Warwickshire	316	333	0
	Nuneaton and Bedw	317	347	0
	Rugby	322	324	17
	Stratford on Avon	380	348	54
	Warwick	371	351	42
W.SUSSEX	Adur	289	284	23
	Arun	277	264	32
	Chichester	270	252	38
	Crawley	277	296	0
	Horsham	268	246	44
	Mid Sussex	295	274	42
	Worthing	255	257	17
WILTS	Kennet	248	261	8
	N. Wilts	233	277	-5
	Salisbury	269	270	20
	Thamesdown	260	304	-24
	W. Wilts	238	283	-3

FROM: A C S ALLAN
DATE: 12 July 1989

PS/CHIEF SECRETARY

[local authorities]

SAFETY NET

The Chancellor was grateful for the Chief Secretary's minute of 11 July. Mr Ridley has confirmed to the Chancellor that he wants to make the announcement in the final week before the Recess - probably on the Wednesday. But he is not seeking to reopen what has been agreed.

ACSA

A C S ALLAN

CONFIDENTIAL

pmp

FROM: BARRY H POTTER (LG1)
DATE: 12 July 1989
x4790

CHIEF SECRETARY

cc Chancellor
Sir P Middleton
Mr Anson
Mr Phillips
Mr Monck
Mr A J C Edwards
Mrs Lomax
Miss Peirson
Mr A White
Mr A Hudson

Ch/ To be aware and to note paras 11-13.
DIS

LOCAL AUTHORITY CURRENT SETTLEMENT: WALES

Mr Hudson, Mr Rutnam and I discussed the 1990-91 local authority settlement for Wales with Welsh Office officials yesterday.

2. As in Scotland, the Treasury objective was to replicate the settlement for England on a strictly comparable basis. We were able to reach a provisional agreement with Welsh Office officials which is being put to you and Mr Walker separately today.

3. However I understand that Welsh Office officials have already discussed the offer informally with Mr Walker; and he is content, subject to Mr Rifkind's agreement to the similar proposals for Scotland, if you are also prepared to settle.

The Proposed Settlement

4. The Treasury objective was to agree the same settlement for Wales as had been approved for Scotland. In this instance, it meant agreeing that the Welsh should have an increase in AEF of 6.8%. That is the increase in notional AEF which has been agreed for Scotland.

5. As you know it is below the increase in AEF agreed for England which was 7.8%. This is because we successfully argued with Welsh Office officials that their local authorities had no entitlement to a share of the specific grants for ILEA and for areas of low rateable value in the North. These items are

included within the AEF quantum but are essentially for distributional purposes. Though the point was disputed fairly bitterly, Welsh Office officials were ultimately prepared to concede.

6. The proposed package in Wales is therefore as follows:

	£million	
	1989-90	1990-91
AEF	1623	1733
Total standard spending	1952	2109
CCSS	153	175

The Welsh Block

7. The settlement this year had no implications for the Welsh block. It was agreed that AEF would be settled for this year as a quantum and then the relevant extra sum added to the Welsh block. For the future we have agreed to look at whether a formula basis might be useful from 1991-92 onwards.

Conclusion

8. I recommend the above package to you. AEF would be increased by £110 million over 1989-90 (6.8%) to a total of £1733 million. The community charge for standard spending would be £175; and if Welsh local authorities were to raise budgets by 7%, community charge would average around £187.

9. This is a tough settlement, the toughest that would be consistent with that agreed for England. The Welsh are reluctantly prepared to accept it. But they have one anxiety: there is clearly a suspicion that Ministers may decide later to add to the AEF settlement, once political pressures emerge.

10. We of course argued that there could be no question of reopening the settlement and that once the statements have been made next week, the proposals will go forward to Parliament in November unchanged. But the Welsh were not fully convinced. We can be sure that, in the event of the basic settlement being reopened, the Welsh would bid for their corresponding share. So would the Scots. Both may press for an assurance on that point. We will need to be suitably circumspect in replying.

Longer Term Implications

11. It may be helpful to flag up one thought for the future. CCs in Wales are going to be £100 or so lower than in Scotland and England. The gap is not defensible in terms of income or GDP per head indicators. As we move increasingly over the next few years to harmonised business rate poundages in England, Scotland and Wales, and with community charges in Scotland and England reasonably close to each other at standard spending, the very low community charges for standard spending in Wales - about one-third lower - will look increasingly unfair and indefensible. The general taxpayer will be subsidising the community chargepayer in Wales.

12. In my view the right solution is to aim for the optimal distribution of AEF resources between all three countries as well as within. On this model the distribution of grant would be such that at standard spending, the community charge would be identical in all three countries and so would the business rate poundage.

13. This is a thought for future work only. But LG might do some preliminary work on the scope for squeezing AEF in Wales to achieve the objective. No doubt ST will have views on whether it makes sense in their wider strategy on the Scottish and Welsh programmes. For the moment, the gap may also provide useful ammunition in the Welsh bilateral.

BHP

BARRY H POTTER

cst.ps/5ce13.7/mins

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

FROM: **MISS C EVANS**
DATE: **13 July 1989**
EXTN: **4339**

MR POTTER

cc: Chancellor
Sir P Middleton
Mr Anson
Mr Phillips
Mr Monck
Mr A J C Edwards
Mrs Lomax
Miss Peirson
Mr A White
Mr A Hudson

JMP

LOCAL AUTHORITY CURRENT SETTLEMENT: WALES

The Chief Secretary was grateful for your minute of 12 July. As with the Scottish settlement you have negotiated, he regards this as an excellent settlement and was surprised to hear that the Scottish and Welsh Secretaries have signed up. He agrees that if the basic English settlement is re-opened there will be no option but to look again at the Scottish and Welsh settlements too. He agrees that we should use paragraphs 11 and 13 in the Welsh bilateral and that LG should do the preliminary work suggested in paragraphs 13.

CEvans

MISS C EVANS
Private Secretary

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CHIEF SECRETARY
REC. JUL 1989
TO Mr Potter
CX: Sir P Middleton
Mr Anson, Mr Moser
Mr Edwards, Mrs Lomax.

13 July 1989

pmp

Dear John

2

LOCAL AUTHORITY SETTLEMENT 1990/91: WALES

This is to confirm, following discussions between our officials, that I am prepared to accept the settlement you have offered to Wales for 1990/91. The settlement will give an AEF of £1733 million and standard spending will be £2109 million.

In the event that AEF for England is increased beyond the £23.1 billion agreed by E(LF) then I hope you will agree to reconsider this settlement in order to ensure that Wales receives fair treatment in all the circumstances.

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

lg1.va/potter/minutes/lacs.e

CONFIDENTIAL

mp

CHIEF SECRETARY

FROM: B H POTTER (LG1)
X4790
Date: 13 July 1989

cc: Chancellor
Mr Anson
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)

The draft statement needs a great deal of work. No good as is.

Told APS/CST 14/7

LOCAL AUTHORITY CURRENT SETTLEMENT: ENGLAND

You asked me for a progress report on the arrangements for announcing the local authority current settlement for England.

2. First Mr Phillips is now dealing with the timing of the statement. He will report separately on that.

3. Secondly I understand that DOE lawyers and Parliamentary Counsel are now persuaded that the specific grant route is the best approach to paying additional assistance in areas of low rateable value. The Environment Secretary will be writing round recording that view shortly. But he will also make colleagues aware that any further minor changes to the transitional measures, which the government might propose to effect through this legislation, could be subject to challenge on procedural grounds. We await Mr Ridley's letter.

4. Thirdly, we are still pursuing the Chancellor's concern about the safety netted community charges for inner London authorities.

5. At present the ILEA specific grant and the safety net interact such that the specific grant provisions override the safety net. This leads to community changes below the average uprated rate bill per adult in some boroughs. Were we to reverse the process, so that the ILEA specific grant was within the safety net, then the safety net would override the specific grant:

Accordingly most inner London boroughs would receive no help under the transitional specific grant. (The only gainers would be Westminster, the City of London, Hackney, and Kensington and Chelsea.) Mr Ridley rejected this approach earlier on presentational grounds. The Education Secretary would not be attracted to it either.

6. I think however there may be an intermediate position. The ILEA specific grant would remain outside the safety net. But we would add an overriding provision to the safety net, such that no authority could end up with a safety netted community charge in 1990-91 below the uprated average rate bill per adult in 1989-90. (I fear this is effectively a safety net on the safety net.) Under this arrangement, every inner London authority would get some benefit from the ILEA specific grant. Moreover there would be a saving on total grant, which would be available to increase, albeit marginally, the percentage of gains allowed through. This is attractive presentationally. I have commended this approach to DOE: they are investigating whether it can be managed both technically and within the legislative arrangements.

7. If any legal problems can be overcome, DOE officials certainly had no objection to the proposal. But Mr Ridley might be unhappy as might Mr Baker. In that event you and the Chancellor will wish to judge how to pursue the issue within the time left before the RSG statement.

8. Fourthly, we have received the DOE draft statement (attached at A): it has already been seen by Mr Ridley and reflects his comments. DOE officials indicated that he may not have examined it very carefully.

9. Frankly it is an unattractive flat presentation. I have had a first shot at redrafting the statement to make it clearer (and hopefully) more attractive in presentational terms (attached at B). You may like to have a glance through both versions. We will undertake further work tomorrow to improve upon the statement before sending it back at official level. We can of course reflect in that official letter any thoughts which you or the Chancellor might have on the statement.

10. Finally, DOE are unclear on what exemplifications can be circulated with the statement. I will report further on this as soon as possible.

BHP

BARRY H POTTER

A.

(Apologies for the manuscript changes: these are ours + should be ignored!)

CONFIDENTIAL

LOCAL GOVERNMENT FINANCE

1. With permission, Mr Speaker, I should like to make a statement about the Local Authority Grant Settlement for 1990/91 for England.

2. As the House will know, next April sees the introduction of a new Local Government Finance System. The community charge will replace domestic rates, there will be a uniform national business rate, and there will be a new grant system. In order to help local authorities plan their budgets in the first year, I am today announcing the Government's proposals for the amount of general Exchequer support which will be available to local authorities in England from grants and business rates.

3. In the current year, 1989/90, English local authorities have budgeted to spend about £30.3 billion. This is £1.2 billion more than the Government had provided for in the last ~~RSG~~ Rate Support Grant Settlement. It is equivalent to £1.9 billion more than the total of GREs, the Government's assessment of the amount which authorities needed to spend. Spending increased by 9%, which is more than the rate of inflation. Over the last four years local authority expenditure has increased by 13% in real terms.

Maintaining the downward trend in

4. This is very disappointing. ~~Controlling~~ public expenditure as a ~~remains~~ proportion of GDP remains is a ~~major~~ key element of the Government's economic policies ~~a priority~~: only in this way can we create the conditions for sustained economic growth and for defeating inflation. Local

authorities must play their part. They can make substantial savings, through increased efficiency, through contracting out, and in some cases by eliminating wasteful and unnecessary activities. They can also seek to control the cost of their pay rolls, which has been ~~is~~ one of the main reasons for their increasing expenditure.

5. In assessing the amount of revenue spending which is appropriate for 1990/91, known as Total Standard Spending, I have taken account of what can reasonably be afforded, given the need for restraint in public expenditure and the Government's priorities for spending as between different programmes. I have also taken into account the scope for savings as noted above. The fact is that authorities are this year spending nearly £2 billion more than the Government's estimate of what needed to be spent. Finally I have also taken into account the amount authorities are spending now, and the Local Authority Associations' views about the pressures for increased spending next year and the scope for savings. I discussed this with them in the Consultative Council on Local Government Finance on 12 July. (I doubt whether the LAAs believed it amounted to discussion!)

6. I propose to base the grant distribution arrangements on the assessment that local authorities need to incur revenue expenditure of £32.8 billion in order to provide a standard level of service. No ~~On a comparable basis,~~ Allowing for technical changes such as the ring-fencing of the Housing Revenue Account, this ~~is equivalent to~~ represents about 11% more than the amount the Government assessed authorities needed to spend this year, and it is £1.2 billion more than they have budgeted for. I have been determined to set this first assessment of total standard spending under the new system as a realistic but challenging target for LAs.

CONFIDENTIAL

7. In the Autumn we shall announce details about the amount of Standard Spending Grant, various other grants and the amount which is likely to be raised from business rates. To help local authorities in their planning, I can announce that I propose that the aggregate amount of ~~central govt~~ Exchequer support which will be available from these sources will be £22.9 billion. This is £1.5 billion more than in the current year, an increase of [?]. In addition, I intend to provide a further £200 million for two new specific grants which I shall describe shortly, making £23.1 billion in support of revenue spending.

8. This implies that if local authorities budget to spend in line with our standard assessment, £9.9 7 billion will fall to be raised from community charges. That corresponds to an average community charge of about £~~275~~ £270. ~~This~~ In principle, this is the level of charge every authority would need to set if they ~~all~~ spent in line with the Government's standard assessment. ~~Actual~~ And actual community charges, will, of course, also depend on local authorities' own spending decisions, ~~and if they choose to spend less than the Government's standard assessment the average community charge will be lower than £275, and vice versa.~~ ~~The~~ But in 1990-91, the actual charge in each area will also depend on the transitional arrangements.

9. As the House will know, we have proposed that there should be a four year transitional safety net in order to phase-in the impact of the new system, so that those people living in areas which have traditionally had low rates will have a period in which to adjust to the demands on their personal budgets. ~~I~~ ~~It is right that~~, If LAs budget at standard spending, each LA should be able to set a CC in 1990-91 which is very ~~little different~~ at most no more than a small margin above the average rate bill per adult for this year, uprated by inflation.

believe it is right that those people should have some protection. But that protection does have to be paid for by the gainers surrendering some of their gains. Our earlier proposal envisaged that all gains up to £75 per adult would have to be surrendered to pay for protection.

would have to be given up

(except for the very largest gains

10. I believe this represents the wrong balance between the interests of gainers and losers. It is wrong that areas which have suffered under the present unfair system of resource equalisation should have to wait a further year before seeing any relief. I am therefore now proposing that, in general, in the relevant areas, losses ~~of up to £25~~ per adult which would add up to £25 above the notional average rate bill per adult should be allowed to feed through in the first year. This will allow those local authorities who gain from the reform of the finance system to see between 40% and 50% of their gain come through to them in the first year. The precise figure will not be known until the Autumn. In this way we can begin to move more quickly towards the position we shall have once the new arrangements are fully in force.

11. There are, however, some authorities where due to the historical accident of low rateable values the adjustment to the full Community Charge is generally greater proportionately than in other areas. The original safety net proposals would have prevented them from paying any increase in the first year beyond their existing rate bill per adult. Given the relatively greater impact on them of allowing even modest losses, I do not think we should frustrate their expectations because of my revised proposals for the safety net. I therefore intend to provide extra protection through a specific grant of up to £25 per adult for authorities

in England where the average domestic rateable value per hereditament is £130 or less and where the introduction of the new system results in a loss. Authorities with average domestic rateable values between £130 and £150 will receive support on a tapering scale. This support will cost roughly £100 million. I will publish in the Official Report a list of authorities likely to qualify under these criteria.

12. Secondly, my RHF The Secretary of State for Education and Science has today announced that the Government will be making available a transitional grant to inner London boroughs taking over education responsibilities from ILEA on 1 April. This grant will be £100 million in 1990/91. It will take some time for the boroughs to eliminate wasteful expenditure inherited from ILEA. This grant will provide transitional protection for their chargepayers while the savings are realised.

13. I will place in the Library [tomorrow] [today] exemplifications showing how a safety net on this basis ~~would~~ might have operated in 1989/90 had the new system been in force then. These exemplifications reflect authorities' own 1989/90 spending decisions, and show what the Community Charge would have been in each area.

14. I shall be discussing these proposals with the Local Authority Associations in September. I will bring forward full proposals for the Settlement in the Autumn, including details of the methodology which we propose to use to distribute the grant between authorities.

15. Mr Speaker, under these proposals if local authorities moderate their spending and improve their efficiency, the average community charge need be no higher than £275, and could be lower. We recognise the particular problems some authorities face through the change to the new system, and we are providing extra help targetted on these areas. But it will be for local authorities to set their budgets, and for community chargepayers to judge whether the amount they are asked to pay reflects value for money.

FLG

12 July 1989

B

LOCAL GOVERNMENT FINANCE

1. With permission Mr Speaker I should like to make a statement about the local authority grant settlement for 1990-91 for England.

2. As the House knows, next April sees the introduction of a new local Government finance system. The community charge will replace domestic rates; there will be a uniform national business rate; and there will be a new grant system. The aim of the new local Government finance arrangements is to improve control over local authority spending by making local councils more accountable to their chargepayers through the ballot box. Next year we can look forward to beginning the process of reining back the excessive growth in local authority spending of recent years.

3. To help local authorities plan their revenue spending in the first year, I am today announcing the Government's proposals for the aggregate external finance or AEF from Exchequer grants and business rates - the central Government support towards local authorities current spending next year. I am also announcing the first assessment of total standard spending under the new system and the implied community charge, if LAs budget at the standard spending assessment. This community charge for standard spending is the key benchmark for accountability under the new system.

First total standard spending. This is the total amount of current spending which the Government believes local authorities will have to undertake in order to provide appropriate levels of local services on an efficient basis. The background is very unsatisfactory. In the current year 1989-90, English local authorities have budgeted to spend about £30.3 billion. This is £1.2 billion more than the Government provided for in the last Rate Support Grant settlement; and it is £1.9 billion more than the total of GREs, the Government's assessment of authorities' need to spend. Local authorities budgets have been increased by 9%, ahead of the rate of inflation. Indeed on the basis of these budgets, over the last four years, local authority current expenditure will have increased by 13% in real terms.

5. This is very disappointing. Maintaining the downward trend in public expenditure as a proportion of GDP is an essential element of the Government's economic policy; only in this way can we create the conditions for sustained economic growth and for defeating inflation. Local authorities must play their part.

6. I am therefore determined to set the first assessment of total standard spending under the new system on a realistic achievable but nonetheless challenging basis for local authorities in England. To do so I have had to balance a number of factors: the fact that authorities are this year spending nearly £2 billion more than the Government's estimate of what needed to be spent; the scope for savings through increased efficiency, contracting out and in some cases the elimination of wasteful and unnecessary activities; and the local authority associations own views about the pressure for increased spending next year, which I discussed with them in the Consultative Council on Local Government Finance on 12 July.

7. I propose that total standard spending should be set at £32.8 billion: this will be the aggregate on which the grant distribution arrangements will be based. Total standard spending is a new concept and represents a break from the previous grant related expenditure assessments (GREs). At £32.8 billion, total standard spending is around £1.2 billion more than local authorities have budgetted for this year, even though that itself was well above the Government's plans. Allowing for technical changes such as ring-fencing of the Housing Revenue Account, total standard spending also represents a considerable real increase on the amount which the Government believed authorities needed to spend in 1989-90.

8. Secondly, I propose that general central support to local authorities should be set at £22.9 billion. This is £1.5 billion more than in the current year, an increase of just over 7%. In addition, I intend to provide a further £200 million for two new specific grants which I shall describe shortly, making £23.1 billion available in support of revenue spending. In the autumn we shall announce details of how that AEF will be divided between Revenue Support Grant (or Standard Spending Grant), various other specific grants, and the amount which is likely to be raised from business rates.

9. Thirdly, taken together my proposals for total standard spending and AEF mean that if local authorities budget in line with the standard spending assessment, £9.9 billion will fall to be raised from community charges. That corresponds to a community

charge for standard spending of about £275: in principle this is the level of charge every authority will be able to set, if they spent in line with the standard spending assessment.

10. In 1990-91, the actual charge in each local authority will also depend upon the transitional arrangements. As the House will know we have proposed that there should be a transitional safety net in order to phase in the impact of the new system. The objective was that local authority areas which have traditionally been able to set low domestic taxes should have a period in which to adjust their budgets, so that they need not place unreasonable new demands on their local chargepayers. I continue to believe it is only right, that if local authorities budget in line with standard spending, they should be able to set a community charge in 1990-91 which is - at worst - no more than a small margin above the rate bill per adult for this year, uprated by inflation.

11. I have however looked again at the details of the safety net in the light of the proposed grant settlement and the responses to our earlier safety net proposals.

12. Our earlier proposals envisaged that there should be no loss of support from grant and business rates in any area; and that all gains would similarly have to be given up, except for the very largest gainers which were protected by a maximum contribution to the safety net of £75 per adult. I believe this represents the wrong balance between the interests of gainers and losers. It is wrong that areas which have suffered under the present unfair system of resource equalisation should have to wait a further year

fore seeing any relief. Equally it is wrong that, in the first year of the new system, areas which lose from the new local Government finance system should have to make no adjustment.

13. My new proposals are as follows. For local authorities which gain from the reform of the local Government finance system, between 40-50% of their gains from higher grant should come through to them in the first year - the precise figure will not be known until the autumn. In this way they would be moving considerably more quickly towards the position once the new arrangements are fully in force. It follows that, a very small amount of losses in losing areas should come through in the first year: in short local authorities should begin in 1990-91 to make the adjustment to the new local Government finance system. But the losses implied are very modest indeed: if the local authorities concerned budget in line with standard spending, they will be able to set community charges which add only 50p per week to the uprated average rate bill per adult.

14. There are however some authorities where, because of low rateable values, the adjustment to the full community charge represents a generally greater proportionate burden on local taxpayers than elsewhere. The original safety net proposals would have prevented them from paying any increase in the first year beyond the existing rate bill per adult. Given the relatively greater impact upon them of allowing even modest losses through, I do not think we can frustrate their expectations because of my revised proposals for the safety net now.

[illegible]. I therefore intend to provide extra protection through a specific grant of up to £25 per adult for authorities in England where the average domestic rateable value per hereditament is £130 or less and where the introduction of the new system results in a loss. Authorities with average domestic rateable values between £130 and £150 will receive support on a tapering scale. This support will cost roughly £100 million. I will publish in the official report a list of authorities likely to qualify under these criteria.

16. Also my Rt Hon Friend the Secretary of State for Education and Science and I have decided that the Government should make available a transitional grant to inner London boroughs taking over education responsibilities from ILEA on 1 April. This grant will be £100 million in 1990-91. It will take some time for the boroughs to eliminate wasteful expenditure inherited from ILEA. This grant will provide transitional protection for their chargepayers while the savings are realised.

17. Compared to the original proposals for the safety net, these revised arrangements will enable much quicker progress towards the full introduction of the new local Government finance system. A large percentage of the gains will come through to gaining areas immediately. In inner London, where community charges threaten to be highest, the proposed specific grant will hold down community charges, if authorities budget sensibly. There will be special protection for areas with low rateable values. And the maximum extra that local councils in any losing authority need impose on their local chargepayers works out at only 50p per week per adult.

18. Following discussion of these proposals with the local authority associations in September, I will bring forward full proposals in the autumn, including details of the methodology which we propose to use to distribute the grant amongst authorities.

19. Mr Speaker, under these proposals, if local authorities moderate their spending and improve their efficiency, the average community charge need be no higher than £275. It could be lower. We are recognising the particular problems some authorities face through the transition to the new system; and through the revised safety net proposals we are providing extra help targeted on these areas. All gaining authorities will now see a substantial part of their gains in the first year.

20. This settlement provides an excellent foundation for the new system of local government finance. It is now for the local authorities to set their budgets and the community chargepayers to judge whether the amount they are asked to pay reflects value for money.

 CONFIDENTIAL

Rayner

From: Mrs J Chaplin
Date: 14 July 1989

CHIEF SECRETARY

cc

Chancellor

BACKBENCH BRIEF FOR COMMUNITY CHARGE STATEMENT

I attach a first draft of the brief for backbenchers on the community charge, NNDR and the safety nets for your comments. I have spoken to Patrick Rock, the Special Adviser, at the DOE who has not yet prepared any briefing. He is aware that any brief he prepares must be checked by the Treasury. It seems sensible to prepare a draft in case the DOE briefing needs substantial amendment or replacement.

2. I am concerned to hear that the Statement has been pushed back towards the end of July as the major difficulty is going to be with our backbenchers rather than the opposition and I think they will feel it has been put out at the end of the session to prevent them commenting properly.

JC

JUDITH CHAPLIN

RSG SETTLEMENT: BACKBENCH BRIEF: SECOND DRAFT

Key points

- Government support (Aggregate Exchequer Finance) up £1.7 billion on 1989-90.

- Community charge for standard spending set at £275, around level of actual average rate bill per adult in 1989-90.

- Total standard spending set at £32.8 billion, £1.2 billion above 1989-90 budgets - a realistic but challenging target for local authorities.

- Safety net reformed: all gainers now get 40-50 per cent of gains in first year; losers get transitional protection from all but first £25 of losses; extra protection for areas of lowest rateable value, and for Inner London, where boroughs take on education from ILEA.

- Business rates [Depends on timing of announcement.]

  - Transitional arrangements to take account of changes in rate bills following revaluation and more to uniform business rate.

  - Losses from the changes limited in first year to 20 per cent of previous bill, in real terms.

  - To pay for protection, gains limited to around [10 per cent].

  - Government doubled ceiling for special help for small businesses.

A. BACKGROUND

1. Background to settlement is one of continued local authority overspending.

   - In 1989-90, authorities' budgets are £1.2 billion more than the Government provided for in last year's settlements.

   - And budgets are £1.9 billion more than the Government's assessment of the actual need to spend.

2. Still enormous scope for savings. Audit Commission has identified potential savings of over £2½ billion from contracting out, efficiency improvements etc.

3. Reducing public expenditure as share of national income is a central element of economic policy - the only way to create the conditions for sustained growth and the defeat of inflation. Local authorities must play their part.

B. NEW SYSTEM OF LOCAL GOVERNMENT FINANCE

4. New system of local government finance to be introduced from April 1990:

- simpler
- fairer
- more accountable.

5 Key features are:

- community charge replaces domestic rates;
- national uniform business rate replaces local business rates set by councils;
- new grant system, once fully introduced, will distribute grant so that if all councils delivered standard level of services, community charge would be same everywhere.

6. Compared with domestic rates, community charge

- spreads burden over all those benefiting from local authority services;
- promotes accountability, since all electors will understand how much the council is spending;
- rebates help those in need (see... for details, to follow).

7. Under new system of <u>business rates</u>

- all businesses will pay same uniform business rate, set by central government;

- business rate revenue distributed to all councils on a per adult basis.

8. <u>New grant system</u> Principle is that, if authorities spend at level needed to provide standard service, community charge should be same everywhere. A much simpler and fairer system.

- Start by deciding total amount local authorities need to spend, to deliver standard services - Total Standard Spending (TSS).

- Decide how much of this falls to each authority.

- Deduct authority's share of business rate income.

- Pay grant so that cost of remaining standard spending works out at same amount per adult everywhere - community charge for standard spending (CCSS)

- Authorities with greater needs therefore get more grants.

C. GRANT SETTLEMENT FOR 1990-91

9. The Environment Secretary announced that government support for current spending for 1990-91 would be £23.1 billion, £1.7 billion more than in the current year, an increase of nearly 8%. With inflation set to fall from present levels, this will represent a substantial real increase in spending power in 1990-91.

10. This support (known as Aggregate Exchequer Finance (AEF)) includes Standard Spending Grant (the old rate support grant, now technically known as revenue support grant), and the payment to local authorities from business rates. It also includes most specific grants, [other than those which pay for 100% of spending on the service in question (or almost 100%). So most of the current grants which used to form part of Aggregate Exchequer Grant (AEG) are within AEF, such as police grant, and education support grants. But grants which are paid at or are very close to 100% are outside, such as housing benefit.]

11. The division of AEF between Standard Spending Grant, business rate payments, and specific grants will be made in the Autumn.

12. The Environment Secretary also announced Total Standard Spending - the amount authorities need to spend in aggregate, to deliver a standard level of services. For 1990-91, this will be £32.8 billion. This is an increase of £1.2 billion on local authority budgets for 1989-90 - a challenging, but realistic target. Those authorities which stayed within their old grant-related expenditure assessment (GREA) should have no difficulty in spending at standard spending - and Conservative authorities as a whole spent below their GREA. However, the standard spending figure will impose a squeeze on overspending authorities, particularly high-spending Labour authorities. It thus maintains the Government's ten-year policy of getting down local authority overspending - a policy which the community charge will help.

13. The community charge for standard spending (CCSS) depends on the level of TSS and grant (AEF). The figures above mean that, if local authorities spent in line with the standard assessment, £9.9 billion would have to raised from chargepayers. That means the community charge for standard spending would be about £275. This is the benchmark for accountability in the new system. After taking account of the safety net (see below) chargepayers will know that if their local authority is charging more than the CCSS they are overspending.

14. Actual community charges will depend partly on the safety net, and partly on each local authority's own decisions on spending.

15. This is a fair and balanced settlement. Reasonable, well run authorities will be well able to set community charges in line with the CCSS (after taking account of any contribution to or from the safety net). But overspending councils will have to account to chargepayers for their overspending.

D. SAFETY NET

16. The Environment Secretary also announced changes to the safety net, to enable gainers to get more of their gains sooner.

17. Not surprisingly, with such wide-ranging changes to the local government finance system, there will be substantial changes in domestic tax bills. In some authorities, the community charge is likely to be significantly lower than the average domestic rate bill per head; in others, it will be higher.

18. One of the main reasons for this is that the old system distributed grant on the basis of rateable value. Where both spent at need, an area of low rateable value would get more grant than an area of high rateable value. So community charges will tend to be higher than average rate bills in areas of low rateable value, typically in the North, and lower in areas of high rateable value, typically in Outer London and the South. Charges are also likely to be high in some parts of Inner London [which lose from the change to the system of business rates.]

19. The Government has decided that it would not be right for the full impact of the changes to come through straight away - that would mean community charges in some authorities might be £100 above this year's average rate bill per head, or in some cases more. Where these increases would result from overspending, the accountability of the community charge will help to bring this down. But this is bound to take time, and it would be unreasonable to expect chargepayers to bear the full burden straight away. So some form of safety net is essential.

20. The original proposal for the safety net was:

- losing authorities would see no increase in domestic tax bills in the first year: if they maintained their spending in real terms, the community charge in the first year need be no higher than the average rate bill per adult in real terms;

- this was to be paid for by gainers seeing none of their gains in the first year, subject to a maximum contribution of £75.

21. The Government has reviewed the safety net in the light of representations. The new proposals are:

- losers will bear the first £25 of loss;

- there will be special protection for two particular sets of authorities (see para 23 below);

- gainers will get 40-50 per cent of their gains in the first year;

- and in no case will gainers have to contribute more than £75.

22. This is a <u>much better package for the gainers</u>.

- Previously, only the larger gainers saw any benefit at all in the first year. Now all of them gain straight away.
- Previously, some authorities made the maximum contribution of £75. Now, very few will do so.
- For the great majority of gainers, the safety net contribution will be lower than previously expected, in some cases substantially so.

23. The new package is also <u>a fair deal for the losers</u>. For most, the loss will mean an average of below 50 pence a week. And in two particular cases, there will be special protection.

- Areas with the lowest domestic rateable values are among the heaviest losers. So there will be a specific grant of £100 million to give these authorities more time to higher level of charges.
- In Inner London, the boroughs are taking on responsibility for education for the first time with the abolition of ILEA. It will undoubtedly take time for them to bring down ILEA's overspending. In the short term, a specific grant of £100 million will be paid to reduce the burden falling on the chargepayer. For the first year, much of this serves to reduce the cost of safety net protection for Inner London and thus reduce further the cost of the safety net falling on gaining authorities.

E. BUSINESS RATES

24. Reform of business rates

- Rates set by local councils replaced by uniform national business rate, set by central government.

- Business rate revenue distributed to all councils as an equal amount per adult.

- Revaluation of all properties, for first time since 1973.

25. New systems has considerable advantages.

- Legislation provides that rate must not rise by more than inflation.

- So businesses have stable and predictable rate bills, after volatile and often substantial increases of recent years.

- Rate the same everywhere, so decisions on location no longer affected by local councils' rate decisions.

- Local councils can no longer load burden of overspending on business rate payer who has no vote - overspending now reflected in community charge, so councils properly accountable to voters.

- Revaluation means rate bills based on up-to-date figures: helps businesses in areas which have done less well than the average since 1973.

26. In general, factories and warehouses will benefit; shops and offices will tend to pay more. Overall, business in the North and the Midlands is projected to see rate reductions of £800 million.

27. Not surprisingly, with major reform plus revaluation, there will be substantial shifts in rate bills. Transitional arrangements therefore provided, to phase these in.

- Losses limited to 20 per cent of previous year's rate bill in real terms.

- To pay for this protection, gains have to be limited to around [10 per cent] of previous year's bill in real terms.

28. Government has extended special help for small businesses. For them, losses are limited to 15 per cent and 15 per cent of gains allowed to come through. Previously, the Government had defined small businesses as those with a new rateable value of £7500 in London and £5000 elsewhere. These thresholds have been doubled, to £15,000 in London, and £10,000 elsewhere. This extends special help to around 80 per cent of properties.

chex.pj/docs/10.7.8 **CONFIDENTIAL** 18/7/89. PMP

[Backbench Brief]

1990-91 LOCAL AUTHORITY GRANT SETTLEMENT: BRIEFING

As faxed to DOE by Mrs Chaplin 18-7.89

Key points

- Government support (Aggregate Exchequer Finance) up £1.7 billion on 1989-90.

- Total standard spending (the Government's measure of the amount authorities need to spend to deliver a standard level of services) set at £32.8 billion, £1.2 billion above 1989-90 budgets - a realistic but challenging target for local authorities.

- Community charge for standard spending (the community charge an authority would need to set to pay for standard services) fixed at £275, around level of actual average rate bill per adult in 1989-90.

- Safety net reformed: all gainers now get 40-50 per cent of gains in first year; losers get transitional protection from all but first £25 of losses; extra protection for areas of lowest rateable value, and for Inner London, where boroughs take on education from ILEA.

A. BACKGROUND

Background to settlement is one of continued local authority overspending.

- Budgets in 1989-90 are £1.9 billion more than the Government's assessment of the actual need to spend, (the aggregate of all grant-related expenditure assessments - GREAs).

- On the basis of this year's budgets, Conservative authorities as a group spend below their GREA. But nearly

90 per cent of Labour authorities spend above their GREA. [DoE to check, please]

Local authority spending is growing much faster than public spending as a whole. Over the last 4 years, general government spending, excluding privatisation proceeds, has grown by 1 per cent in real terms, whereas local authority current spending has grown by 13 per cent in real terms. So local authorities are making it harder for the Government to achieve its target of reducing the share of national income which goes in public spending.

Still enormous scope for savings. Audit Commission has identified potential savings of over £2½ billion for local authorities as a whole from contracting out, efficiency improvements etc. District auditors have identified £900 million savings for individual local authorities. Only £300 million of this has been realised.

Reducing public expenditure as share of national income is a central element of economic policy - the only way to create the conditions for sustained growth and the defeat of inflation. Local authorities must play their part.

B. NEW SYSTEM OF LOCAL GOVERNMENT FINANCE

New system of local government finance to be introduced from April 1990:

- simpler
- fairer
- more accountable.

Key features are:

- community charge replaces domestic rates;
- national uniform business rate replaces local business rates set by councils;
- new grant system, once fully introduced, will distribute

grant so that if all councils delivered standard level of services, community charge would be same everywhere.

Under the new system, some 70 per cent of total standard spending will be met by the taxpayer and the business ratepayer. So the community charge only pays for part of the total.

Compared with domestic rates, community charge

- spreads burden over all those benefiting from local authority services;
- promotes accountability, since all electors will understand how much the council is spending;
- rebates help those in need.

Under new system of business rates

- all businesses will pay same uniform business rate, set by central government;
- business rate revenue distributed to all councils on a per adult basis;
- in future the business rate will rise no faster than inflation.

New grant system Principle is that, if authorities spend at level needed to provide standard service, community charge should be same everywhere. A much simpler and fairer system.

- Start by deciding total amount local authorities need to spend, to deliver standard services - Total Standard Spending (TSS).
- Decide how much of this falls to each authority.

- Deduct authority's share of business rate income.

- Pay grant so that cost of remaining standard spending works out at same amount per adult everywhere - community charge for standard spending (CCSS)

- Authorities with greater needs therefore get more grants.

C. GRANT SETTLEMENT FOR 1990-91

The Environment Secretary announced that government support for current spending for 1990-91 would be £23.1 billion, £1.7 billion more than in the current year. This increase of 8% is well above projected levels of inflation for next year.

This support (known as Aggregate Exchequer Finance (AEF)) includes Standard Spending Grant (the old rate support grant, now technically known as revenue support grant), and the payment to local authorities from business rates. It also includes most specific grants. So most of the current grants which used to form part of Aggregate Exchequer Grant (AEG) are within AEF, such as police grant, and education support grants. But grants which pay for all or almost all of spending on a particular service - such as housing benefit, or mandatory student awards - are paid in addition to AEF.

The division of AEF between Standard Spending Grant, business rate payments, and specific grants will be made in the Autumn.

The Environment Secretary also announced Total Standard Spending - the amount authorities need to spend in aggregate, to deliver a standard level of services. For 1990-91, this will be £32.8 billion. This is an increase of £1.2 billion on local authority budgets for 1989-90 - a challenging, but realistic target. Those authorities which stayed within their old grant-related expenditure assessment (GREA) should have no difficulty in spending at standard spending - and Conservative authorities as a whole spent below their GREA. However, the standard spending figure will impose a squeeze on overspending authorities, particularly high-spending Labour authorities. It thus maintains the Government's ten-year policy of getting down local authority overspending - a policy which the community charge will help.

The community charge for standard spending (CCSS) depends on the level of TSS and grant (AEF). The figures above mean that, if local authorities spent in line with the standard assessment, the community charge for standard spending would be about £275. This is the benchmark for accountability in the new system. After taking account of the safety net (see below) chargepayers will know that if their local authority is charging more than the CCSS they are overspending.

Actual community charges will depend partly on the safety net, and partly on each local authority's own decisions on spending. If local authorities spend more, the money will have to come from the community charge.

This is a fair and balanced settlement. Reasonable, well run authorities will be well able to set community charges in line with the CCSS (after taking account of any contribution to or from the safety net). But overspending councils will have to account to chargepayers for their overspending.

D. SAFETY NET

The Environment Secretary also announced changes to the safety net, to enable gainers to get more of their gains sooner.

Not surprisingly, with such wide-ranging changes to the local government finance system, there will be substantial changes in domestic tax bills. In some authorities, the community charge is likely to be significantly lower than the average domestic rate bill per head; in others, it will be higher.

One of the main reasons for this is that the old system distributed grant on the basis of rateable value. Where both spent at need, an area of low rateable value would get more grant than an area of high rateable value. So community charges will tend to be higher than average rate bills in areas of low rateable value, typically in the North, and lower in areas of high rateable value, typically in Outer London and the South. [Charges are also likely to be high in some parts of Inner London, in particular because ILEA's overspending now falls wholly on the chargepayer and not on the business ratepayer.] [DoE to check, please.]

The Government has decided that it would not be right for the full impact of the changes to come through straight away - that would mean community charges in some authorities might be £100 above this year's average rate bill per head, or in some cases more. Where these increases would result from overspending, the accountability of the community charge will help to bring this down. But this is bound to take time, and it would be unreasonable to expect chargepayers to bear the full burden straight away. So some form of safety net is essential.

The original proposal for the safety net was:

- losing authorities would see no increase in domestic tax bills in the first year: if they maintained their spending in real terms, the community charge in the first year need be no higher than the average rate bill per adult in real terms;

- this was to be paid for by gaining authorities seeing none of their gains in the first year, subject to deferring a maximum of £75 per adult.

The Government has reviewed the safety net in the light of representations. The new proposals are:

- charge payers in losing authorities will bear the first £25 of their loss;

- there will be special protection for two particular sets of authorities (see below);

- gainers will get almost half of their gains in the first year;

- and in no case will even the largest gainers have more than £75 of their gain deferred.

This is a <u>much better package for the gainers</u>.

- Previously, only the larger gainers saw any benefit at all in the first year. Now all of them will get around 45% of their gains straight away.
- Previously, charge payers in several authorities had £75 of their gain deferred. Now, very few will do so.
- For the great majority of gainers, the amount deferred by the safety net arrangement will be lower than previously expected, in some cases substantially so.

The new package is also <u>a fair deal for the losers</u>. On average, the community charge in losing areas need to be no more than 50 pence a week above the average rate bill, if local authorities spend in line with the standard spending assumption. And in two particular cases, there will be special protection.

- Areas with the lowest domestic rateable values are among the heaviest losers. So there will be a specific grant of £100 million to give these authorities more time to adjust to a higher level of charges.

- In Inner London, the boroughs are taking on responsibility for education for the first time with the abolition of ILEA. It will undoubtedly take time for them to bring down ILEA's overspending. In the short term, a specific grant of £100 million will be paid to reduce the burden falling on the chargepayer. For the first year, much of this serves to reduce the cost of safety net protection for Inner London and thus reduce further the cost of the safety net falling on gaining authorities.

doc 10.7.8. Chaplin **CONFIDENTIAL** 18/7/89 CN/ This replaces the RSG section in the version you already have. Comments required in the morning. DJS

RSG SETTLEMENT: BACKBENCH BRIEF: THIRD DRAFT

Key points

- Government support (Aggregate Exchequer Finance) up £1.7 billion on 1989-90.

- Total standard spending - the Government's measure of the amount authorities need to spend to deliver a standard level of services - set at £32.8 billion, £1.2 billion above 1989-90 budgets - a realistic but challenging target for local authorities.

- Community charge for standard spending - the community charge an authority would need to levy in order to pay for standard services - set at £275, around level of actual average rate bill per adult in 1989-90.

- Safety net reformed: all gainers now get 40-50 per cent of gains in first year; losers get transitional protection from all but first £25 of losses; extra protection for areas of lowest rateable value, and for Inner London, where boroughs take on education from ILEA.

- Business rates [Depends on timing of announcement - now likely to be by Written Answer next week.]

  - Transitional arrangements to take account of changes in rate bills following revaluation and move to uniform business rate.

  - Losses from the changes limited in first year to 20 per cent of previous bill, in real terms.

  - To pay for protection, gains limited to around [10 per cent].

  - Government doubled ceiling for special help for small businesses. Around 80 per cent of properties likely to benefit.

A. BACKGROUND

1. Background to settlement is one of continued local authority overspending.

- Budgets in 1989-90 are £1.9 billion more than the Government's assessment of the actual need to spend, (the aggregate of all grant-related expenditure assessments (GREAs)).

- X per cent of Conservative authorities spend within their GREA. But X per cent of Labour authorities spend above their GREA.

2. Local authority spending is growing faster than public spending as a whole. Over the last X years, central government spending has grown by Z per cent, whereas local authority spending has grown by Y per cent. So local authorities are making it harder for the Government to achieve its target of reducing the share of national income which goes in public spending.

3. Still enormous scope for savings. Audit Commission has identified potential savings of over £2½ billion for local authorities as a whole from contracting out, efficiency improvements etc. District auditors have identified £900 million savings for individual local authorities. Only £300 million of this has been realised. (Examples to follow.)

4. Reducing public expenditure as share of national income is a central element of economic policy - the only way to create the conditions for sustained growth and the defeat of inflation. Local authorities must play their part.

B. NEW SYSTEM OF LOCAL GOVERNMENT FINANCE

4. New system of local government finance to be introduced from April 1990:

- simpler
- fairer
- more accountable.

5 Key features are:

- community charge replaces domestic rates;
- national uniform business rate replaces local business rates set by councils;
- new grant system, once fully introduced, will distribute grant so that if all councils delivered standard level of services, community charge would be same everywhere.

6. Under the new system, some 70 per cent of total standard spending will be met by the taxpayer and the business ratepayer. So the community charge only pays for part of the total.

7. Compared with domestic rates, community charge

- spreads burden over all those benefiting from local authority services;

- promotes accountability, since all electors will understand how much the council is spending;

- rebates help those in need (see... for details, to follow).

8. Under new system of <u>business rates</u>

- all businesses will pay same uniform business rate, set by central government;

- business rate revenue distributed to all councils on a per adult basis;

- in future the business rate will rise no faster than inflation.

9. <u>New grant system</u> Principle is that, if authorities spend at level needed to provide standard service, community charge should be same everywhere. A much simpler and fairer system.

- Start by deciding total amount local authorities need to spend, to deliver standard services - Total Standard Spending (TSS).

- Decide how much of this falls to each authority.

- Deduct authority's share of business rate income.

- Pay grant so that cost of remaining standard spending works out at same amount per adult everywhere - community charge for standard spending (CCSS)

- Authorities with greater needs therefore get more grants.

C. GRANT SETTLEMENT FOR 1990-91

10. The Environment Secretary announced that government support for current spending for 1990-91 would be £23.1 billion, £1.7 billion more than in the current year. This increase of 8% is well above projected levels of inflation for next year.

11. This support (known as Aggregate Exchequer Finance (AEF)) includes Standard Spending Grant (the old rate support grant, now technically known as revenue support grant), and the payment to local authorities from business rates. It also includes most specific grants. So most of the current grants which used to form part of Aggregate Exchequer Grant (AEG) are within AEF, such as police grant, and education support grants. But grants which pay for all or almost all of spending on a particular service - such as housing benefit, or mandatory student awards - are paid in addition to AEF.

12. The division of AEF between Standard Spending Grant, business rate payments, and specific grants will be made in the Autumn.

13. The Environment Secretary also announced Total Standard Spending - the amount authorities need to spend in aggregate, to deliver a standard level of services. For 1990-91, this will be £32.8 billion. This is an increase of £1.2 billion on local authority budgets for 1989-90 - a challenging, but realistic target. Those authorities which stayed within their old grant-related expenditure assessment (GREA) should have no difficulty in spending at standard spending - and Conservative authorities as a whole spent below their GREA. However, the standard spending figure will impose a squeeze on overspending authorities, particularly high-spending Labour authorities. It thus maintains the Government's ten-year policy of getting down local authority overspending - a policy which the community charge will help.

14. The community charge for standard spending (CCSS) depends on the level of TSS and grant (AEF). The figures above mean that, if local authorities spent in line with the standard assessment, £9.9 billion would have to raised from chargepayers. That means the community charge for standard spending would be about £275. This is the benchmark for accountability in the new system. After taking account of the safety net (see below) chargepayers will know that if their local authority is charging more than the CCSS they are overspending.

15. Actual community charges will depend partly on the safety net, and partly on each local authority's own decisions on spending. If local authorities spend more, the money will have to come from the community charge.

16. This is a fair and balanced settlement. Reasonable, well run authorities will be well able to set community charges in line with the CCSS (after taking account of any contribution to or from the safety net). But overspending councils will have to account to chargepayers for their overspending.

D. SAFETY NET

17. The Environment Secretary also announced changes to the safety net, to enable gainers to get more of their gains sooner.

18. Not surprisingly, with such wide-ranging changes to the local government finance system, there will be substantial changes in domestic tax bills. In some authorities, the community charge is likely to be significantly lower than the average domestic rate bill per head; in others, it will be higher.

19. One of the main reasons for this is that the old system distributed grant on the basis of rateable value. Where both spent at need, an area of low rateable value would get more grant than an area of high rateable value. So community charges will tend to be higher than average rate bills in areas of low rateable value, typically in the North, and lower in areas of high rateable value, typically in Outer London and the South. [Charges are also likely to be high in some parts of Inner London, in particular because ILEA's overspending now falls wholly on the chargepayer and not on the business ratepayer.]

20. The Government has decided that it would not be right for the full impact of the changes to come through straight away - that would mean community charges in some authorities might be £100 above this year's average rate bill per head, or in some cases more. Where these increases would result from overspending, the accountability of the community charge will help to bring this down. But this is bound to take time, and it would be unreasonable to expect chargepayers to bear the full burden straight away. So some form of safety net is essential.

21. The original proposal for the safety net was:

- losing authorities would see no increase in domestic tax bills in the first year: if they maintained their spending in real terms, the community charge in the first year need be no higher than the average rate bill per adult in real terms;

- this was to be paid for by gainers seeing none of their gains in the first year, subject to a maximum contribution of £75.

22. The Government has reviewed the safety net in the light of representations. The new proposals are:

- losers will bear the first £25 of loss;

- there will be special protection for two particular sets of authorities (see para 23 below);

- gainers will get ~~40-50 per cent of~~ almost half their gains in the first year;

- and in no case will even the largest gainers have to contribute more than £75.

23. This is a <u>much better package for the gainers</u>.

- Previously, only the larger gainers saw any benefit at all in the first year. Now all of them will get around 45% of their gains straight away.
- Previously, some authorities made the maximum contribution of £75. Now, very few will do so.
- For the great majority of gainers, the safety net contribution will be lower than previously expected, in some cases substantially so.

24. The new package is also <u>a fair deal for the losers</u>. On average, the community charge in losing areas need to be no more than 50 pence a week above the average rate bill, if local authorities spend in line with the standard spending assumption. And in two particular cases, there will be special protection.

- Areas with the lowest domestic rateable values are among the heaviest losers. So there will be a specific grant of £100 million to give these authorities more time to higher level of charges.
- In Inner London, the boroughs are taking on responsibility for education for the first time with the abolition of ILEA. It will undoubtedly take time for them to bring down ILEA's overspending. In the short term, a specific grant of £100 million will be paid to reduce the burden falling on the chargepayer. For the first year, much of this serves to reduce the cost of safety net protection for Inner London and thus reduce further the cost of the safety net falling on gaining authorities.

E. BUSINESS RATES

25. Reform of business rates

- Rates set by local councils replaced by uniform national business rate, set by central government.

- Business rate revenue distributed to all councils as an equal amount per adult.

- Revaluation of all properties, for first time since 1973.

26. New system has considerable advantages.

- Legislation provides that the increase in the rate must not be greater than the rate of inflation.

- So businesses have stable and predictable rate bills, after volatile and often substantial increases of recent years.

- Rate the same everywhere, so decisions on location no longer affected by local councils' rate decisions.

- Local councils can no longer load burden of overspending on business rate payer who has no vote - overspending now reflected in community charge, so councils properly accountable to voters.

- Revaluation means rate bills based on up-to-date figures: helps businesses in areas which have done less well than the average since 1973.

27. In general, factories and warehouses will benefit; shops and offices will tend to pay more. Overall, business in the North and the Midlands is projected to see rate reductions of £800 million.

28. Not surprisingly, with major reform plus revaluation, there will be substantial shifts in rate bills. Transitional arrangements therefore provided, to phase these in.

- Losses limited to 20 per cent of previous year's rate bill in real terms.

- To pay for this protection, gains have to be limited to around [10 per cent] of previous year's bill in real terms.

29. Government has extended special help for small businesses. For them, losses are limited to 15 per cent and 15 per cent of gains allowed to come through. Previously, the Government had defined small businesses as those with a new rateable value of £7500 in London and £5000 elsewhere. These thresholds have been doubled, to £15,000 in London, and £10,000 elsewhere. This extends special help to around 80 per cent of properties.