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Prime Minister (4)
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 FROM THE SECRETARY OF STATE

6 July 1983

Ken Parcell

MA

Rate Limitation Legislation

Thank you for sending me a copy of your minute of 29 June to the Prime Minister.

I am broadly content with the lines you propose to take in the draft White Paper. I agree that we should think in terms of about 15 of the higher-spending authorities for the selective scheme, and that comparison between expenditure and GRE assessment will be an important criterion for selection. I also agree that any system of general control should take into account individual authorities' circumstances. The alternative of standard limits on rating increases, unrelated to eg changes in population, would lead to some indefensible anomalies.

I have just two suggestions to make at this stage. First, I believe that the White Paper should acknowledge our need to take into account local authorities' statutory responsibilities for specific services when we consider the criteria for selection (and applications for derogation). Secondly, I agree that the relationship between a selective scheme of rating control and a general scheme of targets and holdback will need careful consideration. One means of avoiding the potential conflict here would be to strengthen the disincentives to high spending within the block grant itself, so that general targets were unnecessary in 1985-86. We ought to consider taking the first steps in this direction in the Settlement for 1984-85, as I suggested in my letter of 20 June.

I am copying this minute to the Prime Minister and the other recipients of your minute.

Ken Parcell

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