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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

10 December 1984

Dear Andrew,

- ... I enclose a copy of the statement my Secretary of State expects to make on RSG on Wednesday, 12 December. If you have any comments I would be grateful if they could be with me by 5.00 pm on Tuesday, 11 December.
- / I am sending a copy of this letter to David Hayhoe (Leader of the House of Commons) and (Lord Privy Seal), the Prime Minister's Chief Press Secretary, Murdo MacLean (Government Whip's Office), Richard Hatfield (Cabinet Office), David Beamish (Government Whip's Office, Lords), Mr Durant (Welsh Whip) and Janet Lewis Jones (Lord President's Office), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office), Viscount Long (Welsh Spokesman, Lords), Alex Galloway (Paymaster General's Office), Iain Jack (Lord Advocate's Department), and John Ballard (Department of the Environment).

Yours ever

PAUL SKELLON

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FM2/15/D7

DRAFT PARLIAMENTARY STATEMENT - 12 DECEMBER 1984

WALES RATE SUPPORT GRANT SETTLEMENT: 1985/86

Mr Speaker, with permission I wish to make a statement about the Welsh Rate Support Grant Settlement for 1985-86.

I am today announcing to the Welsh Consultative Council on Local Government Finance the details of the 1985/86 Rate Support Grant Settlement. Copies of the text of my statement to the Consultative Council will be placed in the Library of the House. The Rate Support Grant Report has been laid before the House today and will be debated in the usual way. A copy of the Report, together with a number of key statistical tables have been placed in the Library of the House. I will be announcing my decisions on the related capital expenditure issues in the near future.

The main features of the 1985-86 Rate Support Grant Settlement confirm the intentions I announced in July. The total of relevant expenditure provision accepted for grants is £1,514.1m. This comprises £1.309m for current expenditure and £205.1m for non-current items. Current expenditure provision - after allowing for the abolition of National Insurance Surcharge from next April and the greater role of the Manpower Services Commission in funding certain areas of further education - is £46m or 3.6 per cent more than the provision underlying local authority current spending in the present year while the total of relevant expenditure is about 5 per cent more than the comparable budgeted total for the present year.

Aggregate exchequer grant will be £1,014.2m, comprising £149m for specific grants, £26.5m for transport supplementary grant, £2m for national parks supplementary grant and £836.7m for the rate support grants. Domestic rate relief is unchanged at 18¹/₂ pence in the £ which costs £25.5m, leaving £811.2m as block grant. After deducting £0.6m for payments to specified bodies the amount available for distribution to local authorities is £810.6m.



The aggregate exchequer grant of £1,014.2m is £18.2m or 1.8 per cent more than the aggregate exchequer grant provision in the main rate support grant Settlement for the current year; but far more important for rating purposes, it is almost £50m or 5 per cent higher than the amount authorities have included in their budgets for the present year, after allowing for the expenditure changes I have already referred to.

I believe the Settlement is very fair, and the Welsh Consultative Council has acknowledged that it represents an improvement on last year. That this is so owes much to the restraint which has been exercised by a majority of Welsh local authorities.

There are, unfortunately, a small minority who persist in spending in excess of their targets. I have decided therefore for 1985-86 to retain targets and grant penalties for exceeding those targets. I have retained the same basic system for determining next year's expenditure targets as that used in the present year, but increased the weighting given to the grant related expenditure component.

The targets may require local authorities to make difficult choices in determining their spending priorities; but the targets, are, I believe, achievable by all authorities. Every authority's target gives a cash increase in its current expenditure: the minimum increase is 2 per cent and the maximum 4 per cent, after making allowance for the National Insurance Surcharge and further education changes. In addition, for authorities spending at or below target in 1984-85, I have added one-half of one per cent to their current expenditure total. Thus the maximum increase for such authorities is 4.5 per cent, in line with the projected rate of inflation for the economy as a whole. In aggregate, the targets I am announcing today are £7.6 million higher than the provisional sum notified to authorities in the summer. The increase largely reflects the use of fixed interest rates, and a slightly lower assumption for council house rents.



restraint, I regard the Settlement as very fair. It is now up to the local authorities in Wales to respond sensibly and with restraint. I believe they will. Given this and a continued vigilance against spending excesses and manpower increases, it should be within their power to maintain satisfactory levels of service in key areas while keeping rate increases on average to levels comparable with inflation.

I commend my proposals for the 1985-86 Welsh Rate Support Grant Settlement to the House.



Treasury Chambers, Parliament Street, SW1P 3AG

Paul Skellon Esq
Private Secretary to the
Secretary of State for Wales
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11 December 1984

Dear Paul

WELSH RSG ANNOUNCEMENT: 12 DECEMBER

We spoke about the Chief Secretary's comments on the draft statement circulated with your letter of 10 December to Andrew Turnbull.

I explained the Chief Secretary's concern that the forward indications of targets for 1986-87 and 1987-88 which your Secretary of State proposes to give for the first time should not unacceptably constrain future decisions by Ministers on total expenditure levels. The Chief Secretary acknowledges that the existing figures in PES are realistic and for this reason he is prepared to agree that forward indications should be given in order to encourage sensible planning by local authorities. He asked however for an explicit reference to be inserted in the statement making it clear that the forward indicators could not be regarded as sacrosanct. You agreed to add a further sentence to the end of paragraph 3 on page 3 of the draft statement as follows:

"I must emphasise however that these are indeed indications and circumstances in which the government has to review them cannot be ruled out."

I am copying this letter to Andrew Turnbull (No. 10), John Ballard (Department of the Environment) and Mr John Graham (Scottish Office).

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary