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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

3 December 1987

cc BI and pa.

NBP7

Dear David

WELSH RATE SUPPORT GRANT SETTLEMENT 1988/89

... I enclose a draft of the oral statement which my Secretary of State proposes to make on Tuesday 8 December. I should be grateful if any amendments or comments could reach me by the morning of Monday 7 December.

/ I am copying this letter and attachment to the Private Secretaries of E(LA) members, to Murdo Maclean and Rhodri Walters in the Chief Whips' offices, and to Trevor Woolley in Sir Robert Armstrong's office.

Yours sincerely
Jon Shortridge

J D SHORTRIDGE

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1A 2AA



PARLIAMENTARY STATEMENT 8 DECEMBER 1987

WELSH RATE SUPPORT GRANT 1988/89

With permission, Mr Speaker, I should like to make a statement about the Welsh Rate Support Grant Report for 1988/89 and the Supplementary Reports for 1984/85 and 1985/86, which I have today laid before the House.

I am today announcing the details of the 1988/89 Settlement to the Welsh Consultative Council on Local Government Finance; copies of the text of my statement to the Consultative Council, together with a number of key statistical tables, have been placed in the Library.

Before I give details of the Settlement I shall refer briefly to the second Supplementary Reports for 1984/85 and 1985/86, which are based on authorities' audited out-turn expenditure and are intended to be the final reports for those years. The 1984/85 Report increases Aggregate Exchequer Grant by £9.5m and makes provision for an increase in relevant expenditure and additional grant holdback. The 1985/86 Report increases AEG by £9.7m. It restores grant previously withheld and increases provision for relevant expenditure.

I turn now to the Settlement for 1988/89. I announced my proposals for 1988/89 to the House in July, and these have been the subject of consultations with the local authority associations. The Report takes account of their views. The main elements of the Settlement for 1988/89 are:

- provision for relevant expenditure will be set at £1,894.0m. This is £112.9m or 6.3 per cent over 1987/88 budgets, 1.8 per cent over the expected rate of inflation and £8.0m higher than the amount announced in July;
- the current expenditure provision is set at £1,640.0m; an increase of £81.9m or 5.3 per cent over last year and 0.8 per cent above the expected rate of inflation;



- Aggregate Exchequer Grant is £1,256.0m; an increase of £80.9m or 6.9 per cent over last year;
- specific and supplementary grants total £241.2m - an increase of 5.8 per cent on 1987/88;
- domestic rate relief grant remains unchanged at 18.5p in the pound, and in aggregate totals £27.0m;
- block grant is £987.8m, an increase of £66.9m or 7.3 per cent over last year.

I have decided to retain the same block grant mechanisms as those used in the present year and have restricted changes to the methodology used in assessing needs to those requested by the local authority associations. I have thus provided the stability sought by the local authority associations. This is particularly important as the present rate support grant system reaches its penultimate year. The threshold and the slope of the poundage schedule remain unchanged, and multipliers will limit the effects of certain year-on-year changes in grant entitlement.

The Settlement provides significant rating benefits for councils which increase spending by less than the anticipated rate of inflation. Their decisions will be rewarded with additional grant, with the obvious and welcome consequence of lower rate rises. Authorities' grant entitlements are entirely the outcome of their own spending decisions: they will get what they claim.

The 1988/89 Settlement is fair and realistic. The increases in all the main components - relevant expenditure, current expenditure, Aggregate Exchequer grant and block grant are well above the forecast rate of inflation. I hope that all councils in Wales will respond to this Settlement, in the interests of their ratepayers, by keeping spending close to my plans, by making further progress towards greater efficiency and by securing moderate wage increases. They have a responsibility to their ratepayers to do so and to budget for low rate rises.