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From the Minister of State
for Local Government

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

9 December 1987

Dear David,

Prime Minister²
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JWS
11/12.

RATE SUPPORT GRANT

Mr Howard has today written to MPs for those London Boroughs which have lost Rate Support Grant because of an error in the 1986/87 Settlement, the so called 'Bromley Error'. His letter explains how we propose to implement the correction, if the necessary legislation, contained in the Local Government Finance Bill, is enacted.

As the London Borough of Barnet is one of those involved, the Prime Minister will wish to have this copy of his letter to Sydney Chapman MP.

Your sincerely
Alan Ridwell

ALAN RIDDELL
Private Secretary

David Norgrove Esq





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for Local Government

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

9 December 1987

Dear Mr. Chapman

RATE SUPPORT GRANT

You will recall that I wrote to you on 16 July to let you know that we intended to withdraw our appeal against the judgement given in the case brought by the London Borough of Greenwich, and then to take legislative powers to ensure that we could correct what has become known as the "Bromley Error". I am writing now to tell you how we propose to implement the correction.

The Local Government Finance Bill introduced last week contains in clause 113 the provisions necessary to enable us to correct the error. Once these provisions are enacted, we will need to make three Supplementary Rate Support Grant Reports for 1986/87, 1987/88 and 1988/89 to effect the corrections. We are obliged to implement Supplementary Reports for the current year once they are approved. For earlier years, it is our normal practice to implement them in the following financial year, so that authorities have time to take their changed grant entitlement into account when setting their rate. To do that in this case, however, would prolong the unsatisfactory situation authorities have been in since 1986/87.

We would therefore propose to make the grant changes resulting from the correction of the error for 1987/88 as soon as possible after the Supplementary Report is made. Thus the correction would be made for two out of the three years concerned as quickly as possible. Only the 1986/87 adjustments would be held over for implementation in early 1989. This is one of the years in which "grant recycling" applies and we cannot say in advance what the final effect of the Supplementary Report would be for each authority. In the circumstances I do not think it would be reasonable to expect authorities to bear the uncertain and possibly quite substantial effects of implementation of this Report in year, particularly as these results depend on the expenditure decisions of all other authorities.

My officials have today written to the local authority associations about these proposals, and will provide them and local authorities with further details on the effects of the correction. This will enable the affected Boroughs to take full account of our intentions when setting their budgets for 1988/89.

I am sure that your local authority will be pleased at this further more definite news of our future plans. While I do of course recognise that they would prefer all the Supplementary Reports to be implemented immediately, I hope you will understand that this is not a practical possibility because of the uncertainty about the effect of the 1986/87 Report and the consequent difficulties for certain authorities, including some ratecapped ones, of planning for the loss.

*Your sincerely
M. Howard*

M MICHAEL HOWARD