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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

22 January 1990

Dear Paul,

WELSH LOCAL GOVERNMENT FINANCE DEBATE: 24 JANUARY 1990

... I attach a draft of the opening speech which my Secretary of State intends using for this debate. Obviously this may be subject to minor amendments between now and Wednesday evening.

/ Copies go to the Private Secretaries to the Lord President, Secretary of State for Scotland, Secretary of State for the Environment, Chief Secretary, Chief Whip, and Sir Robin Butler.

S R Williams
S R WILLIAMS

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
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WELSH RSG DEBATE, 24 JANUARY 1990

I beg to move,

That the Welsh Revenue Support Grant Report 1990/91, a copy of which was laid before this House on 20 December 1989, be approved.

It may be for the convenience of the House if we discuss at the same time the following motions:

That the Welsh Revenue Support Grant Distribution Report, a copy of which was laid before this House on 20 December 1989, be approved;

That the Distribution of Non-Domestic Rates (Relevant Population) Report for Wales, a copy of which was laid before this House on 20 December 1989, be approved;

That the Welsh Non-Domestic Rating (County Share and District Share) Report, a copy of which was laid before this House on 20 December 1989, be approved.

The Reports confirm that this is an excellent Settlement. Total standard spending is up by 7.1% over last years' budgets, and by no less than 9.4% over 1989/90 provision. Aggregate External Finance is increased by 8.6% over the comparable figure for 1989/90. This means that chargepayers in Wales should expect to contribute only 15% of local government spending, with the balance being met by business ratepayers and Government grants.

The fact is that local authorities in Wales know they have been given a very real opportunity to ensure a level of community charges averaging £173. They can achieve it if they budget responsibly in line with the settlement and in the interests of their chargepayers.

Members opposite have claimed that total standard spending of £2,114.5m is less than the amount required. They have voiced similar unfounded claims in response to all previous Welsh RSG Settlements. But where is the evidence? There is none. The fact is that Welsh local government has been given the resources needed to maintain and even develop services.

The hon Member for Alyn and Deeside, in responding to my Statement on 18 December made the quite extraordinary claim that

"There is no room for efficiency savings after 10 years of Conservative Government".

The fact is that the Audit Commission has estimated that some £52m of efficiency savings are achievable by Welsh councils purely on those services which the Commission has so far examined. Some of these have already been realised and Welsh councils are commendably seeking further savings. I ask the hon Gentleman to recognise the inaccuracy of his statement and to withdraw it.

The Settlement is also an excellent one for non-domestic ratepayers. Their contribution to local government spending has been held at the same level in real terms, as in 1989/90. I have honoured my commitment to ensure that the introduction of the uniform business rate will not lead to an increase in the burden on business. As a result of these new arrangements, which will remove the inequitable distortions caused by variations in local poundages, the business sector now has certainty that the maximum increase in its contribution in future years will not exceed inflation. The revaluation will remove the inequity caused by using out of date rateable values.

It is important also to recognise that the contribution required from Welsh businesses amounts only to around 20% of local authority spending and that the transitional arrangements I have introduced will phase in the changes faced by individual businesses over a number of years.

The combined effects of the revaluation and the introduction of the uniform business rate will serve to reduce the rates burden on industrial property. This can only be beneficial for the accelerating reinvigoration of Welsh industry, especially in the Valleys, where industry's rates burden will be around £11m lower.

Transitional provisions will also operate to reduce the effect of the new system on community chargepayers. I have provided £20m for a scheme of community charge transitional relief in 1990/91, over and above Aggregate External Finance. The overall effect is that the average charge actually payable in Wales - assuming authorities spend in line with my plans - should be £165, and certainly less than £173. The scheme will continue in 1991/92 and 1992/93. I have today placed my latest estimates of the distribution of these resources in the Library.

The scheme will ensure that all chargepayers in communities where forecast community charges are more than a specified threshold above the average rates bill per adult payable in 1989/90 will have their charges reduced by an amount equivalent to that excess. 317 out of the 855 communities in Wales will benefit, including all the communities in the Rhondda and a very high proportion of the communities in other Valleys areas. The reduction in charges payable will be as high as £93 in Garw Valley and £78 in New Tredegar. Some 750,000 chargepayers will benefit from the scheme. And because this is extra money, outside Aggregate External Finance, chargepayers in areas gaining from the new system will not be required to contribute towards an area safety net.

For those on the lowest incomes, community charge benefits will be available to meet up to 80% of the charge - though because of the low level of community charges in Wales, those who are on income support will actually enjoy an effective rate of relief higher than 100%. In the Rhondda, a couple on income support will effectively be at least £57 a year better off if spending is contained to the level implied by the Settlement; in Cynon Valley, £52 better off; and, indeed, Alyn and Deeside £46 in better off. And this is before any transitional relief is taken into account. I have taken steps to ensure that people know about these benefits and are encouraged to take them up.

There have been a number of reports that some Welsh local authorities are budgeting for high and unnecessary increases in the community charge. They appear to be doing so in the mistaken belief that they will be able to persuade their chargepayers that the Government and not their spending decisions is to blame. I would remind them that there is greater accountability under the new system and that they will not be able to blame the Government for unnecessary spending which gives rise

to excessive community charges. Responsibility for spending decisions will be clear. If those Welsh councils do decide to budget for increases which will unnecessarily impose unreasonable burdens on their chargepayers. I have no doubt that their electorate will wish to know why.

It is high time that Members opposite recognised that the Government has delivered a Settlement which is beneficial to Welsh chargepayers and that authorities can best serve their chargepayers by containing their spending and to keeping the community charge low, There is no need for charges to be higher than those I have published and an average of £173 is achievable. This is an outstanding Settlement for Wales, and I commend it to the House.

