

Prime Minister 2

These figures do not take account of any extra spending on teachers' pay DOE say.

PRIME MINISTER

DLW 1 October 1986

1/10.

1987/8 RATES

E(LA) have now reached final conclusions on the distribution of RSG in 1987/8. This implies rate increases as follows:

- Shire areas 3.3%
- Metropolitan areas -3.7%
- Inner London 1.5%
- Outer London 3.7%
- AVERAGE ENGLAND 1.4%

These figures are highly dependent on the main assumptions which are that authorities will spend 5.75% above 1986/7 current expenditure budgets, that rate-capped authorities will spend at their expenditure limit and that there will be no drawing down or building up of balances. In practice, any one of these factors could be different. In particular, newly elected Shire authorities may wish to increase expenditure beyond the level assumed whilst Shire districts, facing election next year, may choose to draw down balances. In addition, about £32m of money from the London Residuary Body (LRB) has not been taken into account in these simplifications. This will tend to reduce rate increases in London.

The Committee had a difficult job trying to reconcile a number of conflicting objectives in this settlement. They were aiming:

- a. to reverse last year's undue favouring of London;

- b. within the Shires to favour the districts, who would be facing re-election next year, as opposed to the Counties.

As a result, some £100m of grant is transferred away from the Shire counties, adversely affecting education and personal social services. But the Committee thought that the Government's election chances next year would be damaged more if Conservative district councillors complained loudly about an unsatisfactory settlement than if counties blamed the Government for cuts in education or, alternatively, increased rates by more than is assumed here.

However, the settlement actually produces lower rate increases in London and the Mets than elsewhere. The very modest rate increases in inner London and reduction in rates in the Mets are primarily the result of rate-capping. Rate-capping of four outer London boroughs has depressed the average rate increase there; in most non-rate-capped boroughs, increases will be close to 10% (eg Barnet 9.6%). Despite the aim, the settlement also produces high rate increases in some shire districts. For example, ratepayers in Buckinghamshire will face rate increases in each district of more than 10%. The settlement will therefore need careful presentation, in particular emphasising the effect of rate-capping in keeping down what would otherwise be much larger increases in London and the Mets than the Shires.

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