



pm

Ch/ You may wish to see attached DOE paper to PM ahead of N° 10 mtg you attend on Thursday.

You will see that in setting 90/91 needs, CST proposes 3% real increase in 89/90 G REs and unchanged real AEF. This produces "challenging" (ie unrealistically low) CCSNs and significantly higher actual CCs.

Mr Ridley, on other hand, wants to base 90/91 needs on an uplift of 89/90 budgets and his AEF goes up 5% in real terms so as to produce a "realistic" SN and actual CCs which are both lower and closer to CCSN.

You may wish to discuss with CST before Thursday.

CST *John*: @13

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*Wait Answer
with this*

FROM: BARRY H POTTER (LG1)
DATE: 19 May 1989
x4790

CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Mr Monck
Mr Edwards
Mrs Lomax
Mr Hudson
Mrs Chaplin

Ms. Halpin

LOCAL AUTHORITY CURRENT: PAPER FOR DISCUSSION WITH THE PRIME MINISTER

As agreed at the end of your meeting with the Secretary of State for the Environment and his Minister of State yesterday, Mr Osborn (DOE) prepared a revised draft of the paper for Thursday's discussion with the Prime Minister overnight. Mr Hudson and I discussed the revised draft with DOE officials this morning.

2. I attach a somewhat revised version of Mr Osborn's paper. Subject to comments from you, Mr Ridley and Mr Gummer, the paper will be sent to the Prime Minister on Monday evening.

3. Mr Osborn's draft was already much better than the DOE paper you discussed yesterday. We have sought however to make a number of changes: most of these were to reinforce the distinction between need to spend and actual spending on the one hand and the CCSN and actual community charges on the other. We have not sought to discourage DOE from presenting their options on need to spend on the basis of last year's budgets. In view of the Prime Minister's comments, there seemed no particular reason to dissuade DOE from this "own goal".

4. You will see that four options are displayed in the paper. The first two are your options as discussed with you yesterday evening; the other two are DOE's previous options, ie the low and basic options discussed in the first draft of their paper. I

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should mention that DOE officials are somewhat sore at the early rejection of the high grant option which Mr Ridley conceded yesterday. Though there was no indication of it this morning, I would not rule out an attempt by DOE to reinsert that option in some form or other.

5. The presentation of the options follows our preferred model. It focuses attention on spot estimates for AEF, the CCSN and need to spend; and, separately, shows only ranges for actual spending and actual community charges. This is an important presentational step forward.

6. There is one point on which we are minded to concede if you are content. This concerns the range shown for projected actual spending. As I explained yesterday, our view is that DOE may well be about right to suggest that local authorities will raise their budgets by about 7% next year. However, we can argue, very plausibly, that they will spend less: DOE officials are just about prepared to accept, though reluctantly, that there may be something in our argument that last year's budgets were inflated by one-off items of expenditure financed by balances. However, they are insistent that our projection of actual spending - which forms the bottom of the range - ought to start on the basis of last year's budgets maintained in real terms plus £200 million for the extra costs of running the community charge system. I would be inclined to concede this point: it is an important presentational point with Mr Ridley, and adds realism to our projection at the cost of only £3 on a projected average community charge.

7. We will have the opportunity to comment on Monday and suggest any changes to the paper. (I did not have the chance to clear internally this morning the description of your options in the paper.) You may wish to discuss the draft paper with us: alternatively it would be very helpful if Miss Evans could pass back any comments to us early on Monday. Also senior officials here have not yet had a chance to view the paper and may also wish to suggest amendments.

Barry H. Potter

BARRY H POTTER

DRAFT MINUTE TO THE PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT 1989

1. We are meeting for a preliminary discussion about prospects for the grant settlement on 25 May. It may be helpful to set out some initial figures and a range of options, which I have discussed with John Major.

2. The settlement this year will be particularly important and difficult. We must aim for sufficient grant and a pattern of distribution that will ensure that community charge levels in the first year can (or could be) set at reasonable levels. But we must recognise that some of the authorities may try to use the introduction of the new system as cover to push up spending levels and blame the resulting high community charge levels on the Government; this points to keeping grant levels down so as to discourage excessive spending.

[3. I am myself beginning to think that the only way to resolve this in the first year may be to set a realistic level of grant to enable authorities to keep average community charge levels down to a reasonable level if they budget sensibly, but to be ready to contemplate community charge capping for any authorities which abuse this by pushing up their spending excessively. I say this with reluctance because it will be controversial and ~~will~~ diminish local accountability. But I think it may be the only way to square the circle in the first year before chargepayers have become familiar with the new system, and are able to hold authorities properly to account for year on year changes in spending and charge levels.]

*mm
be
held to*

4. The 1989 position.

The following table summarises the position for 1989/90.

	1988/89 Outturn	1989/90 Settlement	1989/90 Budgets
Current Expenditure	£27,822m	£29,140m	£30,342m
% changes from 1988/89	-	4.7%	9.1%
AEG	£12,462m	£13,575m	£13,575m
% change from 1988/89	-	8.9%	8.9%

5. Provision for 1989/90 was 4.8% above 1988/89 budgets. This allowed for 4% general increase in expenditure plus an extra £110M for community charge preparation costs. In the event the increase in local authority expenditure was 9.1%, including £207m for community charge preparation costs. Local authorities drew down balances and kept domestic rate increases to an average 9.3%.

6. The 1989 Round

Moving forward to 1990/91 we have two main decisions to make at the aggregate level

(i) the total of need to spend

(ii) aggregate Exchequer finance for authorities (AEF)

This is equal to needs grant (revenue support grant) + certain specific grants + non domestic rates.

7. The difference between those two figures will be the amount which authorities will have to raise from the community charge if they spend at need (the CCSN). We shall however also have to consider what will happen to the community charge if they spend above need by varying amounts. The table below

shows the CCSN over the last three years; we shall want a CCSN for 1990/91 which looks reasonable. I have also shown the average rate bill per adult; we shall want a likely average actual charge which does not seem unreasonable.

	1987/88	1988/89	1989/90	
			published	adjusted*
CCSN	178	202	240	227
Average rate bill per adult (equivalent to the average actual CC)	224	246	274	258

which is rather clearer than the detail below.

8. The Table at Annex A summarises the key figures for illustrative options which officials have constructed as an initial sighting shot. (Fuller details are given in Annex A). John Major favours Option A; I favour Option D. The options produce the following results:

- In Option A the need to spend increases by 7.5% above this year's GRE (that is 3% above the current forecast of the GDP deflator). AEF goes up by 4%, so it is constant in real terms. This produces a CCSN of £264. Actual charges are in the range £300-321
- In Option B the need to spend increases by 9.5% above this year's GREs. AEF goes up by 6%. The CCSN rises to £270 but actual charges are somewhat lower at £289-£310.
- In Option C the need to spend is 3% above this year's budgets rather than GREs. AEF goes up by 6.5%. The CCSN is £273 and actual charges are £285-£306.

*Adjusted to allow for changes in function, eg ring-fencing of the housing revenue account.

- In Option D the need to spend increases by 4% over this year's budget, plus an additional £200m for the extra costs of collecting the community charge. AEF increases by 9.3%, giving lower actual charges of £270-£290. CCSN is £271.

Actual charges for all these options have been calculated on the basis of actual spending in the range £33.2 to £33.9 billion. This represents a cash increase of 4% to 7%, plus £200m for community charge collection costs, or around a real terms standstill to a real increase of 3%.

9. I suggest the important thing at our first meeting is to take a view on:

- i. What is an acceptable and plausible level for us to determine the need to spend in 1990/91 in relation to the provision or needs we set in 1989/90, the budgets that have come through for that year, the scope for efficiency savings and pressures for additional service provision, such as the need to provide for the administration of the community charge itself. I myself think this could hardly be set lower than 3% above this year's budgets in cash terms (the Option C figures) and would prefer to see it higher to ensure that a reasonable number of authorities can and will be below needs assessment.
- ii. What is the level of spending by local authorities that is actually likely to come through in 1990/91 bearing in mind changing service needs, inflation, possible economies, reactions to the first year of the community charge, and the impact on authorities of different possible grant levels. I do not myself believe it would be realistic to expect authorities to spend less than 7% above this year's budgets. (Their 1989/90 budgets are themselves 9% above 1988/89 budgets).

iii. What average levels of community charge we should be aiming at, both the standard level for spending at need, and the actual average charge that will emerge to finance actual levels of expenditure. I think that our most important objective should be to have a community charge for spending at need around £270. But we should have an eye to the likely average actual level of charges, which I think we should aim to keep below £300.

10. If we can take a view on acceptable levels for those three parameters the level of AEF needed to achieve the right results can then be calculated from them. I attach at Annex B a chart which may help to illustrate the different levels of AEF needed to achieve different levels of charge on various assumptions about the need to spend and the likely level of spend in practice. Of course, if the level of AEF which emerges from this process seems unreasonable, we will need to go back and reconsider our initial views on need to spend and charge levels.

11. John Major considers that it will be important to set challenging but realistic targets for local authorities on both needs to spend and the CCSN. These are the spending and community charge figures for which central government takes responsibility: in particular he suggests that the need to spend should be set at a level that reinforces the downward pressure on LA spending - which has grown faster than other public spending in recent years.

12. Accordingly he favours a need to spend total of a cash increase of 7.5% on the 1989-90 GREs (ie need to spend). This is a real increase of 3% on GREs which were themselves raised by 4% in real terms last year. This is sufficient to accommodate upward pressures on needs taking into account the scope for savings identified by the Audit Commission and savings from both the extension of competitive tendering and higher fees and charges. Under this option, AEF would be set

at £22.3bn, maintaining Exchequer support to local authorities constant in real terms. This would be consistent with a CCSN a little lower than the range I propose. The CCSN would represent a marginally lower burden on the chargepayer.

13. For illustration, John has also suggested an option with a higher need to spend and more Exchequer support ie option B. AEF increases by 2% in real terms and is only a little below my lower option on AEF. He is concerned that such a real increase in grant to local authorities would convey the wrong message about spending to local authorities. The need to spend under this option is set at £32.4bn, an increase of some 5% in real terms. He believes there must be dangers - bearing in mind the experience in Scotland - that such a level of need to spend will become a target for many previous low-spending authorities and lever up total spending accordingly. The CCSN consistent with this option is £270. With a higher need to spend, the CCSN must be raised to the range I propose, ^{if} the burden is not to fall wholly on the taxpayer. _k

14. Other Issues

The main other issues that will have to be settled in the round are:

- i. the level and yield of the national non-domestic rate;
- ii. the new needs assessments, which will affect the distribution of grant in the medium term;
- iii: the details of the safety net which will be the key determinant of grant distribution in the first year.

15. Decisions on these will not be needed until September. However, we shall want to take a preliminary look at them in July, when I bring forward authority by authority exemplifications. We will want to be satisfied that the aggregates we settle on will give us an acceptable settlement whatever our final decisions in the Autumn on distributional issues.

Conclusion

16. The issue I think it would be most helpful to resolve at our meeting is whether the range of options shown in Annex A is the right range to put before colleagues in E(LF).

17. I am sending copies of this minute to Cecil Parkinson, John Major and Sir Robin Butler.

N RIDLEY

May 1989

A

OPTIONS.

Option A.

The need to spend figure has been derived by adding 7.5% to the need to spend figure for 1989/90.

AEF has been derived by adding 4% to the figure for 1989/90, ie a real terms standstill.

Option B.

The need to spend figure has been derived by adding 9.5% to the need to spend figure for 1989/90.

AEF has been derived by adding 6% to the figure for 1989/90.

Option C.

The need to spend figure has been derived by adding 3% to 1989/90 budgets.

AEF has been fixed so as to produce a CCSN of £273.

Option D.

The need to spend figure has been derived by adding 4% + £200 million to 1989/90 budgets.

AEF has been fixed so as to produce a CCSN of £271.

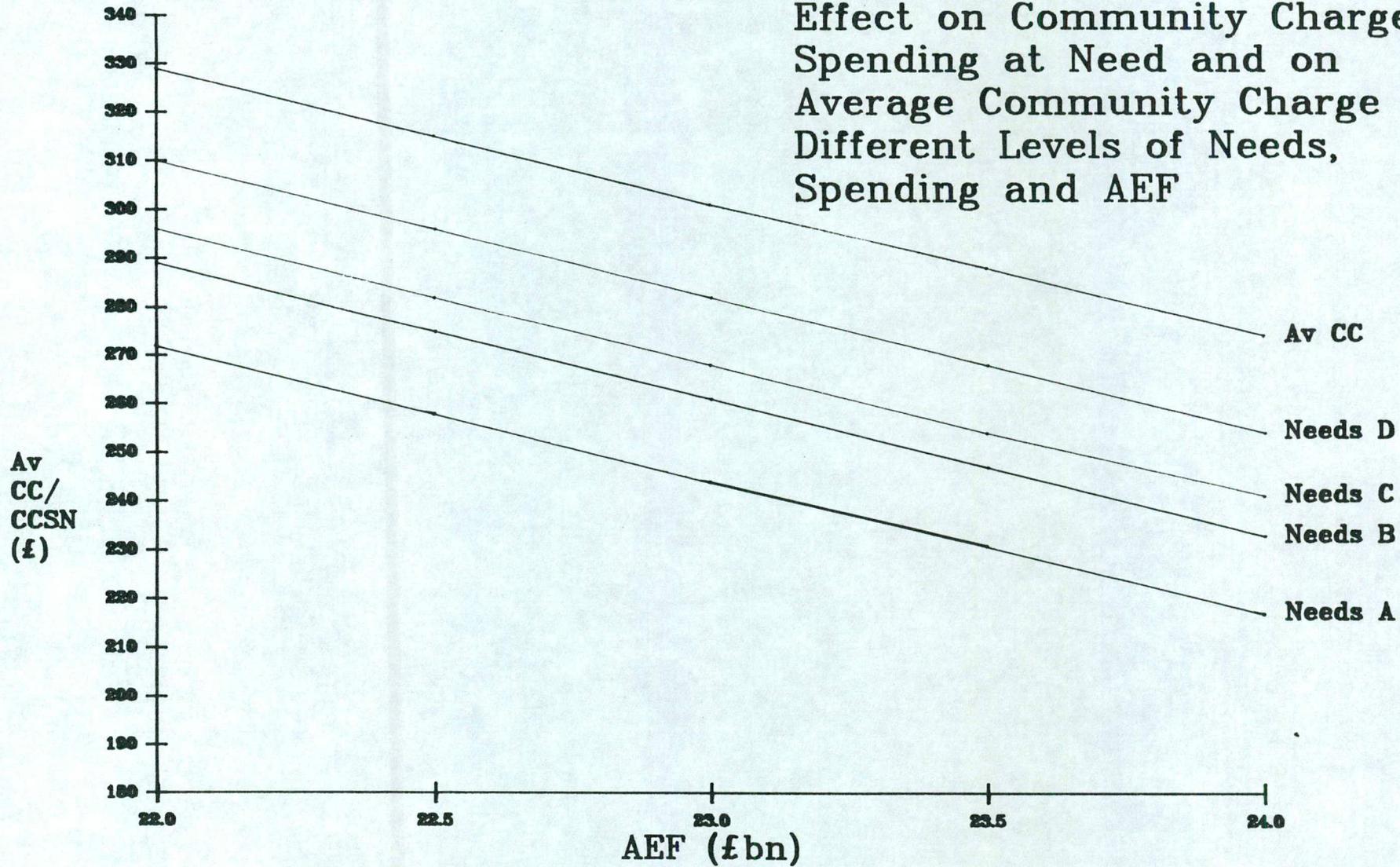
AEF = needs grant + specific grants + Non-Domestic Rates.

LOCAL AUTHORITY CURRENT SETTLEMENT: POSSIBLE OPTIONS

Handwritten notes:
 ✓
 ✓
 10.6.62
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 71.2.62

OPTIONS		A	B	C	D
Need To Spend	£bn	31.8	32.4	32.7	33.2
AEF	£bn	22.3	22.7	22.8	23.4
Of Which Grants	£bn	11.8	12.2	12.3	12.9
Expenditure Falling On Chargepayers	£bn	9.5	9.7	9.8	9.8
CCSN	£	264	270	273	271
Range Of Likely Expenditure	£bn	33.2 - 33.9	33.2 - 33.9	33.2 - 33.9	33.2 - 33.9
Amount Falling on Chargepayers	£bn	10.8 - 11.6	10.4 - 11.2	10.3 - 11.0	9.7 - 10.4
Actual CCs	£	300 - 321	289 - 310	285 - 306	270 - 290
Memo Item:					
Increase in AEF	£bn	+0.9	+1.3	+1.4	+2.0

Effect on Community Charge for Spending at Need and on Average Community Charge of Different Levels of Needs, Spending and AEF



cc Chancellor

CHIEF SECRETARY
REC 2 21 MAY 1989
Mr POTTER
Mr PHILLIPS
Mr EDWARDS
Mr HUGHES
Mr FRITCHIE ^{FC}



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270

P 03449

Ms Carys Evans
 Private Secretary to the Chief Secretary
 HM TREASURY
 Parliament Street

22 May 1989

Dear Carys,

LOCAL GOVERNMENT FINANCE

I attach a copy of the note which I mentioned to the Chief Secretary on Thursday. It has been prepared in consultation with Barry Potter, to whom I am also sending a copy with thanks for his help.

Yours,

Richard

R T J WILSON

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LOCAL GOVERNMENT FINANCE: OLD AND NEW SYSTEMS

Government Decisions announced in July

Old System

A. The July announcement used to cover provision for local authority current expenditure (which counted against the old Planning Total) and an estimate of financing items, as well as B and C below.

B. The total of grant-related expenditures (GRES).

C. Aggregate Exchequer Grant (AEG), which comprised:

- i. Rate Support Grant;
- ii. specific and supplementary grants (both current and capital).

D. The difference between B and C determined the grant-related (rate) poundage for spending at GRE.

NOTE: C as a proportion of A was 43 per cent for 1989-90.

New System

A. No equivalent announcement. The July announcement this year will cover only B, C and D below.

B. The total of new needs assessments.

C. Aggregate Exchequer Finance (AEF), which will comprise:

- i. "needs" grant, formally known as Revenue Support Grant;
- ii. certain specific grants (current only);
- iii. national non-domestic rate (NNDR) income.

AEF is the contribution to expenditure which will be determined and met by central Government and will count against the new Planning Total.

D. The difference between B and C will determine community charge for spending at need (CCSN). The Government has estimated publicly that this would have been £240 for 1989-90.

NOTE: C as a proportion of B may be around 70 per cent for 1990-91, depending on the decisions taken.

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Government Decisions announced in October

Old System

New System

E. An announcement used to be made in October about the distribution of Rate Support Grant to compensate for differences in needs and resources. This was paid to all authorities. Its level depended on F,G and H below.

E. In future there will be an October announcement about the distribution of needs grant to compensate for differences in needs only (not resources). It will be paid only to district authorities to cover the needs of all tiers. Its level will depend on F,G and H below.

F. The distribution of the GRE total between services.

F. The distribution of the needs assessment total between services.

G. The method of calculating GRES, which assessed the cost to each authority of providing a standard level of service.

G. The method of calculating needs assessments for individual authorities which will measure the cost of providing a standard level of service in the area.

H. Safety nets, which provided a mechanism to limit changes in grant each year.

H. The transitional safety net, which will provide a mechanism to smooth the transition to the new regime. There will be no power subsequently to limit changes between years.

NOTE: A decision will also be needed on the amount of self-financed expenditure to be included within General Government Expenditure in the Autumn Statement.

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Decisions by local authorities

I. Actual spending by local authorities. Any overspend was a charge on the Reserve.

I. Actual spending by local authorities. This will count as General Government Expenditure (GGE): any excess over the Autumn Statement estimate will increase GGE.

J. The difference between I and E determined the actual rate poundage charged to domestic and business ratepayers in each area.

J. The difference between I and E will determine actual community charges. (The business rate contribution will be fixed under the NNDR: see C above.)

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PRIME MINISTER

22/5/89.

LOCAL AUTHORITY GRANT SETTLEMENT 1989

CHIEF SECRETARY	
REC.	23 MAY 1989
ACTION	Mr Potter
COPIES TO	CX, Mr Anson, Mr Mack, Mr Phillips, Mr Edwards, Mrs Lomax, Miss Peardon, Mr Hoison Mr Call

We are meeting for a preliminary discussion about prospects for the grant settlement on 25 May. It may be helpful to set out some initial figures and a range of options, which I have discussed with John Major.

The settlement this year will be particularly important and difficult. We must aim for sufficient grant and a pattern of distribution that will ensure that community charges in the first year can (or could be) set at reasonable levels. But we must recognise that some of the authorities may try to use the introduction of the new system as cover to push up spending levels and blame the resulting high community charge levels on the Government; this points to keeping grant levels down so as to discourage excessive spending.

I think myself that the right way to resolve this in the first year is to set a realistic level of grant which would enable sensible authorities to keep average community charges down to a reasonable level if they budget sensibly. It is essential that a number of the well run authorities should be able to achieve community charges at or below the national community charge for spending at need (CCSN). Otherwise our credibility will be lost. We always have the possibility of community charge capping for any authorities which abuse the position by pushing up their spending excessively. I say this with reluctance because it would be controversial and would diminish local accountability.

RIDLEY
TO
PM
22 MAY

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The 1989 position.

The following table summarises the position for 1989/90.

	1988/89	1989/90	1989/90
	Outturn	Settlement	Budgets
Current Expenditure	£27,822m	£29,140m	£30,342m
% changes from 1988/89	-	4.7%	9.1%
AEG	£12,462m	£13,575m	£13,575m
% change from 1988/89	-	8.9%	8.9%

Provision in the settlement for 1989/90 was 4.8% above 1988/89 budgets (and 4.7% above out-turn). This allowed for 4% general increase in expenditure plus an extra £110M for community charge preparation costs. At this level of spend, the settlement would have allowed rate rises to be kept to only 2%. In the event the increase in local authority expenditure was 9.1%, including £207m for community charge preparation costs. Local authorities drew down balances and kept domestic rate increases to an average 9.3%.

The 1989 Round

Moving to 1990/91 we have two main decisions to make at the aggregate level and announce in July

- (i) the total of need to spend
- (ii) aggregate Exchequer finance for authorities (AEF)
This is equal to needs grant (revenue support grant)
+ certain specific grants + non domestic rates.

The difference between those two figures will be the amount which authorities will have to raise from the community charge if they spend at need. This amount divided by the number of

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chargepayers (estimated at 36 million) will determine the level of the community charge for spending at need (CCSN). This will also be announced in July and in effect the Government will take responsibility for it. The table below shows the CCSN over the last three years; we shall want a CCSN for 1990/91 which looks reasonable. We must also consider what will happen to the community charge if they spend above "need" by varying amounts. I have also shown the average rate bill per adult; we shall want a likely average actual charge which does not seem unreasonable.

	1987/88	1988/89	1989/90	
			Soon to be published	Adjusted for changes in function eg. ring fencing etc
CCSN	178	202	240	227
Average rate bill per adult (equivalent to the average actual CC)	224	246	274	258

The Table at Annex A summarises the key figures for illustrative options which officials have constructed as an initial sighting shot. (Fuller details are given in Annex A). John Major favours Option A; I favour Option D. The options produce the following results:

- In Option A the need to spend increases by 7.5% above this year's GRE (that is 3.5% above the current forecast of the GDP deflator). AEF goes up by 4%, so it is constant in real terms. This produces a CCSN of £264. Actual average charges are in the range £300-321

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- In Option B the need to spend increases by 9.5% above this year's GREs. AEF goes up by 6%. The CCSN rises to £270 but actual average charges are somewhat lower at £289-£310.
- In Option C the need to spend is 3% above this year's budgets rather than GREs. AEF goes up by 6.5%. The CCSN is £273 and actual average charges are £285-£306.
- In Option D the need to spend increases by 4% over this year's budget, plus an additional £200m for the extra costs of collecting the community charge. AEF increases by 9.3%, giving lower actual average charges of £270-£290.

Actual charges for all these options have been calculated on the basis of actual spending in the range £33.2 to £33.9 billion. This represents a cash increase of 4% to 7%, plus £200m for community charge collection costs, or around a real terms standstill to a real increase of 3%.

I set out here my views on how we should assess the options. John Major's views are below. I suggest the important thing at our first meeting is to take a view on:

- i. What is an acceptable and plausible level for us to determine the need to spend in 1990/91 in relation to the provision or needs we set in 1989/90, the budgets that have come through for that year, the scope for efficiency savings and pressures for additional service provision, such as the need to provide for the administration of the community charge itself. I myself think this could hardly be set lower than 3%

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above this year's budgets in cash terms (the Option C figures) and would prefer to see it higher to ensure that a reasonable number of well-run authorities can and will be at or below needs assessment. This is the crucial test in my opinion on which the success of the whole system hangs.

- ii. What is the level of spending by local authorities that is actually likely to come through in 1990/91 bearing in mind changing service needs, inflation, possible economies, reactions to the first year of the community charge, and the impact on authorities of different possible grant levels? However strong the pressures, I do not myself believe it would be realistic to expect authorities to spend less than 7% above this year's budgets. (Their 1989/90 budgets are themselves 9% above 1988/89 budgets).
- iii. What average levels of community charge we should be aiming at, both the standard level for spending at need, and the actual average charge that will emerge to finance actual levels of expenditure. I think that our objective should be to have a community charge for spending at need around £270. But we should have an eye to the likely average actual level of charges, which I think we should aim to keep below £300.

If we can take a view on acceptable levels for those three parameters the level of AEF needed to achieve the right results can then be calculated from them. I attach at Annex B a chart which may help to illustrate the different levels of AEF needed to achieve different levels of charge on various assumptions about the need to spend and the likely level of

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spend in practice. Of course, if the level of AEF which emerges from this process seems unreasonable, we will need to go back and reconsider our initial views on need to spend and charge levels.

John Major considers that it will be important to set challenging but realistic targets for local authorities on both need to spend and the CCSN. These are the spending and community charge figures for which central government takes responsibility: in particular he suggests that the need to spend should be set at a level that reinforces the downward pressure on LA spending - which has grown faster than other public spending in recent years. John also suggests that grant is crucial, since the lower the level of grant, the lower the level of spending which is likely to occur within the range shown in the Annex.

Accordingly he favours a need to spend total of a cash increase of 7.5% on the 1989-90 GREs (ie need to spend). This is a real increase of 3.5% on GREs which were themselves raised by 4% in real terms last year. He believes that this is sufficient to accommodate upward pressures on needs taking into account the scope for savings identified by the Audit Commission and savings from both the extension of competitive tendering and higher fees and charges. Under this option, AEF would be set at £22.3bn, maintaining Exchequer support to local authorities constant in real terms. This would be consistent with a CCSN a little lower than the range I propose. The CCSN would represent a marginally lower burden on the chargepayer.

For illustration, John has also suggested an option with a higher need to spend and more Exchequer support ie option B. AEF increases by 2% in real terms and is only a little below

my lower option on AEF. He is concerned that such a real increase in grant to local authorities would convey the wrong message about spending to local authorities. The need to spend under this option is set at £32.4bn, an increase of some 5% in real terms. He believes there must be dangers - bearing in mind the experience in Scotland - that such a level of need to spend will become a target for many previous low-spending authorities and lever up total spending accordingly. The CCSN consistent with this option is £270. With a higher need to spend, the CCSN must be raised to the range I propose, if the burden is not to fall wholly on the taxpayer.

Other Issues

The main other issues that will have to be settled in the round are:

- i. the level and yield of the national non-domestic rate;
- ii. the new needs assessments, which will affect the distribution of grant in the medium term;
- iii. the details of the safety net which will be the key determinant of grant distribution in the first year.

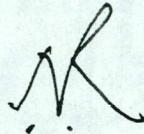
Decisions on these will not be needed until September. However, we shall want to take a preliminary look at them in July, when I bring forward authority by authority exemplifications. We will want to be satisfied that the aggregates we settle on will give us an acceptable settlement whatever our final decisions in the Autumn on distributional issues.

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Conclusion

The issue I think it would be most helpful to resolve at our meeting is whether the range of options shown in Annex A is the right range to put before colleagues in E(LF).

I am sending copies of this minute to Cecil Parkinson, John Major and Sir Robin Butler.

A handwritten signature consisting of the letters 'NR' in a cursive, stylized font.

NR

22 May 1989

OPTIONS

Option A

The need to spend figure has been derived by adding 7.5% to the need to spend figure for 1989/90.
AEF has been derived by adding 4% to the figure for 1989/90, ie a real terms standstill.

Option B

The need to spend figure has been derived by adding 9.5% to the need to spend figure for 1989/90.
AEF has been derived by adding 6% to the figure for 1989/90.

Option C

The need to spend figure has been derived by adding 3% to 1989/90 budgets.
AEF has been fixed so as to produce a CCSN of £273.

Option D

The need to spend figure has been derived by adding 4% + £200 million to 1989/90 budgets.
AEF has been fixed so as to produce a CCSN of £271.

AEF = needs grant + specific grants + Non-Domestic Rates.

Key figures for 1989/90 are: Need to spend (adjusted)	£29.6 billion
AEF (adjusted)	£21.4 billion
of which grants	£11.9 billion
CCSN published	£240
adjusted	£227
Actual spend (adjusted)	£31.7 billion
Average actual CC published	£274
adjusted	£258

LOCAL AUTHORITY CURRENT SETTLEMENT: POSSIBLE OPTIONS

OPTIONS		A	B	C	D
Need To Spend	£bn	31.8	32.4	32.7	33.2
AEF	£bn	22.3	22.7	22.8	23.4
Of Which Grants	£bn	11.8	12.2	12.3	12.9
Expenditure Falling On Chargepayers	£bn	9.5	9.7	9.8	9.8
CCSN	£	264	270	273	271
<hr/>					
Range Of Likely Expenditure	£bn	33.2 - 33.9 <i>33.2</i>	33.2 - 33.9 <i>33.5</i>	33.2 - 33.9 <i>33.7</i>	33.2 - 33.9 <i>33.9</i>
Amount Falling on Chargepayers	£bn	10.8 - 11.6	10.4 - 11.2	10.3 - 11.0	9.7 - 10.4
Actual CCs	£	300 - 321	289 - 310	285 - 306	270 - 290
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Memo Item:					
Increase in AEF	£bn	+0.9	+1.3	+1.4	+2.0

Effect on Average Community Charge of Different Levels of Spending and AEF

