lg1.va/potter/minutes/lacs2

CONFIDENTIAL

LA CURRENT SETTLEMENT MTG WITH MR RIDLEY

CHIEF SECRETARY

MWP

FROM: B H POTTER (LG1)
X4790
Date: 14 June 1989

cc: Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr Hudson (LG1)
Mr G White (LG1)
Mr Rutnam (LG1)
Mr Jessop (PSE)
Mrs Chaplin

Ch/ CST is particularly keen to discuss the outcome of this meeting with Mr Ridley. An AEF of £23.0 billion was agreed.

DIS

Good.

LOCAL AUTHORITY CURRENT SETTLEMENT: MEETING WITH SECRETARY OF STATE FOR ENVIRONMENT

You are to discuss Mr Ridley's proposals for the 1990-91 LA current settlement in England tomorrow afternoon. A letter will arrive from Mr Ridley tomorrow morning putting forward a package: we discussed that package with DOE officials this morning. Mr Ridley is seeking a deal with you.

2. In brief, Mr Ridley is looking for AEF of about £23.2b - that is some £400m above Option C and £200m above your target outcome. Our view is that a deal looks possible at your target outcome, or perhaps just a shade above it.

Objectives

3. To reach a firm agreement tomorrow, it will be necessary at a minimum to establish two elements of the E(LF) package:

A) the quantum of AEF

B) the form of the safety net.

In addition, it would be highly desirable to agree other main features of the package:

C) the need to spend

D) the ILEA specific grant

4. Full briefing on each of these is provided separately in attachments A-D; these have been prepared by Messrs Hudson, White and Rutnam. The main points are noted below.

A) AEF

5. The Prime Minister agreed at the meeting on 25 May that E(LF) should be presented with figures for AEF between Option B (£22.7b) and Option C (£22.8b). Mr Ridley's proposed E(LF) package appears to be £300m above that at £23.1b; however in addition, he is likely to support the proposed specific grant for ILEA adding between a further £50-£100m (depending on its form), taking the total up to £23.2b ie £400m above Option C.

6. Your opening position should be that you only agreed to Option B on the basis of a self-financing safety net: if Mr Ridley wants a new form of safety net, the cost should come from within the quantum of AEF proposed by the Prime Minister.

7. In negotiation, you might indicate that the only justification for more AEF than under Option C is to meet perceived distributional objectives: it is clearly desirable to do that in the most cost-effective way. But "top-slicing" RSG is an expensive form of safety net - other methods cost less and distribute the burden differently (see Section B). You will need to be persuaded that the form of safety net justifies any departure from the Option B-Option C range approved by the Prime Minister. (You have, however, already not ruled out the £23.0b figure which Mr Ridley actually quoted yesterday morning N.B he did not say £23.2b!)

8. DOE have exemplified their safety net approach with 3 different levels of AEF: Option C (£22.8b); £23.0b; and the DOE target (£23.2b). The results are in the table attached: the main point is that each £200m addition to AEF reduces CCSN and actual CCs by around £6 per adult, except for beneficiaries under the safety net where the CCs are the same under each AEF option.

B) Form of safety net

9. The form of the safety net is at the heart of the matter. Mr Ridley's basic proposal is:

i) safety net protection confined to the major losers that is local authorities where the community charge on a given assumption about spending is more than £50 above the 1989-90 average rate bill per adult, uprated for inflation;

ii) gain to come through in full, immediately.

You indicated interest in that idea yesterday: LG1 favour the new limited basis for the safety net but not DOE's approach to paying for it.

10. Mr Ridley proposes that the Exchequer pay for the safety net by top-slicing RSG. The alternative is to make gainers give up some of their gains in 1990-91 to meet the costs of the safety net. LG1 tend to favour this alternative approach.

11. The DOE proposals would allow larger gains but for fewer charge payers; our alternative would generate smaller gains but for more community charge payers. Ultimately, a political judgement has to be made: DOE officials made it clear that Mr Ridley and Mr Gummer had made that judgement in putting forward the DOE proposals. But there are three aspects of each approach which may be helpful in making that judgement - cost, presentation and distribution.

12. The cost of Mr Ridley's package is about £450m: that is the total amount of RSG necessary to keep down community charges to no more than £50 above the 1989-90 rate bill per adult uprated for inflation. This is greater than under the alternative proposal, where the cost would be £380m. This is because the top-slicing of RSG adds to average community charges by about £14 per adult (because the money is not available to hold down community charges in general) and pushes more authorities into the category of major losers qualifying for safety net protection.

13. In terms of presentation, Mr Ridley's option leads to a higher CCSN. The point is complex: but because Mr Ridley proposes not to show the safety net adjustment on the community charge demand note, the CCSN has to include this £13 levy for all but the beneficiaries under the safety net. Under Mr Ridley's proposals the CCSN would be published as £282 - quite a high figure.

14. Under the alternative approach the CCSN - for the same AEF and need to spend figure - would be £269. The presentational advantage is clear. DOE argue that if such an approach were adopted, it would be necessary to show the safety net adjustment. But that need not be done, if the adjustment were included in the grant figure (see B below).

15. In distributional terms, DOE's proposal and the alternative are relatively close. At its simplest, the DOE approach funds the cost of the safety net from a £13 premium on all CC payers (except beneficiaries); the alternative funds it from a £20 contribution from gainers only. To summarise:

DOE

- major gainers better off than under original safety net proposal;

- modest gainers (up to £13 per adult) worse off; they become small losers;

- all losers worse off (modest losers because of the extra £13; large losers suffer the proposed £50 loss per adult.)

Alternative

- major and medium gainers better off than under original safety net but about £7 per adult less so than under Mr Ridley's approach;

- small gainers in same position as under the original safety net - but do not become losers as under Mr Ridley's approach;

- small losers lose more than under the original safety net but less than under DOE approach;

- large losers lose more than under the original safety net but the same as under the DOE approach.

16. LG1's preference is, therefore, for the alternative approach. It is consistent with the existing commitment to a self-financing safety net; it is similar to the proposed treatment of the NNDR (assuming you can see off the DOE proposal for a premium on the poundage); and it is presentationally easier.

17. The precise form of contribution from the gainers is open to discussion. The simplest would be to set a maximum contribution of £20 (c.f £75 under the original safety net); but you could opt for a tariff such as allowing through the first £30 of all gains but postponing 50% of the remainder till later years (or £80 and 75 per cent).

Safety net adjustment on the demand note

18. Under Mr Ridley's proposal, the only authorities which will be required to show a safety net line on their community charge demand note would be the 60 or so major losers. Mr Ridley regards this as an important presentational advantage of his proposals.

19. Under our alternative, DOE officials take the view that it would be necessary to show the safety net adjustment as a separate line. They see this as the logical consequence of setting a lower CCSN.

20. Actually we see considerable logic in the view that the safety net adjustment needs to be shown on the demand note in order to encourage accountability. However since the sums are reasonably small, they could be wrapped up within the grant entitlement line. Moreover I suspect that whether the Government does or does not require the safety net to be shown on a demand note, individual local authorities will make sure it is if they judge that is in their interests.

21. If you decide to pursue the alternative safety net approach, you can also argue that it is not necessary to require the adjustment to the shown on the demand note. That should be at the discretion of individual authorities.

C) <u>Need to spend</u>

22. DOE have attempted one trick in the letter. They have added £100m to the need to spend figure, in Option C ie £32.8b rather than £32.7b. There is no remit for such a shift following the Prime Minister's meeting; it is certainly not necessary to meet any distributional objective. On the contrary, it adds to the CCSN and to the cost of the safety net. I recommend that you argue for holding need to spend at Option C ie £32.7b.

23. I understand that the Education Secretary has also brought to your attention the paper on need to spend which his officials in co-operation with those in other Departments have prepared. This will also be circulated for the E(LF) meeting. This "bottom-up" approach produces a need to spend figure of £34.5b - 18% above 1989-90 GREs; £1.7b above DOE's position on need to spend;and even £600m above DOE's forecast actual spend. It is off the map and can be dismissed as such.

E) ILEA specific grant

24. As you are already aware, there are attractions in a specific grant to provide additional grant resources to inner London boroughs taking over the education function. The alternative would be that all the overspend inherited from ILEA above the revised need to spend figures for each inner London borough will fall wholly upon the community charge payer.

25. In the version of the letter shown to us this morning, it was proposed that this specific grant should be paid after the safety net adjustment. But this is the most expensive way to go about it: and it results in very low community charge figures in inner London. And it means that losers in inner London get <u>more</u> protection than losers elsewhere. We have suggested to DOE that this is unrealistic: and they seemed sympathetic to the view.

26. Accordingly we have recommended that the specific grant is paid before the safety net adjustment is operated (and they have incorporated this in the attached exemplifications). This will still bring major benefits to certain inner London boroughs including Kensington, Westminster and Wandsworth. We recommend that you insist that the specific grants towards ILEA is included within AEF quantum agreed between you and Mr Ridley and is distributed before the safety net adjustment is applied.

Handling

27. Our recommended package is as follows:

(i) AEF = £23.0b

(ii) need to spend = £32.7b

(iii) CCSN = £266

(iv) safety net as proposed by Mr Ridley but paid for by a cap on gains.

28. It is difficult to judge how far Mr Ridley will be prepared to negotiate tomorrow. DOE have told us they are drafting the E(LF) paper with his proposal as it stands: they were anxious to give the impression that he is not prepared to move. That said, they were clearly embarrassed by the upward shift of £100 million in need to spend; prepared to consider incorporating the cost of the ILEA specific grant within a £23.1 billion AEF Mr Ridley has proposed; and agree with us that the precise form of the safety net is much a matter of political judgement. Our broad assessment is that, if you can reach agreement on the form of the safety net, it should also be possible to secure a firm understanding on AEF at £23.0 billion or a shade above that. You will wish to judge whether such a package is worthwhile.

29. If a deal is reached, it will of course be important to secure that deal immediately. That means in practice that the arrangement would have to be discussed with the Prime Minister, ideally within the following 24 hours. This is because the paper to E(LF) ought to be circulated on Friday 16 June and certainly no later than Monday 19 June.

30. You will wish to discuss the above brief with us. After the meeting, (and depending on whether there is a deal) we will need to consider whether the E(LF) paper should contain your endorsement of Mr Ridley's position; whether you should write in advance of E(LF); or whether you should make your position clear at the meeting.

Barry H. Potter

BARRY H POTTER

ANNEX A

Aggregate Exchequer Finance (AEF)

1. Options considered at Prime Minister's meeting

£ billion

	A	B	C	D
AEF	22.3	22.7	22.8	23.4
of which grant	11.8	12.2	12.3	12.9

2. The conclusion of the meeting was that papers for E(LF) should be based on Options B/C.

3. Mr Ridley is now seeking to increase AEF above Option C,

£ billion

	Ridley proposal for E(LF)	Starting point (Option C)	Fall back
AEF	23.2	22.8	23.0
of which grant	12.7	12.3	12.5

4. Mr Ridley will argue that Option C needs to be increased because of:

(a) additional grant to finance safety net of £0.3 - 0.4-billion

(b) ILEA specific grant of £0.1 billion.

5. Arguments against:

(a) original proposal at Prime Minister's meeting (Option-C) was generous, no reason why overall Exchequer support should be higher;

(b) additional grant for safety net is reduced by an alternative (and better) proposal (see Annex B);

(c) ILEA specific grant to be absorbed within original AEF;

(d) if pushed you may wish to concede that you are prepared to add something to help the safety net problem. If so you could offer to go up to £23.0 billion.

ANNEX B

SAFETY NET

Basic principles

The aim of the safety net is to protect local authorities from the effects of major changes in their income when the new system of local government finance is introduced in April 1990. These changes will be quite massive: without a safety net in place roughly £1 billion of grant and non-domestic rate income will move between different authorities. With a safety net in place these shifts can be delayed, and then introduced more or less quickly.

2. The basic principle of the safety net is simple. It is calculated by comparing two numbers:

a) the existing (ie 1989-90) rate bill per adult for each authority, assuming this is held constant in real terms; and

b) the community charge that the authority would have to raise in 1990-91 to finance its spending, assuming that the changes in grant/non-domestic rate income went ahead.

3. The difference between (a) and (b) represents the amount (in real terms) that each authority stands to gain or lose when the new system is fully in place. However, it should be noted that the size of this difference will depend on some other key assumptions which also need to be determined. This is true both for each authority individual and for all authorities together. These key assumptions are described below.

1) First, the community charge the authority would have to raise in 1990-91 (figure (b) above) depends on what is assumed about its spending. Thus, to calculate the safety net we need to make an overall assumption about LA spending in 1990-91. The lower this assumption is the lower community charges under figure (b) will appear to be - and so (for authorities which will lose grant/non-domestic rate income) the smaller the gap between their community charge and existing rate bill per adult.

This gives us <u>some</u> scope for adjusting the safety net to our advantage. But in practice this scope is limited, as

a) we have announced to the local authorities that for safety net purposes we shall assume that they hold their spending broadly 'constant in real terms'; and

b) DOE would resist any attempt to go back on this, by using a spending assumption that could not be defended as realistic.

In their exemplifications so far, DOE have calculated gains and losses assuming that authorities in total spend in line with their assessed need to spend. If we agree a <u>lower</u> aggregate assessed need, it may be possible to use this for calculating the safety net. But it would probably not be realistic to press DOE to use a lower spending assumption for the safety net than the assessed need to spend.

2) Second, there is a relationship between the size of gains and losses that we calculate in line with paragraph [2] above, and the size of AEF. The lower AEF is, the higher 1990-91 community charges will be, and so the larger the losses that losing authorities face. This makes our position generally a little more difficult. But it is crucial to remember that the practical effect on the safety net is small for the range of figures for AEF that are now being discussed. [(If we were to move from AEF of £22.8bn to £23bn under DOE's preferred option for the safety net, most community charges would only be around £6 lower.)]

<u>Original formulation</u>

4. In public, we have so far said that the safety net will:

- require all gaining authorities to contribute their gains to the safety net, subject to a maximum contribution of £75 (ie gains larger than £75 would feed through);

- postpone all losses for losing authorities, except for a few pounds per head to be borne by all losing authorities;

- be phased out in four equal steps (the first year without any safety net in place being 1994-95).

In short, we have said so far that in the first year of the new system, almost no losses will feed through, and that we will also postpone all except a few large gains over £75.

5. As you know, we have now found that it would be possible to run this type of safety net while reducing the amount that gainers have to contribute significantly. We found that under the central options that you and Mr Ridley have discussed with the Prime Minister, losers could be fully protected while introducing all gains over £40-50, rather than £75. Authorities would then be making a maximum contribution to the safety net of only £40-50.

6. It would be possible to reduce this maximum contribution still further, if we introduced some losses for losing authorities. Indeed a number of variants with higher or lower losses, and lower or higher maximum contributions, could be worked out on these lines. However, all of these share two major disadvantages, as Messrs Ridley and Grummer see it

- all gaining authorities have to make a contribution to the safety net;

- the contribution that they make has to be shown as such on the community charge demand note.

7. The gaining authorities - most are in outer London and the South - include many of the Government's own supporters. The losers - in Inner London and the North - are generally Labour authorities. There are therefore obvious political dangers in requiring gaining authorities to make a contribution. In particular:

a) it would then be easy (if not technically correct) to represent the contributions as funding Labour authorities' overspending;

b) it would be more difficult to ensure that the Government's own supporters were aware of the full benefits that the new system of local government finance will bring them.

<u>DOE's new proposal</u>

8. DOE have therefore come up with a new formulation of the safety net. The main features are:

- gains would come through in full, immediately;

- losses up to £50 per adult would be realised in full;

- authorities losing more than that would receive safety net grant to keep the losses down to £50 per adult;

- this protection would be financed by "top-slicing" RSG: in other words, grant which would otherwise reduce community charges generally would be diverted to protect the big losers;

- so the effect is to spread the burden evenly between all community charge payers except for the big losers.

9. The <u>arguments for</u> this approach are:

- the gains come through in full: Mr Ridley and Mr Gummer apparently see this as the key to selling the policy, politically;

- the cost of protecting the losers can then be presented as falling on the Exchequer.

10. The arguments against are:

- compared to the original type of safety net, the cost is in fact spread over all but the big losers, with a premium of about £13 per adult on the community charge;

- this means:

  a. although gains come through immediately, they are £13 lower than the eventual gain under the original scheme;

  b. people gaining less than £13 originally are turned into losers - we think this may cover thirty authorities, with perhaps 2-3 million chargepayers;

  c. modest losers all lose £13 more than they would do otherwise;

- these effects are very similar to Mr Ridley's proposal of paying for the NNDR transition through a premium on the poundage, which we are opposing;

- the CCSN, on DOE's formulation, goes up to £282: this is a presentational device, in fact, designed to avoid showing any safety-net adjustment on the demand note - the CCSN, as we have understood it up to now, would be £269-270 (need to spend of £32.8 billion less AEF of £23.0 billion, divided between 36 million chargepayers), but rather than show the £13 adjustment on the demand note, they prefer to count it as part of the CCSN;

- the £50 losses coming through mean that chargepayers in losing areas such as Pendle get significantly less protection than originally envisaged;

- there could be a risk for the Exchequer: once there is an agreed policy objective of allowing gains through in full, the cost of further protection for the losers would have to be met by extra grant;

- DOE propose to take new legislation (when the Local Government and Housing Bill goes to the Lords in July) to enable them to distribute the grant the way they suggest: this again is presentational, because existing legislation gives adequate cover;

- this may, however, help with one further risk to us: the top-slice of safety net grant should be simply transitional, until the losers reach their full bills - this might be hard to secure, in future years, if it were part of ordinary RSG, but easier if DOE present it as a separate Exchequer contribution, which does not reduce the CCSN.

11. Assessment. Within any given grant settlement, the question of how the grant is distributed depends in the end, on political judgments about gainers and losers. DOE Ministers' judgment is:

- it is vital to get gains through in full;

- in particular, they are very keen to avoid showing any adjustments on the CC demand note;

- to that end, they are prepared to see much higher losses in Pendle etc than originally envisaged;

- and to turn small gainers into small losers;

- and to take legislation, and show a higher CCSN, to present the scheme as an Exchequer contribution rather than a separate levy.

You will obviously wish to form your own view on the politics of all this. We understand that a delegation from losing authorities is due to see the Prime Minister shortly - a sort of counterpoint to Mr Favell's delegation.

Alternatives

12. The alternative approach would be to revert to the original idea that some or all of the protection for the losers could be financed explicitly by deferring gains for the gainers.

13. This could be done:

- to reduce AEF, without increasing the general £13 premium on chargepayers;

- or within a given AEF, to reduce or eliminate that general premium, and thus the number of gainers turned into losers;

- or again, within a given AEF, to increase protection for the losers, without increasing the general premium.

14. This is the familiar point: within any given AEF, gains at one end mean losses elsewhere - either at the other end, or spread out more generally.

15. If it were decided that the gainers should pay something towards the safety net, the burden could be divided up in two broad ways:

a. the original formulation (see above);

b. an approach which would allow gains through in full up to a given threshold, plus a proportion of the gain above that threshold.

We asked DOE about the result of applying the <u>original formulation</u> of the safety net to Mr Ridley's package. They say that the maximum contribution from the gainers would be around £20.

16 In other words, Mr Ridley's proposals for funding the safety net means charges in the gaining authorities are only in fact £7 or so lower than they would be on the original approach. The question is, whether that is worth taking legislation, pushing up the CCSN, and turning gainers into losers.

17. This approach would mean that modest gainers (below £17-20) would get little or none of their gains in the first year. Approach b. would allow modest gains through, and abate big gains rather more. We have not yet exemplified this in full. But very roughly, the same protection for losers could be paid for by allowing through the first £80 of gains, plus one-quarter of remaining gains. In other words:

- the majority of gainers would get their gains in full;

- protection for big losers would be paid for by delaying gains for big gainers.

18. Whether this approach is attractive or not depends on the relative priority attached to allowing gains through in full, or if gainers are to meet some of the cost, to the relative burden on small gainers and large gainers.

ANNEX D

NAME OF CHARGING AUTHORITY

COMMUNITY CHARGE BILL FOR THE PERIOD
1st April 1990 - 31st MARCH 1991

NAME
AND
ADDRESS

DATE OF ISSUE

ADDRESS OF PROPERTY GIVING RISE TO CHARGE
(IF DIFFERENT)

Ref No.

You are shown in the Community Charges Register as liable to pay a Community Charge as set out below. The Community Charge helps to pay for spending on local services. Some of this spending is also paid for by the Government and from rates paid by businesses. The Governments grant system is designed to allow (before transitional "safety net" contributions) a standard level of service to be provided for a community charge of £

	YOUR BILL	THE READY RECKONER
	AMOUNT NEEDED BY YOUR SPENDING BODIES TO PAY FOR THE SPENDING THEY PROPOSE (£ Per head)	AMOUNT NEEDED TO PAY FOR THE STANDARD LEVEL OF SERVICE (£ Per head)
NAME OF PRECEPTING BODY 1 NAME OF PRECEPTING BODY 2 NAME OF PRECEPTING BODY 3 NAME OF PRECEPTING BODY 4 NAME OF PRECEPTING BODY 5		
LESS GOVERNMENT GRANTS BUSINESS RATES		
CONTRIBUTIONS TO OR FROM SAFETY NET (SEE NOTES)		
AMOUNT NEEDED		
ADJUSTMENT (SEE NOTES)		
COMMUNITY CHARGE		
TOTAL AMOUNT OF PERSONAL COMMUNITY CHARGE DUE FOR THE PERIOD DD/MM/YY - DD/MM/YY		
LESS REBATE ENTITLEMENT		
AMOUNT PAYABLE BY YOU		

This Community Charge account is payable in 10 monthly instalments.

First payment of £ due DD/MM/YY
followed by
9 payments of £ due on the nth day of each month

YOU MUST INFORM ME IF YOU CHANGE YOUR PLACE OF RESIDENCE. DO THIS BY FILLING IN THE FORM OVERLEAF

Payment documents to follow

FOR DETAILS OF HOW TO PAY SEE OVER
TELEPHONE ENQUIRIES TO 123 456 7890

FORM AT85

ANNEX C

Need to spend

1. Options considered at Prime Minister's meeting

				£ billion
	A	B	C	D
Need to spend	31.8	32.4	32.7	33.2

2. The conclusion of the meeting was that papers for E(LF) should be based on Options B/C.

3. Mr Ridley is now seeking an increase in the need to spend to £32.8 billion.

4. No reason for any increase in need to spend. It is unclear why Mr Ridley is proposing £32.8 billion. Only reason we could get from officials was that it amounted to budgets plus 3½ per cent - £32.7 billion is budgets plus 3.2 per cent. But it is not clear why 3½ per cent is important.

5. Arguments against an increase in need to spend:

   (a) £32.7 billion already represents an increase over GREs of 9 per cent;

   (b) a further increase leads to a higher CCSN;

   (c) increases amount of expenditure "safety netted" and hence size of contributions into the safety net.

6. You will wish to be aware that the departmental paper for E(LF) on the need to spend, based on a "bottom up" approach is likely to suggest a figure of £34.5 billion.

ANNEX D

ILEA specific grant

1. ILEA currently spends about £1 billion on education compared to a needs assessment of about £600 million. Under the new needs assessment this is likely to increase to about £700-800 million. There will still remain a large overspend.

2. To help finance the additional burden that is to be placed on the inner London boroughs one solution would be to introduce a specific grant.

3. The specific grant would be phased out over a number of years (6 years say). It would recognise that savings cannot be achieved immediately and would be designed to allow boroughs to achieve savings over this period. The level of grant would start at £110 million in 1990-91.

4. If it is agreed that a specific grant is to be introduced then there are two ways in which it can operate:

(a) distribute the specific grant and then apply the safety net;

(b) apply the safety net and then distribute the grant.

The effects of the two are very different.

5. Under (a) the safety net dominates and, in the first year, the main authorities which benefit are contributors to the safety net (City of London, Kensington and Chelsea, and Westminster). The high spending London boroughs are protected by the safety net and this overrides the effect of the specific grant. The grant therefore provides little help to the 'losers' who benefit from the safety net.

6. Under (b) all inner London boroughs gain. It has the effect of reducing CCs in high spending boroughs to relatively low levels. First they benefit from the safety net and then they benefit from the specific grant. Under (b) the grant reduces CCs by a further £50-70. It will mean low CCs in the first year but, as both grant and the safety net are phased out, there will be large increases in CCs.

7. We were told by DOE officials that Mr Ridley favours (b). But whilst this certainly reduces CCs in London it is difficult to see how it could be justified. We believe that (a) is preferable for the following reasons:

(1) the grant is designed to help boroughs adjust to their educational responsibilities, as such it is no different from any other specific grant. It should therefore be taken into account before applying the safety net;

(2) the safety net is a transitional arrangement that provides protection to losers - it is not necessary to provide any additional help. If we judge losses of £50 are bearable then this should apply to inner London as well;

(3) option (b) reduces CCs for high overspending authorities to low levels that would be difficult to justify compared to the rest of the country;

(4) option (b) will lead to large increases in CCs for those high spending authorities as the safety net and grant are phased out;

(5) concerned about authorities that do not get protection from the safety net - these can be helped by option (a) just as well as option (b).