



PRIME MINISTER

WELSH RATE SUPPORT GRANT

This minute invites you to agree that responsibility for the Rate Support Grant (RSG) including Transport Supplementary Grant in Wales should be transferred from me to the Secretary of State for Wales; and that Nicholas Edwards should announce this in the Welsh Day Debate on 23 May.\* The change would require legislation: a short Bill could be ready for early introduction. A separate distribution of RSG for Wales could then be worked out next year, to take effect in 1981/82.

RSG is now administered as an entity for England and Wales; there is one combined figure for relevant expenditure and one distribution formula for the two countries. It is borne on a DOE Vote and the annual negotiations with the local government side are led by my officials.

The technical work required for a separate Welsh system has already been undertaken by the Welsh Office in the context of devolution and is virtually complete. The proposed system is much less complex than the present system and could be operated economically; I am told that few additional staff would be required and that these can be found by offsetting savings in the Welsh Office.

Nicholas Edwards and I believe that this is a useful and desirable development of his responsibilities, and it is the most important step which we could take to implement our Welsh Manifesto undertaking to provide the Secretary of State for Wales with greater flexibility in the use of the funds available to him. Unlike the Secretary of State for Scotland he has no ability either to influence the Welsh local authorities' current expenditure on services for which he has Ministerial responsibility or to treat this expenditure as part of his overall PESC provision. This expenditure is a significant part of that provision - some 37% of the present total of over £1.4bn, or about £535m; and the proposed transfer represents a correspondingly significant addition to the Welsh Office's functions. But since the Secretary of State for Wales already bears Ministerial responsibility for all the major local government services in the Principality except those of the Home Secretary, it seems to us sensible that he should also have available to him all the instruments required to manage the expenditure concerned.

I would be grateful for your agreement to this proposal.

I am copying this minute to William Whitelaw, Christopher Soames, Nicholas Edwards, Patrick Jenkin, Norman St John Stevas, Mark Carlisle, John Biffen and Norman Fowler; for information to George Younger; and to Sir John Hunt.

Prime Minister  
Mr Lawson is doubtful about this proposal (Flag A). There is no real urgency, and I suggest we ask ECEA Committee to consider. Agree?

R 2275

Am very much against rule 2

legislation <sup>might</sup> and we could not.

\* This minute only arrived this morning. The Welsh Office accept that a decision at such short notice is not possible.

MH

22 May 1979

Leave well done for the time being. Not

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