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Local Govt.

10 DOWNING STREET

From the Private Secretary

2 February, 1982.

Proposed Modification of the RSG Settlement

The Prime Minister held a meeting yesterday afternoon with your Secretary of State to discuss the addition of £25 m to the RSG proposed in your Secretary of State's minute of 27 January; the Chief Secretary's minute on the same subject of 28 January was also before the meeting. The Chief Secretary, the Secretaries of State for Scotland and Wales, the Chief Whip, the Minister of State for Local Government and Environmental Services, and the Minister of State for Education and Science were also present.

After discussion it was agreed to add £25 m to the total grant, as proposed by your Secretary of State. Your Secretary of State would have to refer in Parliament to this change, and he would say that it was, for technical reasons, necessary thus to modify the way in which the increase in the London resource discount was being applied; by making this modification at a later stage in the calculations, after applying safety nets, all London authorities would be able to benefit from the increase in grant going to London. It was also agreed that there would be no further additions to the block grant, notwithstanding the strong case which a number of other authorities would be putting forward.

I am sending copies of this letter to Terry Mathews (Chief Secretary's Office), Muir Russell (Scottish Office), John Craig (Welsh Office), Murdo Maclean (Chief Whip's Office), Lester Hicks (Office of the Minister for Local Government and Environmental Services), Mary Giles (Office of the Minister for Education and Science), David Clark (Department of Health and Social Security), Anthony Mayer (Department of Transport), and to David Wright (Cabinet Office).

M. C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

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2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

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5 February 1982
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John H. ...

PROPOSED MODIFICATION OF THE RSG SETTLEMENT

Thank you for your letter of 2 February.

In your second paragraph it is suggested that all London authorities would be able to benefit from the increase in grant going to London. In fact, only those authorities which are in the safety net will be in a position to benefit from spending at target. This was made clear in the table of exemplifications attached to the Secretary of State's minute of 27 January to the Prime Minister.

I am sending a copy of this letter to those who received copies of yours.

*Yours ever
D A Edmonds*

D A EDMONDS
Private Secretary

Michael Scholar Esq
Private Secretary - No 10