

CONFIDENTIAL

NBPM  
AT 30/10

MR TURNBULL

30 October 1984

(for your own information)

RSG SETTLEMENT 1985/6

You will be aware that the Treasury and DoE disagree about Patrick Jenkin's proposal to alter the RSG settlement in favour of shire counties. The principal disagreements are about targets for low spenders and the percentage of AEG.

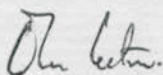
We suspect that the solution lies in slightly greater steepening of the contributions slope above threshold, to redistribute more block grant to low spenders.

This, unlike higher targets and increased AEG, would leave both aggregate public spending and tax-borne expenditure untouched.

The issue will be discussed in E(LA) on 5 November. We suspect that the outcome will be unsatisfactory. If so, we shall want to alert the Prime Minister.

The Capital Spending question will be discussed at the same meeting. With luck, we shall have persuaded DoE and Treasury officials to agree on a sensible package beforehand. But if not, we shall need to minute the Prime Minister on that, too.

We would be grateful if you could chat with us before putting any reports from the meeting into the box.



OLIVER LETWIN

CONFIDENTIAL