



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

6 July 1988

Dear Secretary of State,

RSG PRESENTATION

We agreed last week that the total quantum of AEG in England for 1989-90 should be £13,575 million. I have also been giving further consideration to presentation and, in particular, how we can most satisfactorily defend the agreement we have reached.

I see considerable advantage in describing some element within that total as being grant repayment for the earlier years 1987-88 and 1988-89, to reflect the likelihood that outturn expenditure will be lower than budgets. One option would be to identify an explicit sum - say £75 million pa - within the total, as you suggested and as we further discussed at the meeting chaired by the Prime Minister. As you know, I see considerable attractions in this approach, not least because it limits the possibility of pressure for further grant for earlier years. However, at the very least, we should acknowledge from the outset that there is an implicit allowance for such grant repayments within the announced total.

This form of presentation would allow us to identify part of the grant for 1989-90, as intended not to support expenditure next year, but rather as an amount which ought to be added to balances and therefore be available to keep down Community Charges in 1990-91. Moreover I am concerned that without some explicit acknowledgement that prudent budgetting this year and last year is being rewarded in our grant proposals, we will come under very strong pressure to make even more grant available. I must reiterate that my reluctant agreement to a quantum of £13,575 million for 1989-90 was on the basis that it would be the total cash amount for next year; there can be no question of any extra grant payments over and above that amount.

CONFIDENTIAL

I am copying this letter to the Prime Minister, Cecil Parkinson, and Sir Robin Butler.

Yours sincerely,

Jim Ruth

pp JOHN MAJOR

(Approved by the Chief Secretary +
signed in his absence).