



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

NBM
ARC *ref*

26 July 1988

Dear Paul,

LOCAL GOVERNMENT FINANCE (SCOTLAND):
RSG SETTLEMENT ANNOUNCEMENT FOR 1989-90

Further to my letter of 22 July to Nigel Wicks I now enclose the final version of the statement my Secretary of State will make tomorrow afternoon.

I am copying this as before.

yours

Margaret

MRS MARGARET JONES
Private Secretary

Q
Pres
PAB
Pd/O

LOCAL GOVERNMENT FINANCE (SCOTLAND)

RSG SETTLEMENT ANNOUNCEMENT FOR 1989-90

WITH PERMISSION MR SPEAKER, I WISH TO MAKE AN ANNOUNCEMENT ABOUT LOCAL AUTHORITY EXPENDITURE AND REVENUE SUPPORT GRANT IN SCOTLAND FOR 1989-90.

I PROPOSE THAT THE PROVISION FOR LOCAL AUTHORITY CURRENT EXPENDITURE IN 1989-90 SHOULD BE £3,930M. THIS LEVEL OF PROVISION IS 8% MORE THAN PROVISION FOR THE CURRENT YEAR, AND £240M OVER PROVISION FOR 1989-90 AS SET OUT IN THE PUBLIC EXPENDITURE WHITE PAPER. THIS FIGURE IS ALSO 4.6% ABOVE AUTHORITIES' ADJUSTED BUDGETS FOR 1988-89. IT INCLUDES FULL PROVISION FOR THE EXTRA ADMINISTRATIVE COSTS OF OPERATING THE COMMUNITY CHARGE, AS ESTIMATED BY THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES.

I PROPOSE THAT AGGREGATE EXCHEQUER GRANT SHOULD BE SET AT £2,500M. THIS IS £129M OR 5.5% MORE THAN THE SETTLEMENT ALLOWED FOR THIS YEAR. LOCAL AUTHORITIES IN SCOTLAND AND LOCAL TAXPAYERS SHOULD ACCORDINGLY FIND THIS A VERY SATISFACTORY SETTLEMENT. IN REACHING IT I HAVE TAKEN INTO ACCOUNT THE VIEWS WHICH THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES EXPRESSED TO MY HON FRIEND WHEN THEY MET HIM ON 8 JULY. THE SETTLEMENT IS BASED ON AUTHORITIES' OWN BUDGETS FOR THE PRESENT YEAR. GRANT HAS BEEN INCREASED BY MORE THAN THE RATE OF INFLATION. IF AUTHORITIES DO NOT INCREASE THEIR REAL LEVEL OF SPENDING NEXT YEAR COMMUNITY CHARGES SHOULD THEREFORE BE SET AT LEVELS NO HIGHER THAN THOSE WE HAVE ILLUSTRATED FOR THIS YEAR.

I HOPE THAT AUTHORITIES WILL RESPOND VERY POSITIVELY TO THIS SETTLEMENT IN PREPARING THEIR BUDGETS FOR NEXT YEAR.

LOCAL GOV'T: Relations
Pt 35



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 July 1988

**LOCAL GOVERNMENT FINANCE (SCOTLAND):
RSG SETTLEMENT ANNOUNCEMENT FOR 1989/90**

The Prime Minister has seen the statement attached to your letter to Nigel Wicks of 22 July, which she has noted without comment.

I am copying this letter to Alison Smith (Lord President's Office), Jill Rutter (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Rhodri Walters (Chief Whips, Lords), Roger Bright (Department of the Environment) Trevor Woolley (Cabinet Office) and Bernard Ingham.

(PAUL GRAY)

Mrs. Margaret Jones,
Scottish Office.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Nigel Wicks Esq CBE
Principal Private Secretary
10 Downing Street
LONDON

File Mark 2

*REC
12/7*

22 July 1988

Dear Nigel

**LOCAL GOVERNMENT FINANCE (SCOTLAND):
RSG SETTLEMENT ANNOUNCEMENT FOR 1989/90**

I enclose a copy of a statement my Secretary of State proposes to make in the House on Wednesday 27 July and I would be grateful for your clearance.

I am copying this to Alison Smith (Lord President's Office), Jill Rutter (Chief Secretary's Office), Murdo Maclean (Chief Whip, Commons) Rhodri Walters (Chief Whip, Lords), Roger Bright (Department of Environment), Trevor Woolly (Cabinet Office) and Bernard Ingham.

*Yours Sincerely
Margaret Jones*

MRS MARGARET JONES
Private Secretary

LOCAL GOVERNMENT FINANCE (SCOTLAND)

RSG SETTLEMENT ANNOUNCEMENT FOR 1989-90

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I PROPOSE THAT THE PROVISION FOR LOCAL AUTHORITY CURRENT EXPENDITURE IN 1989-90 SHOULD BE £3,930M. THIS FIGURE IS 4.6% ABOVE AUTHORITIES' ADJUSTED BUDGETS FOR 1988-89. IT INCLUDES FULL PROVISION FOR THE EXTRA ADMINISTRATIVE COSTS OF OPERATING THE COMMUNITY CHARGE, AS ESTIMATED BY THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES. THIS LEVEL OF PROVISION IS 8% MORE THAN PROVISION FOR THE CURRENT YEAR, AND £240M OVER PROVISION FOR 1989-90 AS SET OUT IN THE PUBLIC EXPENDITURE WHITE PAPER.

I PROPOSE THAT AGGREGATE EXCHEQUER GRANT SHOULD BE SET AT £2,500M. THIS IS £129M OR 5.5% MORE THAN THE SETTLEMENT ALLOWED FOR THIS YEAR.

I BELIEVE THAT LOCAL AUTHORITIES IN SCOTLAND AND LOCAL TAXPAYERS SHOULD FIND THIS A VERY SATISFACTORY SETTLEMENT. IN REACHING IT I HAVE TAKEN INTO ACCOUNT THE VIEWS WHICH THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES EXPRESSED TO MY HON FRIEND WHEN THEY MET HIM ON 8 JULY. THE SETTLEMENT IS BASED ON AUTHORITIES' OWN BUDGETS FOR THE PRESENT YEAR. GRANT HAS BEEN INCREASED BY MORE THAN THE RATE OF INFLATION. IF AUTHORITIES DO NOT INCREASE THEIR LEVEL OF SPENDING NEXT YEAR COMMUNITY CHARGES SHOULD THEREFORE BE SET AT LEVELS NO HIGHER THAN THOSE WE HAVE ILLUSTRATED FOR THIS YEAR.

I HOPE THAT AUTHORITIES WILL RESPOND POSITIVELY TO THIS SETTLEMENT IN PREPARING THEIR BUDGETS FOR NEXT YEAR.