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Prime Minister



Prime Minister 'cc' [initials]
Contact to welcome
this successful conclusion?
Yes - very good
[initials] PRCG
12/10

RATE SUPPORT GRANT SETTLEMENT 1989/90

In July we decided that the present Rate Support Grant (RSG) system should be closed down with effect from the 1989/90 settlement. Nicholas Ridley announced this, together with our proposals for the overall levels of provision and grant for next year, on 7 July.

2. You will be glad to know that E(LA) have now reached agreement on proposals for the remaining elements of the settlement. These include:

- i. the split of overall provision between services. E(LA) have agreed that the distribution should be made principally on the basis of budgeted spending in 1988/89. But there will be specific adjustments to allow for Government decisions which directly influence local authority spending, including the need to prepare for the community charge, and pay increases for the police and for teachers;
- ii. the distribution of block grant to individual authorities. E(LA) have agreed that the minimum of changes should be made in the final year of the present system;
- iii. grants in aid of specific services. E(LA) have agreed to two new specific grants for 1989/90 to support the costs of preparing for the introduction of the community charge, and local authorities' costs in providing services for people suffering from AIDS.

Nicholas Ridley will be issuing a consultation document on these proposals next month. John Major is dealing with the implications for expenditure provision for the other two years of the Survey period.



I am grateful to colleagues for their help in reaching these decisions. Copies of this minute go to members of E(LA) and to Sir Robin Butler.

EP

Secretary of State for Energy

27 October 1988

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