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PRIME MINISTER

MEETING OF E(LF): 6 JULY

There are two items on the agenda for tomorrow's meeting:

1. Final details of the revenue support grant settlement.
2. Transitional arrangements for the business rate.

The papers for each are in the two dividers below.

1. Revenue support grant settlement and safety net

Following your meeting with Nick Ridley and John Major this morning, this item should be settled quite quickly. The points to cover are:

- obtain endorsement for the new safety net package;
- endorse the detailed arrangements for the specific grant for ILEA agreed at the last meeting;
- consider the procedural arrangements in the Lords for the legislative amendment for low rateable value areas
- timing of an announcement of the local authority settlement;
- fixing of a new name for "needs grant"; the latest suggestion is "standard spending grant".

The papers in the divider are:

Flag A - Cabinet Office brief. You can use this to steer the discussion, except for the last point on "needs grant" which it does not cover.

Flag B - a new minute from Nick Ridley following your talk with him and John Major this morning.

Flag C - note from Mr. Baker on details of the ILEA transitional grant.

Flag D - further minute from Nick Ridley on the "needs grant".

Flag E - (purely for reference). The original Nick Ridley paper on the safety net which was available at the last E(LF) meeting.

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2. Business rate transitional arrangements

You saw the papers for this item again over the weekend. You supported the compromise put to you by John Mills and suggested that, if others could accept it, there would be no need for a discussion.

I discussed this with John Major's and Nick Ridley's offices. John Major (who gets far the better of the compromise) was content, but Nick Ridley was not, and he has asked to keep the issue on tomorrow's agenda.

The essence of the proposed compromise is:

- resist Nick Ridley's revised proposal for a "premium" and stick to the original concept of a balanced package for gainers and losers;
- accept Nick Ridley's proposed increase in the threshold for small businesses;
- accept Nick Ridley's proposal to limit protection to existing occupiers rather than existing properties.

You will presumably want to seek to steer the discussion to this conclusion.

The papers in the folder are:

Flag F - summary paper by Nick Ridley attaching the earlier correspondence;

Flag G - Cabinet Office brief;

Flag H - John Mills' brief.

*Plc.*

PAUL GRAY

5 July 1989