

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT

You are having a further meeting tomorrow afternoon with the small ministerial group to consider the handling of Thursday's debates and votes on the five RSG reports. Those attending are the Lord President, Chancellor, Chief Secretary, Mr Patten, Mr Hunt and the Chief Whip. Sir Robin Butler, Richard Wilson and John Mills (Policy Unit) will also be present.

As I mentioned to you this afternoon two further papers have come in this evening. These are:

Flag A - A minute and attached paper from Chris Patten on the fallback possibilities if it was decided necessary to make some further concession. The paper covers in more detail all four of the possibilities discussed at the last meeting.

Flag B - A note from Chris Patten's office on the parliamentary consequences of a defeat in any of the votes. This is less detailed than it might be, and does not cover all aspects of the contingency planning that ought to be in hand e.g. what would Mr Patten say in the immediate aftermath of a lost vote?

Handling the discussion

I suggest you divide the meeting into three parts:

- A - Latest assessment of voting intentions
- B - Possible concessions
- C - Contingency planning for parliamentary handling

A. Latest assessment of voting intentions

You will want to start by asking the Chief Whip to report on his latest assessment. Our impression is that he will say it is still touch and go, but that it should be possible to win a few

potential rebels round in the final hours. b

B. Possible concessions

Whether or not you want to get into the detail of the Flag A paper will depend on the conclusion reached in the first part of the discussion.

It is not clear from Chris Patten's latest paper which of the options he would prefer if it is concluded that some concession is necessary (although it is clear he would prefer no concession). But I get the impression that he may favour iv. extra transitional relief. But, as I thought was concluded at the last meeting, this seems to me the worst option: the main problem in terms of parliamentary votes is persuading potential rebels that their areas are being helped not individual losers; and it would not help the RPI. Discussion at the last meeting favoured iii., a grant to offset changes between GRE and SSA, although ii. a further safety net grant was not ruled out.

C. Contingency planning for parliamentary handling

The DOE letter implies that parliamentary handling of any revised proposals would take longer than we had expected earlier. This is because for three of the five reports there is a statutory requirement either to consult on or notify the contents of the amended report; this would mean the debate would be deferred until the last week in February.

But the DOE letter is a bit too compressed to consider all the implications. You might therefore like to start this part of the discussion by inviting the Lord President and/or Chief Whip to set out their conclusions on the best tactics for the ordering of the votes on Thursday; and in the light of that move on to what contingency planning is necessary to deal with the worst case of a lost vote.

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