



SECRET AND PERSONAL

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My ref:

Your ref:

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Paul Gray Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
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16 January 1990

Dear Paul

#### REVENUE SUPPORT GRANT SETTLEMENT

You asked me for a note explaining the consequences of a defeat on one of the RSG Reports to be debated Thursday night. The Settlement comprises five interconnected reports. There will potentially be a separate vote on each report. The Minister of State is to discuss with the Whips what is tactically the best order for taking the votes. If the Government were to be defeated on any of the votes we assume that the remaining questions would not be put and the House would move to the next business.

If any of the reports were to be lost, it would not be open to the Government to seek approval of the same report at a later date. So, for example, if the distribution report, which defines the methodology for calculating SSAs were defeated, it would not be possible to make a concession on some other aspect of the Settlement and then seek again approval of that report.

It would therefore be necessary to reconsider whatever report had been lost, and bring forward new proposals. For three of the reports (the Revenue Support Grant Report 1990/91, the Distribution Report and Population Report), there is a statutory requirement to either consult on or to notify the intended contents of the new report, and this means that it would only just be possible to bring forward new proposals for subsequent debate in the last week of February. County Councils are legally obliged to finalise their budgets no later than 28 February.

Any reports which had not been voted upon could be brought back for approval at a subsequent date, or alternatively be withdrawn and modified to reflect any changes which had been agreed.

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There are also a number of regulations we cannot make until the reports are approved, principally those prescribing the form of the charge demand notice and rules for calculating population and those empowering bodies like the Passenger Transport Authorities to make their budgets. If these regulations, especially the latter two, are not in place before 1 March there would be very considerable operational and legal difficulties, given the statutory deadline of 1 March or 11 March for budgets of precepting authorities (eg County Councils) and charging authorities (eg Districts) respectively.



R BRIGHT  
Private Secretary