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SUBJECT *cr. Mantel*

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John Mills
file

10 DOWNING STREET

LONDON SW1A 2AA

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From the Private Secretary

19 January 1990

Dear Sir,

LOCAL AUTHORITY GRANT SETTLEMENT

The Prime Minister held a further meeting on 17 January to discuss the handling of the parliamentary debate on 18 January on the local authority grant settlement. Those present were the Lord President, Chancellor of the Exchequer, your Secretary of State, the Chief Secretary, the Chief Whip, the Minister for Local Government, Sir Robin Butler and Mr Richard Wilson (Cabinet Office) and Mr John Mills (Policy Unit). The meeting had before it your Secretary of State's minute of 16 January and the attached paper.

Opening the discussion the Chief Whip said that he agreed with the conclusion in your Secretary of State's minute that the existing proposals as set out in the various reports laid before Parliament should be left unchanged and no attempt should be made to introduce last minute changes. There was no simple solution at acceptable cost which would have a significant impact in persuading those backbenchers likely to withhold their support from the Government to change their minds. The latest assessment by the Whips was that, although there could certainly be no guarantee, the Government should be able to obtain a majority in the various votes; although if all the Opposition parties were at full strength the majority could be paper thin.

Summing up a brief discussion, the Prime Minister said it was agreed that the Government should proceed on the lines recommended by your Secretary of State and the Chief Whip; no changes to the proposal should be made and maximum efforts should be made to secure the best possible outcome in the votes.

In subsequent discussion, the following main points were raised:

- i. There were two issues your Secretary of State could refer to in his speech during the debate which might have a helpful effect. First, he could indicate that the methodology for Standard Spending Assessments and hence grant distribution was not set in stone and if

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local authorities put forward new evidence the Government would take this into account in the 1991 grant settlement. Second, he could indicate that he would be giving serious consideration to charge capping of authorities who came forward with excessive budget and community charge proposals, although no individual authorities should be named.

- ii. Consideration needed to be given to the order in which the five reports should be moved at the end of the debate. The Chief Whip's present assessment was that the appropriate order would be first population, second the main RSG report, third distribution, fourth transition and fifth specific grants.
- iii. Contingency planning was necessary on exactly what immediate comments Ministers would make in the House in the event of any of the votes being lost. If any one of the votes was lost it would be appropriate not to proceed to move the other motions.
- iii. If there was a defeat in any of the votes urgent consideration would be needed on the nature of any changes in the various reports. It was likely that this process would result in a need for a further round of formal consultation with the local authorities, which would mean that the reports could not be brought to a further parliamentary vote until near the end of February.

Summing up this further discussion, the Prime Minister invited your Secretary of State in consultation with the business managers to take the necessary action on the points which had been raised.

I am copying this letter to Tim Sutton (Lord President's Office), John Gieve (HM Treasury), Carys Evans (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Trevor Beattie (Minister for Local Government's Office), Sonia Phippard and Richard Wilson (Cabinet Office).

Yours,
Paul

Paul Gray

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