

CONFIDENTIAL

Prime Minister

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Mr Rifkind has settled for an even tighter RSG increase than Wales. Treasury have driven quite a hard bargain.

Treasury Chambers, Parliament Street, SW1P 3AG

BHP

29/7

The Rt Hon Malcolm Rifkind, QC, MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
SW1A 2AU

23 July 1990

Dear Secretary of State,

AEF SETTLEMENT FOR 1991-92

Following our conversation on Sunday I am writing to set out what I hope is our agreement on the AEF settlement for Scotland for 1991-92.

2. I would have been prepared for you to increase AEF by up to 11.2 per cent on 1990-91. However, I understand that you have decided to increase it by 10.4 per cent, so as to keep down the transfer required from the Block. This is, of course, a matter for you. As you know, new funding from the Exchequer is limited to the formula consequentials of the English settlement on AEF (excluding transitional grants), and transitional relief.

3. I understand that our officials have discussed Grant-Aided Expenditure; I would be content for this figure to be set at up to £4,815 million, an increase of 7.1 per cent above this year's budgets. I understand that this means that the wider aggregate of Total Current Expenditure is likely to rise by rather less than 7.1 per cent.

4. I would be grateful to see the draft of your statement as soon as possible.

5. I am copying this letter to the Prime Minister, Geoffrey Howe, Chris Patten, David Hunt, and Sir Robin Butler.

Yours sincerely,

NORMAN LAMONT

[Approved by the Chief Secretary and signed in his absence]

LOCAL GOVT. Relations, 1938

