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Prime Minister ②
 Table attached shows where
 George Younger found the
 money

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Treasury Chambers, Parliament Street, SW1P 3AG

J S Graham Esq
 Private Secretary to
 Secretary of State for Scotland
 Scottish Office
 Dover House
 Whitehall
 LONDON
 SW1A 2AU

14 March 1985

Dear John

RATES AND REVALUATION

... Following your Secretary of State's announcement in the House of the revised amount of domestic rate relief on Thursday 7 March I thought it useful to set out in the attached summary the package of offsetting savings that have also been agreed.

Two of the 1985-86 cash limits concerned (SO/LA2 and Class XV Vote 2) will be announced, in the usual PQ on non-voted cash limits and main estimates respectively, at the time of the Budget. The rest will be announced in a few weeks when you have worked out the final details but in time for any consequent supply estimate changes to be included in revised estimates.

Since the savings are offsets to an increase in domestic rate relief grant, which is set for only one year ahead, they apply only to 1985-86. However, should you wish to retain the additional domestic rate relief grant in future years we shall need to revise your other programmes in those years also.

Finally, some of the offsetting savings involved are from programmes outside your block. The Chief Secretary agreed to them because of the exceptional circumstances in this case. But he has asked me to emphasise that his agreement must be without prejudice to the rule that transfers across the boundary of the Scottish Block are not normally permitted.

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I am copying this letter to Andrew Turnbull (No. 10), Janet Lewis-Jones (Lord President's office) David Morris (Lord Privy Seal's Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary

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SAVINGS OFFSETTING AN INCREASE IN DOMESTIC RATE RELIEF

	<u>Cost of 3p increase in domestic rate relief:</u>	£38.5m
(a)	<u>Reductions in cash limits</u>	
Voted	Class XV.2 Agricultural Services and Fisheries, Scotland	£0.5m
Voted	Class XV.3 Regional and Industrial Support, Scotland	£5.2m
Voted	Class XV.6 Roads and Transport and Environmental Services, Scotland	£4.8m
Voted	Class XV.14 Prisons Hospitals and Community Health Services, Scotland	£5.0m
Non Voted	SO/LA2 Housing and New Towns Commercial and Industrial Capital	£10.5m
	Sub Total	£26.0m
(b)	<u>Changes to Grant Penalty Tariffs</u>	£12.5m
	(Now on a sliding scale with fixed points at 1 per cent and each succeeding $\frac{1}{2}$ per cent being, 90%, 100%, 110%, 120%, 140%, 170%)	
	TOTAL	£38.5m