

CONFIDENTIAL

(passed on) MP

- [1. MR POTTER] *agreed in draft*
- 2. CHIEF SECRETARY

DOE
desire to
an
broader
provision
rather
than
...

FROM: R FELLGETT

Date: 20 October 1988

(see also Health, behind)

- cc: Chancellor
- Sir Peter Middleton
- Mr Anson
- Mr Phillips
- Mr Edwards
- Mr Turnbull
- Mr Odling-Smee

LOCAL AUTHORITY CURRENT EXPENDITURE PROVISION: REVISED GDP DEFLATOR

I understand that the Chancellor has decided to revise the GDP deflator for 1989-90 to 5%. You will recall that provision for local authority current expenditure was set on the assumption that it would be 4½%.

2. So far as colleagues are concerned, the increase in provision of 4.7% (compared to local authorities own budgets, not Government provision for 1988-89) will therefore change from a 0.2% real increase to a 0.3% real decrease. This is similar to the change last year for the 1988 Autumn Statement, and should cause no problem.

3. For the local authorities and public however the change in deflator will be from 4% to 5%, ie provision will represent a real cut of 0.3% rather than a real increase of 0.7%. This might provoke calls for total provision to be increased, with an implication that we should also increase grant. The announcement of the new GDP deflator in the Autumn Statement will come while the RSG closedown Bill is before Parliament, and before the RSG settlement itself goes to the House in December. DOE expect to complete all Commons stages of the Bill on Monday, 7 November and receive Royal Assent on Tuesday, 15 November.

4. We should be able to resist pressures to reopen the totals in this way. But it would be helpful if DOE could ensure that, particularly during the Commons stages of the RSG Bill, they avoided defending provision as a real increase, however small.

5. I should therefore be grateful if you would agree to us alerting one or two key DOE officials to the possibility of a further increase in the GDP deflator forecast, so they can take this into account in briefing Mr Gummer (who will be handling the Bill) and Mr Ridley.

Robin Fellgett

R FELLGETT