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NBRM.

Treasury Chambers, Parliament Street, SW1P 3AG

Robert Gordon Esq
Private Secretary to the
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1

Dear Robert,

23 July 1986

SCOTTISH RSG SETTLEMENT 1987-88

The Chief Secretary had a further discussion about the 1987-88 Scottish RSG settlement with your Secretary of State yesterday evening.

The Chief Secretary told your Secretary of State that he was prepared to agree to aggregate exchequer grant of £2160 million. He gave notice that he would be arguing about the continuation of revaluation relief in the autumn. If it were agreed that revaluation relief should continue, that would have to be met out of the Scottish block. He made clear to your Secretary of State that he would be conceding nothing on the consequential, although he accepted that there would have to be discussions on that.

Your Secretary of State said that he accepted that the Chief Secretary was conceding nothing on the formula consequential, nor on the continuation of revaluation relief at this stage. He pointed out that if he did manage to gain agreement to some of the balance of the consequential and to a continuation of revaluation relief in 1987-88 it would not make sense to make a cut elsewhere in the Scottish block. He was prepared to agree to the Chief Secretary's conditions reserving his right to argue later in the summer.

The Chief Secretary said that he had some comments on your Secretary of State's statement. On revaluation relief, he asked your Secretary of State to say simply that that was not an issue for consideration in the context of the RSG statement. Your Secretary of State said that he would make clear that

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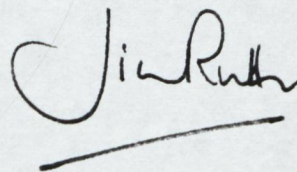
that was not a relevant issue. The Chief Secretary asked for an amendment to the second paragraph of your Secretary of State's statement to bring it into line with Mr Ridley's statement on inflation and take out the reference to "the recent teachers' pay award". The Chief Secretary has also asked that your Secretary of State be careful on any reference to teachers' pay. Our officials will be in touch.

The Chief Secretary asked that your Secretary of State delete the reference to a "generous" settlement in the the fifth paragraph. Your Secretary of State said he could accept these amendments. The Chief Secretary noted that the Treasury might wish to feed in further amendments at official level.

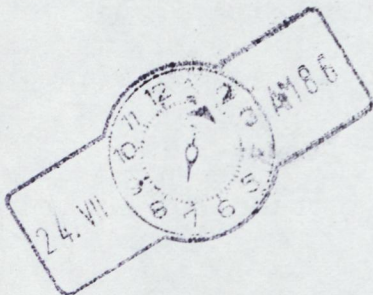
The Chief Secretary noted that the issue of penalties would have to be discussed later.

I am copying this letter to David Norgrove (No.10), Robin Young (Environment) Colin Williams (Welsh Office), Murdo MacLean (Chief Whip's Office), Joan MacNaughton (Lord President's Office), Michael Stark (Cabinet Office) and David Morris (Leader's Office).

Yours sincerely,



JILL RUTTER
Private Secretary



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