



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Prime Minister

WALES RATE SUPPORT GRANT 1984-85

*with AT?*

I have seen the minute sent to you on 25 October by the Secretary of State for Wales about Aggregate Exchequer Grant (AEG) for Wales in 1984-85.

Although the Scottish grant system is different from that in England and Wales, I support the views of the Secretary of State for Wales. In particular I agree entirely with him that it would be wrong to ignore (as an argument based on cash movements in AEG does) the likely real effect on rates, both domestic and non-domestic of the level of AEG. For Scotland this points to maintaining the proportionate grant differential between Scotland and England. Any percentage diminution for Scotland greater than that in England will undermine our strategy to control local authority spending, and provoke confrontation and high rate increases at a level and on a scale which I am not prepared to countenance.

I have written to the Chief Secretary about the 1984-85 grant for Scotland and he has still to reply. Should he however adopt the same approach to the Scottish grant figure, problems similar to those described by the Secretary of State for Wales will arise for Scotland.

I am sending copies of this minute to the Secretary of State for Wales, the Chief Secretary and Sir Robert Armstrong.

*Cy.*

G Y

27 October 1983