

PRIME MINISTER

RSG AND RATE LIMITATION

You may remember that after much difficulty an agreement was reached on the RSG package which combined a relatively high level of grant with a tough scale for holdback. Mr. Jenkin is now seeking to re-open this agreement on the grounds that it creates problems for the Rate Limitation Bill. He fears that either RSG or Rate Limitation or both could not be got through the House.

The problem is that Rate Limitation has been presented as a selective measure, punishing only the worst offenders, with general limitation being held only in reserve should there be a wide-spread breakdown of the system. The Councils are arguing that, in effect, the holdback scheme subjects them all to general limitation.

The Treasury are resisting Mr. Jenkin's attempt to re-open the deal. They feel that it is wrong to weaken holdback which was the quid pro quo for an easier settlement on the level of grant. If holdback is re-opened then so should the remaining elements of the package. They argue that the purpose of tough holdback is to be a deterrent and it only comes into operation if there is over-spending.

Mr. Jenkin may put his proposals to E(LA), though this is not scheduled to meet again until 17 November.

The Chief Whip may raise this with you today. You may wish to establish whether he thinks these measures can be got through if Environment Ministers are resolute. Clearly, if they are hesitant backbench opposition is likely to grow.

AT

7 November, 1983