



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

all

23 February 1990



*MBPM at his desk.
RCG 25/2*

Dear Roger

TREATMENT OF CAPITAL DEBT IN THE NEW REVENUE SUPPORT GRANT

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The Lord President has seen Mr Patten's reply of 20 February to Mr Parkinson.

He noted in particular the explanation in paragraph 4 of how the element in SSAs for capital financing was incorporated in the arithmetic for this year's settlement. If we understand it correctly, the position is that the figures relate to GREs for two years previously. The Lord President feels that this is very far from being an entirely comfortable position to defend - for example, he is aware of criticism that part of the trouble with the SSAs is that they are based on somewhat out of date information.

Since the 1989-90 capital allocations are known, even though it was not originally intended to have any Supplementary Report for 1989-90, it would presumably be possible to exemplify what the effect would be of adjusting the 1989-90 GREs and then of rolling forward the revised GREs into SSAs for 1990-91 to reflect the 1989-90 capital allocations. If Ministers in E(LG) are to consider whether a change should be made in the Supplementary Report, would it be possible for them to see such exemplifications beforehand?

I am copying this letter to the Private Secretaries to Members of E(LG), and to Sonia Phippard in Sir Robin Butler's office.

T J Sutton
Principal Private Secretary

Roger Bright Esq
PPS/Secretary of State for the Environment

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