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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 London
 SW1P 3EB

NRBm
RC6
21/7

Dear Nick,

30 June 1988

DUAL RUNNING OF DOMESTIC RATES AND THE COMMUNITY CHARGE IN LONDON

Thank you for copying to me your minute of ^{Mar} 24 June to the Prime Minister. I have also seen the Prime Minister's response in Paul Gray's letter of 27 June.

I do not dissent from your conclusion that we should now delete the dual running provisions from the Local Government Finance Bill. I am particularly persuaded by the administrative argument that a number of inner London boroughs simply could not cope with the administrative difficulties of running both tax billing and collection systems at the same time.

The only condition attached to my agreement is that we resolve again that this change in the transitional arrangements must not lead to additional calls on the Exchequer. In considering the Prime Minister's suggestion of looking again at the safety net arrangement as it affects the London boroughs we need to bear this important principle in mind. We must in particular ensure that the safety net as a whole continues to be self-financing.

Without dual running, there will be substantial initial Community Charge bills in inner London, which might be rather higher than the figures you quote if one allows for the expenditure which boroughs are currently financing through creative accounting and for the possibility that they will not be able to collect the charge fully from all their resident population. As the Prime Minister has noted, Community Charge capping may be an important way in which we can help chargepayers in London, and indeed elsewhere, after 1990.

I am copying this letter to the Prime Minister, members of E(LF), and to Sir Robin Butler.

Yours Ever,
John Major

JOHN MAJOR