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Adm to his desk

CONFIDENTIAL

Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
2 Marsham Street
LONDON
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AR16

11/7

11 July 1988

Dear Secretary of State

You copied to me your letter of 8 July to John Major proposing that you should introduce into the Local Government Finance Bill a power to enable you to give specific grants to local authorities towards the cost of introducing the community charge system. I cannot support this, for two reasons.

First, I would be very seriously embarrassed by the emergence of such a proposal when Scottish local authorities have had to introduce the system within the constraints of the normal financial framework. They have complained that the RSG provision for the current year and the capital allocations we have given have been inadequate, and that they have had to make hard choices between conflicting priorities. That, of course, is as it should be but I would have great difficulty in maintaining my position if you had undermined me by preparing to give specific grants.

Secondly, I think that to offer specific grants would give quite the wrong signal about how we view the community charge and other elements of the rates reform package. The community charge system is the main means for local authorities to raise revenue at their own hand and its implementation and running costs should be clearly in the hands of local authorities themselves, subject to the normal arrangements for central government subvention which apply to all their responsibilities. I think your proposal would look like a panic measure, indicating that we had no confidence in the new system being implemented without some sort of bribe, and I think that that would be extremely damaging. I find it hard to believe that the proposition that you were merely taking an 'enabling' power would cut much ice.

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

Lynn Shankland

MALCOLM RIFKIND

(approved by the Secretary of State and signed in his absence)

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Local Gov. Relations

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