

CONFIDENTIAL



ccpu

Prime Minister
Are you content for
your approach to be
implemented as at X?

Treasury Chambers, Parliament Street, SW1P 3AG

REC 6
14/2

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

Yes

13th February 1989

Dear Nick,

AK/14

NON-DOMESTIC RATING

I have seen Paul Gray's letter of 8 February in response to your minute of 3 February reporting the package agreed between us.

I think, if I may say so, that the Prime Minister's formulation that changes in Government contributions in lieu of rates will be "taken into account" when the total of Exchequer grant to local authorities is discussed is an excellent way to present our agreement.

I would just like to add that this formulation seems to me quite consistent with the agreement we have reached (in our discussions on arrangements for the 1989 public expenditure Survey) that we shall need to decide on a total funding "envelope" for local authorities, including RSG and NNDR, before the NNDR figure will be known. The reality is, therefore, that RSG will vary inversely with the NNDR, one component of which will be Government contributions in lieu. I do not think, however, that we should hesitate to acknowledge that publicly if we are asked. It would be irrational to take our decisions on the total funding requirements of local authorities on any other basis. I believe that local authorities themselves would expect and accept this.

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

Yours truly,
John Major

JOHN MAJOR

X