

CONFIDENTIAL

PRIME MINISTER

COMMUNITY CHARGE TRANSITIONAL ARRANGEMENTS

You agreed in June to Mr. Ridley's proposal to drop dual-running of domestic rates and the community charge in London. But, on advice from Peter Stredder, you asked for a further look to be taken at the detailed safety net and grant distribution arrangements with a view to seeking to limit the first year community charge in all areas to a maximum of, say, £350.

Mr. Ridley's minute of 25 November, attached, responds to that remit. He says:

- it is feasible to calculate the safety net to achieve a specified maximum community charge;
- but we should not announce any such arrangement now because it would encourage authorities to increase expenditure in 1989/90 since they would bear no community charge penalty in 1990/91;
- there is no need to take decisions now on the precise arrangement for the transitional safety net, and it is important to retain flexibility at this stage;
- he will bring forward proposals in the context of next year's settlement including options that would limit community charges at specified levels of spending.

This all seems very sensible. Content to agree to Mr. Ridley proceeding as he proposes?

Recd.

(PAUL GRAY)

25 November 1988

Yes mb

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