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My ref:

Your ref:

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State  
Scottish Office  
Dover House  
Whitehall  
LONDON  
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/ March 1989

Dear Secretary of State

STANDARD COMMUNITY CHARGE *at home*

Thank you for your letter of 22 February, proposing a reduction in the maximum standard community charge multiplier.

As you point out, this issue was discussed by E(LF) in June 1986. In my view there was a reasonable case at that time for setting the maximum multiplier at one unit of personal community charge. However, we took a collective decision to go for a maximum multiplier of two units, and we have defended that decision vigorously ever since. The case for reversing the E(LF) decision at this late stage is, in my view, very weak.

The arguments you put forward are, for the most part, the same as those advanced in 1986. We have always known that a multiplier of two units would lead to higher bills for low-rated second homes and lower bills for high-rated second homes. We did not, of course, know for certain in 1986 how charging authorities would exercise their discretion in setting the standard charge multiplier; but it has always seemed likely that the vast majority would set the charge at the maximum.

You suggest that an amendment would be generally welcomed. While that may be true among second home owners, I would expect major opposition from charging authorities and the Opposition. At least some authorities would stand to lose substantial sums of money, which would have to be made up by increasing the personal community charge. The Opposition could be relied on to present the change as an undeserved windfall gain to people with substantial second homes.

On balance, therefore, the case for a change of policy seems to me to be considerably weaker now than in 1986. Since then we have become firmly and publicly committed to a maximum multiplier of

two units. Moreover, the timing seems to me to be particularly bad. We ought surely to wait until the new system has been in operation for at least a year, both north and south of the border, before contemplating such a significant change.

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

*Yours sincerely,*

*NR*

NICHOLAS RIDLEY

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