

SUBJECT
cc Master

CONFIDENTIAL

(D92ASK)

bcc: BG



10 DOWNING STREET

From the Private Secretary

31 December 1985

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

Your Secretary of State today came to discuss with the Prime Minister the handling of the publication of the Green Paper on Local Government Finance. Mr. Letwin was also present.

Most of the discussion concerned the action your Secretary of State intended to take to help the reception of the proposals after publication of the Green Paper. This would include a series of presentations by himself and Mr. Waldegrave. Your Secretary of State also described to the Prime Minister what he saw as the most likely points of criticism. These were likely to include accusations that:

- (i) people aged between 18 and 24 would be particularly hard hit: the Government would have to take this head on, arguing that it was right for these people to contribute;
- (ii) the very rich would gain: the Government could argue that local government finance was not an appropriate instrument for pursuing distributional objectives - that was the province of central government taxation;
- (iii) students should not pay: the Government would point to the need for the charge to be universal;
- (iv) the charge would be widely evaded: but, for example, rents and TV licence fees were also difficult to collect in difficult areas.
- (v) second homes were being unfairly treated: there was inevitably some arbitrariness in assessing second homes to two community charges, but this was defensible.

There would also be criticism of the effects on some pensioner couples. It would in principle be possible to assess pensioner couples to one community charge, but this would be expensive.

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In a discussion of the timetable, it was agreed that publication should take place on Tuesday 28 January. The deadline for comments should be September or October and the White Paper should follow before the House rose for the Christmas Recess in 1986. It would be for consideration whether a Bill should be published before the next Election, but the aim should be to prepare a Bill by March 1987.

The Prime Minister emphasised that in presenting the Green Paper your Secretary of State should make clear that it was green only in detail. He should be firm about the proposed structure.

I am copying this letter to the Private Secretaries to Members of E(LF) and to Michael Stark (Cabinet Office).

David Norgrove

Robin Young, Esq.,
Department of the Environment.