



cc: Baker

## CONSERVATIVE

STRICTLY PERSONAL AND CONFIDENTIAL

Number 1 The Prime Minister

Number 2 The Chancellor of the Exchequer

Number 3 The Secretary of State for the Environment

Number 4 The Chief Whip

On Tuesday, 12th December, 1989, I met a group of MPs headed by Sir Rhodes Boyson about the Community Charge. They included Peter Temple-Morris, John Lee, Michael Irvine, Bob Dunn, George Young, Vivian Bendall, Jim Pawsey, James Arbuthnot, Neville Trotter and Jim Lester. Rhodes said that he had also spoken to a further 50 or 60 colleagues who were in sympathy with his views that something must be done to mitigate the effect of the Community Charge next April.

He started by saying that the Community Charge was politically highly dangerous, and that it was going to cost us control of many councils and that this effect would run on into the next election. Some went on to say our success or failure in the

next General Election would depend upon how we handled the Community Charge. He asked that we should consider three changes.

1. Safety Net

He wanted the Safety Net for contributing authorities to be abolished in the first year. He specifically focused on outer London boroughs: saying that in Barnet the Safety Net meant that the Community Charge would be 15% higher than the average, but without it, it would be 15% lower than the average. He forecast that we would lose control of many outer London boroughs. He claimed that John Marshall and John Gorst also supported this.

2. Capping

Big spenders should be capped. Authorities which spend more than the norm, say 25% or 50% should be capped. He related this not to the actual expenditure but to the amount by which this individual Community Charge was above the Government norm.

3. Transitional Relief

He did not believe that the transitional payments were large enough. Many people were going to lose much more than £3.00 before they were going to receive any benefit.



He suggested that the level of loss should be reduced to £1.00 or £1.50 per household. In particular this would help those Community Charge payers who would not benefit from the Rebate Scheme, but who lived in low rateable value houses. Very much our voters.

He left me with 2 sets of figures for 20 marginal seats for houses with rateable values of £100.00 and £150.00. Taking the Community Charge bill for 2 adults after allowing for transitional relief, he claimed that the increases for a 2 person household, in a £100.00 RV house would range from 36% to 109%, and for a £150.00 RV house from 11% to 69%. I attach copies of these sheets which can be looked at by DoE. They look to be flawed.

He also singled out Pendle, which is about the worst case, showing that the increase for a 2 person household, after allowing for transitional arrangements, would be on the DoE basis 96%, and on the 7% inflation instead of 3.8% basis, 117%. He claimed that in 2 person households, there would be 80% losers in marginal seats.

He strongly attacked the level of the SSA as being totally unrealistic and expressed the much repeated complaints about the £278.00 being very misleading and resented by Conservative authorities, who could not, by any standard, be categorised as high spenders. He also said that for the long term, Education, Police and Fire should be taken out of local

authority responsibility. I have heard that Michael Heseltine has been persuaded that Education expenditure should be borne by the Exchequer: so it looks as if this will be a strong runner next Spring.

Bob Dunn. He said that colleagues were only just realising how unacceptable the levels of Community Charge were - 80% of 2 person households in his constituency would be significantly worse off.

Jim Lester pointed to the lack of realism and how it was very difficult to justify in his authority, one of the low spending ones, the high level of the Community Charge.

Jim Pawsey thought the levels for Warwickshire and his constituency of up to £400.00 were very, very bad news and it would take its toll politically.

John Lee said that the Charge in Pendle will be significantly higher than the projections of the DoE. He thinks there is a general air of uncertainty about the whole of the Community Charge because councils are now campaigning strongly against it and many ordinary voters are very puzzled and uncertain about the effect upon them, but he was in no doubt of the damaging political consequences of proceeding as we are.

James Arbuthnot said that he would like to scrap the whole idea and if MPs had really known what was going to happen when



the Bill was passed, it would not have commanded a majority.

Peter Temple-Morris has one of the lowest Community Charges in the country, but he also felt that changes had to be made.

Vivian Bendall attacked very strongly the variations in standing spending assessment as between inner London boroughs and the outer London boroughs. That was not fair to moderate, low spending authorities like his own.

George Young said that one had to consider what was needed in the short term and in the long term. He believes that not too much can be done for next year without destroying the credibility of the Community Charge. He thought that we should go for the Safety Net in the first year and announce a review of the Community Charge in the summer.

Michael Irvine made the point that in his constituency, the people who would be hit are the bus drivers, secretaries and machinists living in low rated houses and his majority depended upon the support of these people.

I defended our proposals and pointed out that these figures took no account of the huge increase in rebates next year. These would help some 9 million people and would reduce the losers.

It is quite clear that we have not got over the effect of the Rebate Scheme and there must be a major effort to do this after Christmas.

I pointed out how indiscriminate the effect of removing the Safety Net would be, but overall they felt that would be better than nothing, even for those who were not net gainers. I doubt whether that would be their position in January. In more general discussion, it was clear that they wanted to help people who were not on benefit. "Our voters", as they were constantly referred to. This pointed to an improvement in the transitional relief payments.

I gave them no reason to hope that the Government was prepared to consider changing the level of support and in no way could we re-open the grant settlement for next year.

Nothing new was raised. Rhodes was, as you would expect, the most voluble spokesman. He said that something would have to change by January to avoid very considerable trouble when the Order came to the House.

I think there is some confusion in this group as to what should be done, but I have no doubt that they all felt very strongly that something should be done.

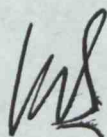
I have to say that the strength of feeling, in my view, is very considerable. They fear that as a result of the constant



changes of figures from the DoE they have been very misled about the impact of the Community Charge and that this is now coming home to them. We are also beginning to get angry letters from Conservative Associations at Central Office about this, predicting dire political consequences in the Local Elections.

We must put over the community charge positively in the New Year, stressing its fairness and the improved accountability. Some Conservative Associations are using the Community Charge to attack high spending Labour authorities. Rhodes should be doing this in Brent. I pointed out to them that while the Community Charge would be difficult next Spring, it will be much smoother in 1991, and in 1992 I do not believe that many will want to change to a new system.

I told them that I would be sending a report of this meeting to the Prime Minister, the Chancellor, the Chief Whip and Chris Patten.

A handwritten signature in dark ink, appearing to be 'MS' or similar initials, located below the main text.

KB/shrw/14.12.89

Authority:

Pendle  
Based on DOE  
Illustrative CC

Pendle  
CC Based on  
7% Inflation  
CC

		Pendle Based on DOE Illustrative CC	Pendle CC Based on 7% Inflation CC
Domestic Rate 1989-90	£	2.8575	2.8575
Domestic Rate 1989-90 +4.8%		2.9935	2.9935
DOE Illustrative CC 1990-91:			
Full CC	£	278	296
CC With Safety Net	£	173	191
Rateable Value of Home	£	60	60
Percentage of Homes in Area with RV's not exceeding £75		51	51
Domestic Rate bill 1989-90	£	171	171
Domestic Rate bill +4.8%	£	180	180
YEAR 1			
CC for 2 Adults before Transitional Arrangements	£	346	382
CC for 2 Adults with Transitional Arrangements	£	336	372
Increase on 1989-90 Bill	%	96	117
Protection	£	10	10
YEAR 2			
CC for 2 Adults Minus protection Less	£	399	435
25p. Per Week	£	0	0
Amount Payable	£	399	435
Increase in Bill	%	19	17
YEAR 3			
CC for 2 Adults Minus Protection Less	£	451	487
50p. Per Week	£	0	0
Amount Payable	£	451	487
Increase in Bill	%	13	12



Authority:

Hyndburn  
Based on DOE  
Illustrative CC

Hyndburn  
CC Based on  
7% Inflation

	£	3.2762	3.2762
Domestic Rate 1989-90	£	3.2762	3.2762
Domestic Rate 1989-90 +4.8%		3.4321	3.4321
DOE Illustrative CC 1990-91:			
Full CC	£	267	285
CC With Safety Net	£	181	199
Rateable Value of Home	£	60	60
Percentage of Homes in Area with RV's not exceeding £75		36	36
Domestic Rate bill 1989-90	£	197	197
Domestic Rate bill +4.8%	£	206	206
YEAR 1			
CC for 2 Adults before Transitional Arrangements	£	362	398
CC for 2 Adults with Transitional Arrangements	£	362	398
Increase on 1989-90 Bill	%	84	102
Protection	£	0	0
YEAR 2			
CC for 2 Adults	£	412	448
Minus protection Less 25p. Per Week	£	0	0
Amount Payable	£	412	448
Increase in Bill	%	14	13
YEAR 3			
CC for 2 Adults	£	462	448
Minus Protection Less 50p. Per Week	£	0	0
Amount Payable	£	462	448
Increase in Bill	%	12	0