



CONSERVATIVE

STRICTLY PRIVATE AND CONFIDENTIAL

The Prime Minister
Lord President of the Council
The Chancellor of the Exchequer
The Chief Whip
Secretary of State for the Environment

On Tuesday evening (19th December, 1989), Chris Patten and I met the Executive of the 1922 Committee. The following were present.

Cranley Onslow
Jim Pawsey
Bon Dunn
Charlie Morrison
Elizabeth Peacock
Tony Grant
Peter Hordern
Marcus Fox

George Gardiner
Terence Higgins
Jill Knight
Giles Shaw
Don Thompson
Ralph Howell
John Hanham

It was not an acrimonious meeting, but the views that were expressed were very firm and very consistent. Apart from Ralph Howell, who believes the whole system is wrong, preferring a form of variable VAT, they all spoke in favour of the Community Charge as the best system. Clearly they have spent a lot of time in promoting it in their constituencies and they are convinced that it is the fairest and best way of raising money for local government. I do think it is important to appreciate that virtually all the parliamentary

party are strongly committed to the principle of the Community Charge. They raised, however, the following objections.

1. The level of charge was simply too high in far too many constituencies and several examples were given.
2. The SSA was described as 'unrealistic and iniquitous'. The Officers of their local authorities have clearly been getting at them and explaining to them that they are going to have to meet wage settlements much higher than 3.8%.
3. The DoE's propaganda was described as 'mischievous' and the Standard Community Charge which emerges from the legislation and has to be announced, was described as positively 'unhelpful and damaging' in areas where there was both a Conservative county council and a Conservative district council.
4. They argued that one should start from the level of expenditure this year as the basis for any up-rating.
5. They condemn the constant change of figures that emerge from one successive announcement to another from the DoE.

There are a variety of difficulties. Some counties like Lincolnshire, Warwickshire and Avon actually have suffered a reduction in grant this year and that is almost impossible to explain.

There was one bid for what I would call the Rhodes Boyson package which is 1st year Safety Net; capping and transitional relief, but several of them have focused upon the fact that if any help is to be given, then it does mean a fundamental re-assessment of the SSA as the only means of mitigating the down side.

Tony Grant argued that teachers' salaries should be borne by the Exchequer and there was a considerable murmur of approval made at this point and I am fairly clear that this will be run as big issue in the Spring.

Chris Patten defended the Government's position very strongly and pointed out that several councils are increasing expenditure quite significantly including Conservative county councils, and mentioned particularly Cambridgeshire and Surrey and in no way could the Government condone this. This had to be brought home to the electors.

I pointed out that if there was to be a substantial increase in grant, it would go to the very heart of the Government's economic policy (this was later contested by Terence Higgins in private, who claimed that it would not affect the economic

policy, it would limit the discretion of the Chancellor on tax at the next budget) but I made it clear to them that there was no easy fix for this.

The overall impression of the meeting was one of very considerable unease and they wanted the Government to know this.

I think some are expecting some measures to mitigate the effect, others are reconciled to the fact that this is unlikely. However I think all were agreed, that there is going to be considerable difficulty at the local elections next Spring.

KB/shrw/2.1.90

DOUGLAS HOGG, M.P.



9 JAN 1990

HOUSE OF COMMONS
LONDON SW1A 0AA

December 28th 1989

The Rt. Hon. Kenneth Baker MP
Chairman
Conservative Central Office
32 Smith Square
London SW1

PERSONAL

Dear Ken.

This is merely to confirm what Kenneth Carlisle and I said when we visited you on I think Monday 18th December 1989.

Both Kenneth and I are very concerned about the impact of the Community Charge in Lincolnshire.

As I described to you an average two person household in Lincolnshire will have to pay by way of Community Charge a sum which is around 46% higher than the average rate bill in the County. In the city of Lincoln the increase is of an order of 60%. The implications are obvious for all.

My own belief is that the settlement is far far too tight. I believe that it would be in everybody's interest to cushion yet further the introduction of the Community Charge. You will ask how that is to be financed without damaging the Government's macro economic strategy. My own view is that it would be better by far to take from money that would otherwise be released in next year's Budget sums sufficient to cushion the Community Charge by around £2 billion. That seems to me to suggest that we should forego an uprating in the personal tax allowances and to use the money thus 'saved' so as to cushion the Community Charge. I have no doubt that this is very much in our political interests.

Yours ever

D Hogg
