



CONFIDENTIAL

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
SW1A 2AT

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

1. *NEW*

2. *NBPN.*

9 September 1986

Dear Lord President,

SOCIAL SECURITY AND THE COMMUNITY CHARGE

We discussed this matter in E(LF) ^{attached} on 3 July and agreed that we would return to it at our meeting in September, on the basis of a paper to be prepared which would contain illustrative figures of the effects of the options before us. It is important that we should not lose any more time in reaching a decision in principle on the arrangements which have to be made to help those on low incomes to meet their community charge. It is inconceivable that when the Scottish Bill is published, 10 months after the Green Paper, we should still be in the position of having to rely on the very general statements about support for those on low incomes which the Green Paper contained. There is already little enough time for us to complete the detailed work which will be necessary after decisions in principle have been taken, and I therefore urge most strongly that we should move quickly towards a decision.

I understand that Nicholas Ridley wants to look further at some of the basic assumptions about grant distribution and the length of the transition period in England and Wales. I hope that this work can be completed without delay. In Scotland, however, the position has been clear for some time and it may be helpful for me to summarise briefly the main points in the argument about rebates.

The approach of providing flat rate support rather than rebates has fundamental weaknesses. It would reduce the protection for those in areas where charges will be high, and result in unnecessary payments where charges are below average. It would leave unprotected many in groups we are particularly concerned about such as pensioner couples. And this approach would produce unacceptable results in Scotland. The figures we have are taken from the DOE gainers and losers model (based on 1984-85 figures). They show that, compared with a full rebate system, 24% of tax units in Scotland would lose and only 12% would gain on the flat rate approach. Within that picture there would be particularly adverse effects on pensioners. Among pensioner couples 11% would gain while 43% would lose, of whom over one quarter would be more than £2 per week worse off.

The Green Paper has created a very strong presumption that there will be a rebate scheme based on the housing benefit scheme for rates. The Prime Minister referred to our commitment to a rebate scheme of up to 80% in a recent Scottish television interview. If we come forward now with a decision that there should be no rebates we will be accused of having issued a false prospectus in having given no clear indication in a Green Paper of the weight of Cmnd 9714 that this was an option. I believe it would put at risk the passage of my Bill if it were seen as a vehicle for ending the local taxation rebate system: we are all too well aware of the difficulties that would be encountered in the House of Lords in particular. Just as important, to make the introduction of community charge the occasion for ending rebates would rule out any prospect of obtaining reasonable public acceptance for the new system, and would rob us of much of the support we have obtained so far: it is significant that many of the responses to the Green Paper which we have received from those welcoming our proposals have emphasised the need for a proper rebate scheme of assistance for those on low incomes - by which, in the light of the expectations generated by the Green Paper, is meant a full rebate scheme.

I hope you will agree that this matter needs to be settled urgently by E(LF).

I am copying this to the other members of E(LF) and Sir Robert Armstrong.

Margaret P. Mark

MALCOLM RIFKIND

Approved by the
Secretary of State and
signed in his absence

