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CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

Prime Minister²

DRS
15/10.

15 October 1986

Dear Norman

SOCIAL SECURITY AND THE COMMUNITY CHARGE

You will recall that at the meeting on 2 October I was invited to give further consideration to the precise form of the rebating system in Scotland. My main priority now, as colleagues will understand, is to clear the way for introducing my Bill in a few weeks' time. In terms of drafting there is not now any great problem, but I shall need to be able to illustrate, with publicity, the likely effects of the Bill on particular households. I therefore invite your early comments on the points that follow.

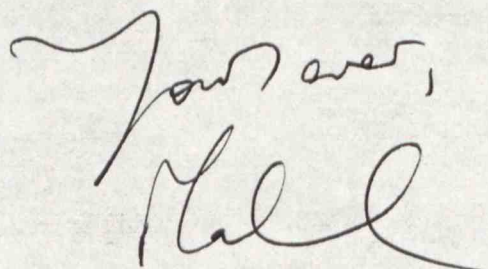
As regards the particular points mentioned in the discussion at E(LF), the idea of fixing a minimum rebate seems to me not to pose problems. In earlier official exemplifications 50p per week was used as a possible threshold and I believe that might be about right. If any other work which officials could do were to point to a different figure I should be happy to consider it, but for the moment I should be glad to regard a 50p per week minimum as a planning figure.

Any idea of rebating a smaller percentage than 80% of the community charge would seem to be impossible to present in a positive way. I take it that you are unlikely to depart from the 20% contribution to rate charges throughout Great Britain from 1988. If this is the case then I cannot cast doubt on the application of the 20% to the community charge in Scotland. Bearing in mind the assurances that have been given in both Houses as to your plans, and the fact that the 20% figure is firmly built into our Green Paper proposals, I do not see how we could begin to contemplate any departure from the 80% figure now.

Any move against particularly high levels of community charge seriously detracts from our aim of placing upon individual local authorities the responsibility for the level of community charge they seek from their electorate. I have, however, always accepted that because of all the evidence of local authority extravagance I must arm myself with powers, like my existing powers of selective action against excessive and unreasonable expenditure by local authorities, to intervene. These powers will enable me to substitute a lower community charge in these cases. Because of the wider likely spread of community charges in England and Wales than in Scotland, a restriction of the kind under discussion at ELF - which on the basis of earlier official work would be likely to take the form of a threshold related to the national average community charge - would be more useful south rather than north of the Border. Subject to colleagues' views, therefore, I would propose that, while I will of course reserve the position about our future intentions for England and Wales, it should not form part of the rebate system as it is to be introduced in Scotland.

I should be glad to know if you can agree with this line of approach. If so, I should be interested to know if you have any points to make about further official work about the definition of a lower threshold for the community charge. Subject to that, and in view of E(LF)'s clear decision in favour of a rebate scheme in Scotland, I would wish to illustrate the likely effects of rebates on a basis close to that used for the Green Paper. It would be quite unacceptable, I believe, to introduce in this context major new reservations or doubts. I would therefore be grateful if you could let me know urgently if you wish any other official work to be done on any particular option which might affect my discretion in thus illustrating next month the effects of my package.

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

A handwritten signature in dark ink, appearing to read 'Malcolm Rifkind', with a stylized, flowing script.

MALCOLM RIFKIND

