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SCOTTISH OFFICE  
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Prime Minister

~~CCB~~

The Rt Hon John Wakeham MP  
Lord President of the Council  
Privy Council Office  
7C Whitehall  
LONDON  
SW1

Do you wish to express a  
view on this in the light of  
Mr. Ridley's comments of 25 January  
below? R2CG 29/1

13 January 1988

Agree with

Note and re-emphasise

the sub-financing point

Dear John,

COMMUNITY CHARGE: SAFETY NETS

Ian Lang and I have been giving much thought in recent months to what would be the most appropriate safety netting arrangements for Scotland when the community charge is introduced. In the light of recent decisions taken for England and Wales, colleagues may like to be kept in touch with our thinking in Scotland.

The shifts in tax burden between local authorities will be much less in Scotland than in England, and so the case for initial full safety netting, even if it were to be mitigated by a £75 maximum contribution, is correspondingly weaker. There are other persuasive reasons for avoiding full safety netting. The main beneficiaries would be urban authorities - who are traditional overspenders - and the benefits to them can be achieved only at the expense of charge payers in many small, prudently run rural authorities. It is to these areas that we look for much of our support. The wider the initial coverage of the safety net, the higher the initial community charge in these rural areas and the greater the confusion caused by subsequent phasing out.

On the other hand, some safety netting is clearly required for authorities - particularly Glasgow - where the initial level of community charge would otherwise be very high.

Our guiding principles are therefore that a safety net should apply only where it is strictly necessary; that it should last no longer than strictly necessary; and that charge payers in as many areas as possible should see an immediate benefit from implementation of the community charge. By stepping back from full safety netting many charge payers should see lower initial charges than they at present envisage (since all published exemplifications so far have been based on an assumption of full safety netting).

We are therefore keen to take a substantial step towards removing safety-nets in the first year and we propose to do this by setting a minimum cut-off level so that only charges above that would be safety-netted: the cut-off level in 1989-90 will need to be announced nearer the time, but using 1987-88 figures, this would have been fixed at £250 (exclusive of water charges). On this basis in the present

year, charge payers in 22 of the 65 Scottish local authorities would have benefited from safety netting, but in most cases by quite small sums. Apart from the three Island Councils, for whom special - and uncontroversial - arrangements will be needed, Glasgow would be the major beneficiary, where the effect would be to reduce community charges in the first year from from £339 to £277.

We propose to phase the arrangement out over 5 years, so that it will end at the same time as do safety nets in England and Wales. We plan to announce our intentions shortly, after first notifying the Convention of Scottish Local Authorities.

I am copying this letter to the Prime Minister, to members of E(LF) and to Sir Robin Butler.

not received in No 10  
until requested following  
colleagues' letters of  
15 Jan'y.

Yours over,  
Malcolm

MALCOLM RIFKIND

LOCAL GOVT : <sup>RATINGS</sup> COMMUNITY CHARGES

