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PRIME MINISTER

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COMMUNITY CHARGE

You are having a meeting with a small ministerial group tomorrow afternoon to consider whether or not some further concession on the local authority grants settlement is necessary. Those attending are the Lord President, | Chancellor, | Chief Secretary, | Chris Patten, | David Hunt | and the Chief Whip. I have not invited the Cabinet Office to this meeting; I assume you will want to have a mainly political discussion, and one issue at the end will be to decide whether or not you want officials to do further detailed work on any of the possible options.

The various papers below are:

Flag A: a note which Chris Patten has sent in this evening summarising the various possible options. He also attaches analyses showing both the authorities most severely affected by the introduction of the new system and the impact of the various options on the 83 potential backbench rebels.

Flag B: the pre-Christmas notes you saw from Mr. Baker (who is not attending).

Flag C: the note you also saw before Christmas from the Lord President, suggesting that the SSA formulae were the key variables to consider.

Flag D: the note from David Hunt which you saw last night concerning the proposed information campaigns on both the community charge and business rate.

The main points that strike me from Chris Patten's latest paper are:

- as you suspected, there is no common thread to the concerns of the 83 backbench rebels;

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- it would be very difficult to make fundamental changes now to the grant settlement involving a new period of consultation with the local authorities;
- if that approach is ruled out, the available options are limited to introducing various additional new grants. These are:
  - (i) for collection costs
  - (ii) more money for the safety net
  - (iii) a special grant for those worst affected from the switch from GREs to SSAs (effectively a variant of the safety net grant)
  - (iv) more money for transitional relief.
- of these only option (ii) affects more than half the 83 potential rebels;
- unless you are prepared to spend a great deal of money, none of these approaches will have more than a marginal impact on losses either in terms of areas or individuals; and there will still be a major further row when the community charge bills are sent out in the spring.

#### Handling

I suggest the main issue you need to discuss tomorrow is the latest assessment of the need to have available a concession in order to placate some of the rebels at the critical stage in mid-January. So you may want to start by asking the Chief Whip for his latest thoughts. The fact that we have seen in the last 48 hours the start of another potential backbench rebellion, featuring many of the same faces, on the new business rate seems to me to reinforce the case for not making a further community charge concession. The Government has already given way several times to backbench pressure; to do so again now could appear weak without significantly improving the position in the spring and



could merely encourage the expectation of a further concession on the business rate. Against that background there is a case for a very determined campaign by the Whips over the next ten days to try to bring the rebels round.

In the light of that opening discussion you will want to consider whether to have a detailed look tomorrow at the options set out in paragraph 11 of Chris Patten's minute. The best approach might be to have a preliminary look at them and decide whether you want officials to do further detailed work in preparation for another meeting, say, early next week. I think it could be very difficult to present giving more money for any of the existing grant/relief schemes; this would favour a new grant, such as option (iii) targeted on authorities losing significantly with the switch from GREs to SSAs.

*Recc*

PAUL GRAY

3 January 1989

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