

PRIME MINISTER

COMMUNITY CHARGE AND THE SAFETY NET

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 We must also consider  
 the effect on Scotland  
 of any decisions we  
 make. nr

Following your talk with Chris Patten at the beginning of the week he promised to let you have a paper as a basis for a small Ministerial meeting.

That meeting has now been arranged for next Thursday afternoon, with just Chris Patten, the Chancellor, Norman Lamont and Kenneth Baker attending.

Chris Patten's promised paper is at Flag A. In essence his proposals are:

- not to increase the total standard spending and grant figures in the local authority settlement, although this may be called into question by decisions on the remit for the ICA on teachers' pay. (This issue will be discussed earlier next Thursday at the meeting of E(EP)).
- Change the present safety net, so that the bill for helping the losers is met not by the gainers but by the Exchequer. That would add £650 million to the Public Expenditure figures.
- Not to do anything about introducing a safety net for individuals.
- Use Community Charge capping vigorously for up to 20 authorities.
- Explore with DSS (Tony Newton is not attending) improvements to Community Charge rebates, with a view to designing some form of targetting interim household relief.

Chris Patten has discussed that approach with Treasury Ministers, who firmly oppose it. A note from the Chancellor is at Flag B. His approach is:

- gainers should continue to pay for losers under the safety net in the first year.
- But in the second year all further gains should be allowed to come through. Losers would continue to have some protection, with the bill met by time-limited Exchequer specific grants; these would have to come out of the existing total Aggregate External Finance.
- He endorses charge capping.
- He resists further help under the rebate system for individuals.
- Presentation should be improved with some minor tinkering to the safety net package.

On this basis the DoE and Treasury are miles apart on the area safety net. You may want to consider some possible compromise packages, and I have asked the Cabinet Office to do some work on this. Their briefing will be available next week. Preliminary briefing from the Policy Unit is at Flag C.

John Whittingdale is letting you have separately in the box some political material. I recommend you look at that in parallel with these papers. The political material is also going to the other Ministers attending. It puts into sharp focus the issue of whether a safety net for individuals should be considered.

In the light of the political material, you will want to consider how to handle Thursday's meeting. If further detailed work is to be done in Whitehall, I see advantage in the Cabinet Office (Richard Wilson) and Policy Unit (John Mills) being present for part of the discussion, so that they can ensure that work is actually conducted on the desired

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lines. But you may want to start with a political discussion,  
with a more restricted attendance. One approach would be:

- i) to start the meeting just with Chris Patten, the  
Chancellor, Norman Lamont and Kenneth Baker with  
John Whittingdale and me in attendance.
- ii) At a later point to invite Richard Wilson and John Mills  
to come in.

Content to <sup>organise</sup> ~~authorise~~ the meeting on that basis?

Recg.

Yes  
mt

P. GRAY

8 SEPTEMBER 1989

MRMAOL