

5a-6

PRIME MINISTER

COMMUNITY CHARGE AND THE SAFETY NET

Tomorrow afternoon's meeting will be attended by Chris Patten, David Hunt, the Chancellor, Norman Lamont and Kenneth Baker.

You saw the main papers over the weekend. These were under cover of my note immediately below and comprised:

- Flag A - Chris Patten's paper
- Flag B - the Chancellor's riposte
- Flag C - Policy Unit briefing
- Flag D - Kenneth Baker's political material.

The one further paper now available is:

- Flag E - Cabinet Office briefing. This adds one further dimension not covered in the other papers, namely possible intermediate positions on the area safety net - see paragraph 13.

Handling

Chris Patten and the Chancellor will adopt fiercely opposed positions, and I suggest you let them each have their say first.

You will then want to explore the opposing arguments. The key issue will be to see whether it is possible to find some modest extra package which can be effectively targeted and not simply encourage local authorities to spend that bit more.

Kenneth Baker looks set to press for serious consideration of an individual safety net, which opens up a whole new dimension.

The Chancellor can be expected to stress the public expenditure difficulties; while this is standard fare at this time of the year, my latest assessment is that the position is extremely difficult; there is a serious risk that, unless some very tough decisions are taken, the public expenditure/GDP ratio could rise between 1989/90 and 1990/91. You will want to consider the effects of an announcement like that this November as well as the potential RPI problems next spring.

Organisation of meeting

You agreed when you saw the papers over the weekend to start with a political discussion, with the meeting being joined later by the Cabinet Office and Policy Unit. In fact Brian Griffiths now plans to represent the Unit, and I assume you will want him in from the start. Presumably you would want Richard Wilson to join the meeting at the second stage - although I think it is important he should come in at some point so as to ensure that any follow up work between Departments is effectively organised.

Next Steps

I imagine there will be some issues/options you will want looked at further, and an ad hoc group of officials, chaired by Richard Wilson would be one way of carrying this forward if it looks as though the Treasury and DOE are at loggerheads.

At some point the outcome will need to be approved by E(LG). But as the next stage you might want to take another ad hoc meeting after your return from Japan with a slightly wider group, including eg Tony Newton (who is working separately on the possible amendments to rebates such as your suggestion of doubling the capital limit for pensioner couples) and the Lord President.

*Recd.*

PAUL GRAY

13 September 1989

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