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COMMUNITY CHARGE

The attached draft is the result of work so far in the small group of officials which Richard Wilson is chairing. Chris Patten and Norman Lamont will see it over the weekend and it will be finalised on Tuesday ready for the Prime Minister's meeting next Thursday. Although still a draft the main lines of it are clear.

It is clearly possible to construct a system of transitional relief but administratively and legally the task is going to be both formidable and, to an extent, risky. Simplicity will be absolutely essential, and this points towards broad coverage rather than trying to target specific groups too precisely. The 'universal' options at the head of Table 2 (page 9) come out top on this score, but they are consequently very expensive.

The administrative burden does not fall much with the more restrictive options since each individual case becomes more complex. Whether to go for a central or local government route is also very difficult to decide. There is clearly more control over the former, but the scale of organisation needed is, frankly, formidable and officials are clearly doubtful whether it could be up and running smoothly by next summer. Using local government there is less control, but any administrative shortcomings will be diffused round the whole country. A few spectacular failures like Lambeth could be offset by the majority of well-run councils delivering what's needed reasonably well.

A further, telling argument against the central government route seem to be the sheer dependence on local authorities for the supply of information. The worst of all worlds would be a central operation jammed up because local authorities were unable or unwilling to respond to it.

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Annex E on administrative feasibility and costs demands the most careful attention.

But if the local authority route is chosen simplicity is even more crucial, and watertight legislation even more essential. With a simple, universal scheme applied before community charge benefits are worked out, DOE officials think it would be relatively easy to make the necessary adjustments to local authority computer systems. With a complex, targetted system this becomes impossible in the time available and one is forced almost into the central government solution.

RPI

It is now apparent that any scheme of this kind, however generous, will not reduce the RPI. This can only be done through additional grant to local authorities which we would hope would feed through to lower average community charges. We are unfortunately absolutely boxed in on this by the RPI Advisory Committee. And although £1 billion spent in this way rather than on a relief scheme would have a marked impact on the RPI (0.5 +) the problem of individual gainers and losers would remain albeit at a reduced absolute level.

The RPI angle is set out at Annex F. You should be aware that I have questioned the figures given by the Treasury in para 7 of this Annex and will resolve this on Monday morning. But this is only about numbers if eg the safety net was funded. There is no dispute about the unfortunate conclusion that a relief scheme will have no effect on the index.

SAFETY NET

You may wish to draw the Prime Minister's attention to the fact that a generous, broad coverage relief scheme allows serious

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consideration to eliminating the safety net altogether (para 24). This would remove the principal back-bench concern, and the difficulty of getting the safety net through the House next January, but it will create a different set of problems in (mainly) the few most notorious high-spending authorities. But it might be possible to tackle this through capping.

SCOTLAND

No consideration at all has yet been given to equivalent measures in Scotland. But it seems unrealistic to suppose that action can be taken in England on a relief scheme without anything similar being done there. This would obviously add further to costs.

CONCLUSION

Richard Wilson's group is meeting again at lunchtime on Monday and any initial views from the Prime Minister at this stage would be very valuable.

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