

AK-D

PRIME MINISTER

COMMUNITY CHARGE

Following your talk this afternoon with Chris Patten you have two further meetings on the Community Charge tomorrow:

- First, a bilateral with the Chancellor at 1430
- Second, the meeting with the group of colleagues at 1700, which the Lord President and Messrs. Lawson, Baker, Newton, Patten, Lamont and Waddington will be attending.

This note is intended as a joint brief for both, since your handling of the 1700 meeting will obviously depend on the initial talk with the Chancellor.

Papers

I will not burden you with all the papers. My two earlier minutes are immediately below. The others enclosed are:

- Flag A - the revised Wilson report
- Flag B - Chris Patten's latest minute you had last night
- Flag C - a new minute from Norman Lamont.
- Flag D - A new note from the Policy Unit setting out more detailed points you will want to watch. In practice I think most of these are already covered, or can be taken account of in the further detailed work following the meeting.

Latest developments

Since you saw Chris Patten I have had various conversations, with the following results:

- I think Chris Patten is reconciled to a scheme within the cost parameters you outlined, although he remains concerned on administrative grounds that it would be better focused on households rather than former ratepayers/pensioners.
- I have fully briefed the Treasury on the sort of outcome you think has to be accommodated, while emphasising your wish to help the Chancellor all you can in bearing down on other public expenditure bids.
- Richard Wilson was asked this afternoon to talk to the Lord President; he gave him general background briefing but did not reveal your preferred outcome.
- Richard Wilson will be talking to Mr. Baker tomorrow morning and plans to reveal to him your latest thinking.

Bilateral with the Chancellor

You may like to put your views to the Chancellor on the following lines:

- | Naturally you recognise the enormous public expenditure problems.
- But getting the introduction of the Community Charge right is the top priority.
- | It is now increasingly clear that Chris Patten's original proposal to spend £650 million on the area safety net makes no sense.
- It is equally clear that his latest proposals are way over the top and cannot be contemplated.
- Option V seems the right one, focusing a reasonable level of assistance on former ratepayers and all pensioners. This can be presented as part of a total package (allowing for

the earlier measures, administration and possible extension to Scotland) of £650 million, a point both Messrs. Baker and Patten see as essential politically.

- There can be no question of scrapping the safety net in year one: but how does the Chancellor feel about his earlier proposal to scrap it in year two?

- You now accept administration should be by local authorities, financed by specific grant. Considerable attractions in delaying implementation to June.

- We will have to announce the package before the Party Conference.

- But if we go down this road we must do all we can to squeeze other public expenditure programmes. The bids, eg. from Messrs. Patten, MacGregor, Parkinso and King are enormous. Would it help to ensure that the E(LG) and Cabinet conclusions next week said that the Community Charge was the top priority and other bids would now have to be massively reduced? Would the Chancellor/Chief Secretary like to put a brief paper to Cabinet next Thursday indicating the scale of outstanding bids which would provide a peg for that conclusion?

The wider meeting

Subject to the outcome of the talk with the Chancellor you may want to open the meeting by setting out the package you have in mind and then seek to drive it through.

The sort of conclusions you will want to work towards are:

- Something based on option V is the right approach. You should set a specific expenditure ceiling (? £400 million) within which DoE should now urgently work out the final details. (One point you may want to have in mind to table



at a late stage in the meeting, which would be of some help to the Chancellor, would be to say that the scheme should be based on cash losses of £2.50 rather than £2.00. This would align the scheme exactly with what was done for housing benefit transitional relief.)

- DoE should also now work up the administrative details, based on a local approach financed by specific grant. The possibility of deferring the issue of bills until June should be explored.

- (possibly) agree to phase out the safety net fully in year two.

- Messrs Patten and Lamont should now urgently discuss with the Welsh and Scottish Secretaries of State the position for these countries in the wider context of the Survey.

- Mr. Patten should then bring forward a paper by next Monday/Tuesday for the E(LG) meeting on Wednesday. The issue will then go to Cabinet for an oral report on Thursday.

- If colleagues agree that this is the top priority, E(LG) and Cabinet will have to consider the implications for other public expenditure programmes in the context of a very difficult Survey.

- Aim for an announcement before the Party Conference.

Final thought

Would you like me to brief either Mr. Newton or the Chief Whip on your desired outcome before the 1700 meeting?

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PLG
PAUL GRAY

27 September 1989

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FROM: CHIEF SECRETARY
DATE: 27 September 1989

Local Govt Rates

PRIME MINISTER

COMMUNITY CHARGE TRANSITIONAL RELIEF

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In Nigel Lawson's absence in Washington I should let you have my views on the Cabinet Office paper. I have also seen Chris Patten's minute to you of 26 September which bids for an estimated £2 billion addition to public expenditure in one of the most difficult Surveys under our Administration.

2. There are two main issues before us:

- whether a scheme of transitional relief for individuals is justified, can be afforded and is politically and administratively feasible at this stage; and
- whether to make any changes to the safety net beyond the Government's decisions announced by Nick Ridley on 19 July.

3. Any consideration of a new extra relief for individuals from the community charge must give proper weight to the massive scale of assistance we already plan to provide through community charge benefit and income support. Our proposals are designed to help about one chargepayer in four. Community charge benefit will be available for all those in real need, including families with earnings up to around 75% of average male earnings. The cost is very substantial - about £2½ billion next year: that represents some 25% of local authorities' total income from the community charge.