

PRIME MINISTER

COMMUNITY CHARGE

I attach various papers relating to tomorrow's announcement.

These are:

Flag A - Note from Chris Patten's Office, to which is attached:

- a copy of the draft statement by Lord Hesketh in the Lords;
- a draft of David Hunt's Party Conference speech;
- a draft of the detailed document to be sent tomorrow to all local authorities ^{and} to be laid _h in the Library of the House.

Flag B - A note from Peter Walker concerning the implementation of the new transitional relief scheme in Wales.

The English Announcement

There are several points in the Flag A papers you should note.

First, the present drafts envisage spelling out in detail the transitional arrangements for the area safety net and for the new individual scheme. Exchequer contributions to the area net would continue for three further years falling from £400 million in 1991-92 to a final payment of £100 million in 1993-94. For the individual scheme, in 1991-92 the same level of cash relief to individuals will be maintained as in 1990-91, in 1992-93 £50 million of the cash sum will be withdrawn, and from 1993-94 onwards there will be no relief.

You were concerned that, before these details were finalised and announced, careful analysis should be made of the combined impact

on individual losses, together with the effect of the ending of housing benefit transitional relief. It is not clear that this analysis has been done. You may, therefore, want to consider whether you want all the details announced tomorrow. The alternative approach would be to spell out the position on the area safety net, but to promise later details of the transitional arrangements for the individual scheme.

Second, you will see from paragraph 9 of the detailed paper that the final arrangements for granting relief on properties with three or more people are still being finalised. A further announcement is promised as soon as possible. I am urging the Department of the Environment to keep these arrangements as simple as possible, and to avoid going back to anything that looks like a household scheme.

Third, following exchanges between colleagues, it is proposed to make a further minor announcement in tomorrow's statements that those suffering from Alzheimer's Disease will now be exempted from the Community Charge.

Wales

Peter Walker's minute at Flag B says he is reluctant to introduce the same scheme of individual transitional relief in Wales as in England. Although the minute does not fully spell this out, this is because:

- The number of those qualifying will be relatively small, because of the lower general level of Community Charges. And of those who do qualify, a large proportion will be pensioners and the disabled, who will need to make applications rather than get relief automatically.
- As a result, administrative costs will be very high, virtually as much as the amount of grant that would be claimed.

He therefore proposes to consider a radically different scheme. Again, the minute is not clear, but what is envisaged is some variant of area relief, rather like the "Pendle Scheme", for Wales.

I was initially concerned that this very different approach could lead to problems of comparability between Wales and England, with pressures for more generous treatment in England. But I think the Welsh Office recognise that problem, and the initial reactions at official level in both the Department of the Environment and the Treasury are that Peter Walker's objections to applying the English scheme are well-founded and that some kind of alternative scheme could be satisfactorily devised. In any event, it is not proposed to make any statement tomorrow about the plans for Wales - nor indeed for Scotland, where it is already agreed that Malcolm Rifkind can devise an alternative approach if he wishes.

The best approach might therefore be for you to respond to Peter Walker's minute saying that you note his wish to devise a different scheme, and that this will need to be considered carefully with the Department of the Environment and the Treasury ~~but~~ ensure that it does not give rise to problems of comparability with England.

Conclusion

1. As regards the English announcement tomorrow:

- Are you content for the full transitional arrangements to be spelt out?

OR

- Would you prefer to hold over announcement of the transitional arrangements for the individual scheme until you have seen the assessment of the combined impact of the withdrawal of the various different schemes?

2. Any other comments on tomorrow's draft statements by Mr Hunt and Lord Hesketh and the proposed detailed paper?

3. Content to note Peter Walker's plans for a different scheme in Wales, subject to the details being worked out with the Department of the Environment and Treasury in a way that overcomes problems of comparability?

Paul Gray

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