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PRIME MINISTER

COMMUNITY CHARGE TRANSITIONAL RELIEF

You saw the latest DOE paper over the weekend responding to your request to consider alternative means of assessing transitional relief.

I have now organised a meeting for tomorrow (Tuesday) morning, to discuss this. Those attending are the Chief Secretary, Chris Patten, David Hunt and Richard Wilson (Cabinet Office). I also invited the Chancellor but he had remitted it to the Chief Secretary.

My earlier letter recording your worries is at Flag A, and the DOE response at Flag B.

The basic proposal you suggested of operating the £3 cap on transitional relief up to either Government assumed spending or SSA does seem very expensive at £225 million. You may therefore want to concentrate the discussion on the alternative "Higgins" approach, that the spending assumption should be the same percentage below SSA as budgeted income was below GRE, which would cost some £70 million. You commented at the weekend that this would help a lot of authorities.

The DOE letter argues that, apart from the cost, there are a number of difficulties of principle. You may want to go through these in turn:

- it would start to protect against changes in the level of spending by authorities. That is true, but only to the extent that the Government has itself changed its view of what is "reasonable" spending by the switch from GRE to SSA.
- It would imply in aggregate that some spending above Total Standard Spending was reasonable. Again that is true, but it would not be the case for any of the



individual authorities whose position had been eased. For "over-spending authorities" the Government spending assumption has already been set above SSA.

- It would raise the average assumed community charge for all authorities from the much quoted £278 to £283. This is a considerable presentational problem.
- The better way of using extra money would be to reduce the threshold for transitional relief generally. That is arguable. But it would do nothing to give particular help to traditionally low-spending areas.

One important point to consider is whether the possibility of any further action at this stage would be the Government's final word on the various measures of relief for the community charge. There will no doubt be a crescendo of criticism at the time the community charge bills drop on the mat in the spring. If some further concession is judged appropriate, would it be best to do this in the near future or wait until the actual bills have gone out?

*Rec.*

PAUL GRAY

5 February 1990