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PRIME MINISTER

12 February 1990

THE COMMUNITY CHARGE

If the average charge does now turn out at £344, as Chris Patten thinks likely, the RPI impact in April will be 1.2 percentage points. For purposes of calculating the index it will be deemed an increase of 28% over average rates per head in 1989. By comparison, last year's average rate increase of 9% increased the RPI by 0.4.

It is worth noting that the Higgins proposal, despite certain attractions, would not impact on the RPI, because it would simply increase expenditure on transitional relief.

There is not much which can now be done about the overall impact, but there are certainly two issues among those raised in the annex to Chris Patten's minute where there are good arguments to justify considering a change in policy. These are Student Nurses, and the Savings Rule for Pensioners.

STUDENT NURSES

The policy set out in para 5 of the Annex will be very hard to defend.

The decision in 1988 to distinguish between Project 2000 student nurses, and others, was based on the assumption that Project 2000 bursaries would be considerably lower than existing student nurse salaries. Community charge relief was seen as one way of smoothing the transition to lower income levels for those on Project 2000 courses. You agreed to the different treatment of the two types of student nurse on this basis.

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But it has turned out very different. Para 5 notes that Project 2000 incomes are now 'not a lot less' than for other student nurses. But the Department of Health has in fact set Project 2000 bursaries at a level broadly comparable with average net salary of existing student nurses. This was made clear in this year's Pay Review Body Report, which also noted Staff Side concern about the resultant unfairness on Community Charge. Thus the basis of the 1988 policy decision has been undermined.

This means that two student nurses can be living side by side in the nurses' home, with equivalent net incomes, but with one getting a bill for £400 and the other for £80.

You will have great difficulty in defending this, and it has the making of a needless row in the Health Service. A power to give relief equally to all student nurses does exist and it seems worth urgent consideration whether this should be exercised now rather than perhaps under pressure in a year's time.

But we gave student nurses special treatment in the Pay Review Body subject for just this reason.

SAVINGS RULE FOR PENSIONER COUPLES

This is partly covered in para 4 of the Annex.

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The £8000 limit, for eligibility for social security benefits generally, is the same for a couple as for an individual. But Community Charge is a tax on individuals, and a couple's liability is twice an individual's. The effect of this will be to remove from eligibility for benefit a considerable number of couples who, generally, will lose from the transition to Community Charge.

You raised with Tony Newton last July the possibility of doubling the capital limit for pensioner couples only. He costed it at £15 million, or in fact £17 million if extended

to all couples. The Treasury was uneasy about this, but a final decision was not taken since the work was subsumed into the wider question of the transitional relief scheme.

You may feel that this remains worthy of further consideration, specifically as a way of easing the burden on pensioners. The position of pensioner couples in the transition to Community Charge will be extremely sensitive, as has already emerged in Scotland, and opponents are bound to exploit the anomaly that the same savings limit applies whether one personal charge is payable or two.

You have already discussed
this with the Chancellor.
Not to be discussed at
tomorrow's meeting.

John Mills
JOHN MILLS

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