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B(A-C)



celw
(J.Mills)

10 DOWNING STREET
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13 February 1990

From the Private Secretary

SUBJECT CCMASIA

Dear Roger,

THE COMMUNITY CHARGE

The Prime Minister held a further meeting this morning to discuss the introduction of the community charge. Those present were your Secretary of State, the Chief Secretary, the Chief Whip, the Minister for Local Government, Mr. John Mills (Policy Unit) and Mr. Richard Wilson (Cabinet Office). The meeting had before it your Secretary of State's minute of 9 February and your letter to me dated 12 February.

I should be grateful if you and copy recipients would ensure that this letter is seen only by named individuals with a strict need to know.

The meeting opened with a brief further discussion of the possibility of amending the transitional relief scheme to reflect the formula put forward by Terence Higgins M.P., which had been considered at the meeting in the previous week. A number of disadvantages in adopting that approach, or any other amendments to the transitional relief scheme at this stage, were identified. A further concession on just one aspect of the community charge arrangements would do relatively little to appease critics of the new regime, could store up additional problems for the following year, and would provide the wrong signal to local authorities. Summing up this part of the discussion, the Prime Minister said it was agreed that it would be wrong to make last minute changes such as adopting the Higgins' formula, and that your Secretary of State should therefore now proceed this week to lay the necessary report on transitional relief before the House. It would then be for consideration whether to have a short debate on this report and other related matters in late February/early March.

Discussion then turned to the issues in Annex A to your Secretary of State's minute of 9 February. The Prime Minister said that she felt it would not be appropriate to make any concession in relation to student nurses, given that this group had received favourable treatment in the recent decisions on the Pay Review Bodies precisely because of their community charge liability. It would not be appropriate at this stage to consider

further most of the other issues raised in Annex A, although some of these might be looked at in the context of the next public expenditure round. She did, however, wish to discuss the point raised in paragraph 3 of Annex A; would there be any legal remedy for tenants whose landlords effectively confiscated their former rate payments as extra rent from 1 April onwards?

In discussion, it was explained that tenants covered by the fair rent legislation would have effective protection against action of this sort. But the position would be more difficult for tenants who made a single combined payment for rent and rates. In these cases it had been concluded at an early stage that there would be no possibility of introducing an enforceable legal remedy without creating a large network of tribunals. It was, however, planned that tenants should receive advice on their rights and on the possibility of resisting the continued payment of amounts equivalent to the present rates element; this guidance would be spelled out both in leaflets and in the notes accompanying the actual community charge bills. Summing up this part of the discussion, the Prime Minister said it was agreed that no additional action should be taken on this aspect at present, although it would be important to ensure that the guidance to tenants was as effective as possible.

Discussion then turned to likely developments once the new community charge regime was in place. Your Secretary of State said that there would undoubtedly be a strong pressure from Government backbenchers for further Exchequer assistance in 1991-92, and this would raise important issues to be considered during the summer and autumn of 1990. There would be demands for a generous RSG settlement, possibly coupled with proposals to remove certain services from the financial responsibility of local authorities and transfer them to central Government funding.

In discussion, the following points were raised:

- demands of this sort would need to be considered in the normal way in the 1990 public expenditure discussions. It should be borne in mind that, although removing certain services from local authorities would transfer the burden from the chargepayer to the ratepayer, it would not of itself reduce total general government expenditure; indeed it could encourage local authorities to spend more than they otherwise would have done on the remaining services under their control;
- consideration had been given in the early 1980s to the possibility of taking powers to limit expenditure rather than capping rates or, under the new regime, community charges. But one of the difficulties with such an approach was that it would reduce the level of accountability on local authorities;
- account would need to be taken of the implications of the phenomenon identified in your letter to me of 12 February, whereby there were usually large expenditure increases in the years following local elections;

- your Secretary of State had already undertaken to consider any new evidence relevant to the operation of SSAs in 1991-92 and later years.

Finally, there was a brief discussion of the arrangements for community charge capping in 1990-91. Summing up, the Prime Minister noted that your Secretary of State would be considering the criteria to be adopted for community charge capping and would then report to colleagues. His present intention would be to move to an announcement about capping by the end of March.

I am copying this letter to the Private Secretaries of the Ministers attending the meeting, to the others present, and to Sonia Phippard (Cabinet Office).

Yes,
Paul

(PAUL GRAY)

Roger Bright, Esq.,
Department of the Environment