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Prime Minister

At our meeting earlier today you suggested that you would be prepared to consider a scheme for assistance to Scottish local authorities or community charge payers to meet the political difficulties identified in my earlier minute, provided that it did not involve: formal retrospection or backdating of the Budget changes to social security capital limits; primary or secondary legislation; additional administrative difficulties for DSS; and provided that the cost could be met from within existing Scottish Office resources. I have been giving urgent consideration to that, and now propose a scheme which will meet all these criteria. It should be simple to administer, and as a consequence will have certain elements of rough justice: but it will meet the political need.

What I propose is this. Scottish local authorities should make an ex-gratia payment to each personal community charge payer next financial year if they meet the following criteria: first, they are entitled to rebate in the coming year; second, they have when they apply capital between £8,000 and £16,000; and, third, they paid the full personal community charge for 12 months in the current year. The precise sum would be an amount to be determined.

Scottish local authorities would be reimbursed the cost of making such payments, and reasonable administrative costs, through the normal Revenue Support Grant mechanism. We would instruct them on the operation of a scheme very early in the new financial year, and it could be administered by authorities alongside the existing rebate arrangements. Administration should therefore be reasonably simple and cheap. There would therefore be no requirement for legislation, primary or secondary, no retrospection of regulations or budget decisions, and no administrative difficulty for DSS (who would not be involved). The cost of such a scheme might be £2.5m, significantly less than the £4m to £5m we discussed this morning, and I am prepared to find that from within my existing resources, in particular some of the money set aside for grants

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to local authorities for the transitional relief scheme we agreed last autumn.

Obviously a good deal of work remains to be done on the details, and a number of minor adjustments might have to be made to this outline. But this scheme meets all the criteria you set down. I have discussed its bare bones very briefly with colleagues, who I hope will be sympathetic. Introducing such a scheme would meet the criticism which we are receiving, not simply from the Opposition but from our own colleagues. I hope you can agree to my announcing a scheme on these lines as soon as possible.

Copies go to John Major, Norman Lamont, Tony Newton and Chris Patten.

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*for M R*

21 March 1990