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4 April 1990

Dear John

COMMUNITY CHARGE: SPECIAL PAYMENT SCHEME

I am grateful for the various very swift comments received on the draft statement I circulated last night, and now attach the final version of the statement which my Secretary of State will be making at 3.30pm this afternoon.

Copies of this letter go to Paul Gray, Tim Sutton, Murdo Maclean, Stuart Lord, Roger Bright, Douglas Slater, Bernard Ingham, Sonia Phippard and Carys Evans.

Yours
J D Gallagher

J D GALLAGHER
Private Secretary

Mr Speaker, with permission I should like to make a statement on the introduction of a scheme in Scotland which takes account of the fact that the increase in the upper capital limit for community charge benefit which my rt hon Friend the Chancellor of the Exchequer announced in his Budget Speech cannot be applied retrospectively.

I propose accordingly to set up a temporary scheme outside the social security benefits system to provide for special payments to those affected in Scotland. I have in mind those with capital resources of between £8,001 and £16,000 who will receive community charge benefit this year and were liable for the personal Community Charge during 1989-90. The scheme which we are discussing with COSLA envisages that these people will get a special payment which will be the same percentage of the community charge that they paid last year as their rebate will be of this year's charge. I intend to make minor amendments to the transitional relief regulations in order to implement the scheme.

I have already indicated that we believe that around 15,000 to 20,000 individuals might be eligible. Expenditure will depend on the precise numbers benefiting but I consider that a scheme of the kind I have described will require financial provision of up to £4 million, to cover both the value of payments and administration costs. The sum of up to £4 million is small in comparison with the total resources of £9,500 million available to me and will be found as part of the normal process, in which projected underspends and overspends are adjusted throughout the year. No spending programme will be cut.

With this scheme the Government have shown willing to respond to the concern which was expressed in Scotland about the implications of the increase in the upper capital limit.

Local Government Finance (Scotland)

3.32 pm

The Secretary of State for Scotland (Mr. Malcolm Rifkind): With permission, Mr. Speaker, I should like to make a statement on the introduction of a scheme in Scotland which takes account of the fact that the increase in the upper capital limit for community charge benefit which my right hon. Friend the Chancellor of the Exchequer announced in his Budget speech cannot be applied retrospectively.

I propose accordingly to set up a temporary scheme outside the social security benefits system to provide for special payments to those affected in Scotland. I have in mind those with capital resources of between £8,001 and £16,000 who will receive community charge benefit this year and were liable for the personal community charge during 1989-90. The scheme which we are discussing with the Convention of Scottish Local Authorities envisages that these people will get a special payment which will be the same percentage of the community charge that they paid last year as their rebate will be of this year's charge. I intend to make minor amendments to the transitional relief regulations in order to implement the scheme.

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With this scheme the Government have shown willing to respond to the concern which was expressed in Scotland about the implications of the increase in the upper capital limit.

Mr. Donald Dewar (Glasgow, Garscadden): I welcome the statement; it would be ungracious to do otherwise. I recognise the Secretary of State's embarrassment about the announcement on the poll tax made in the Budget. I would have been more impressed by his personal position if he had not so vehemently argued that Scotland's complaint was entirely bogus until the 11th hour.

Today's announcement is a small mercy indeed when measured against the disaster brought by the poll tax. Yet again the Secretary of State is trailing lamely at the rear, splicing this *ex gratia* scheme on to an already impossibly complicated system. It is a recipe for a continuing sense of injustice in Scotland.

May I ask the Secretary of State some specific questions? Is it true that he made no attempt to obtain additional funds from the Treasury? If not, why not? If the Chancellor was not contributing, why did the Secretary of State have to go cap in hand for permission to correct a basic injustice from his own resources? Is it not nonsense to pretend that an underspend on a planned target is anything but a cut?

Will the Secretary of State confirm that transitional relief must be calculated before entitlement to the *ex gratia*

scheme can be settled? Does not that mean that no one will see the colour of the Secretary of State's money for some months? When does he think that payment is likely?

As the right hon. and learned Gentleman has decided to calculate the percentage rebate entitlement for 1990-91 and apply it to last year's poll tax figure, will he consider an alternative? Would not the best option be to calculate the sums due to applicants in the last week of 1989-90 on the assumption that the new scheme applied then, and calculate last year's total payment on that basis?

The Secretary of State has been careful to stress that the cost will be up to £4 million. Was not the value of the concession greatly exaggerated by the Government, and, from all the indications, it is not clear that the likely payments in Scotland in total will be less than £2 million and that well below 15,000 people will benefit? Will not the average annual payment be well under £100?

Does the Secretary of State accept that the fundamental difficulty is that the scheme, which in effect is being extended to cover 1989-90, does little to help that vulnerable group with modest savings and limited income, perhaps boosted by a small occupational pension? Is it not true that in the coming year a pensioner couple in Glasgow with a basic state pension of £75.10 and a works pension of £15 who have a combined capital of £15,000 will be left to find the full poll tax of £12.18p a week without any form of help? Can he confirm that a single person aged 50—for this purpose again living in Glasgow—who has recently lost his job, is in receipt of unemployment benefit of £37.35 and has capital of £11,000 derived from his redundancy payment will not receive any rebate even when the scheme is in place? In the coming year, such a person will pay 16 per cent. of basic income in poll tax because of the assumed income of £4 a week for every £1,000 of savings above £3,000.

May we have an assurance from the Secretary of State that, this time at least, he will stir himself to push for necessary change? May we have the floor level of £3,000 increased to a realistic figure to reduce the taper, or at least have the tariff income, which assumes a return on capital of 21 per cent., brought down to a figure that an investor might receive from a bank or building society? Is there not a pressing danger that, if the scheme remains as it is, for thousands hope will turn to dismay and disappointment and then to anger?

Mr. Rifkind: I thank the hon. Gentleman for his generous welcome for the statement and for the speech that followed. I shall respond first to his question about additional funding.

I did not seek additional funding, and I shall explain why. The Chancellor's statement on the increase in the capital limits applies throughout the United Kingdom—to Scotland as well as to England and Wales—and community charge payers in Scotland will receive the same full benefit as charge payers in England and Wales. The additional provision that I have announced today applies to the past 12 months. Those who paid community charge in Scotland but had savings of more than £8,000 may now get a refund, whereas ratepayers in England or Wales, whose rates may have been higher than the community charge in Scotland and who did not receive a refund, will not be entitled to any payment. It seems, therefore, that if I propose a scheme which is limited to those making payments in Scotland, it is not unreasonable that I should

Mr. Hughes: The House will be encouraged by what the Secretary of State has said, but did he raise the additional important matter of the remaining residual debt of Namibia, which the International Court of Justice in 1971 ruled was improperly incurred during the period of South African administration? Apparently, the figure is 892 million rand—one third of Namibia's GDP. That debt should not have to be paid by Namibia but by South Africa. If the matter was not raised, will the Foreign Secretary undertake to raise it at the earliest opportunity.

Mr. Hurd: No, I did not raise the matter. I heard about it later when I was in Windhoek and I know that it is being discussed by the new Government of Namibia and the South African Government. We shall keep an eye on what happens.

Mr. John Carlisle: Since Mr. Mandela and the African National Congress have now pulled out of the intended talks with officials of the South African Government because of the continuing violence in the black townships, would it not be totally inappropriate for our Prime Minister to meet Mr. Mandela when he comes to London next week unless he and the ANC totally renounce the armed struggle and move towards a more peaceful solution in South Africa which must accommodate Chief Buthelezi and Inkatha?

Mr. Hurd: It is a pity that the meeting on 11 April has been postponed, but I understand that President de Klerk and Mr. Mandela intend to meet shortly. We hope that that will lead to talks about the talks which have been

postponed and then into a wider grouping in which everyone expects leaders such as Chief Buthelezi to have a clear place.

Soviet Foreign Minister

17. **Mr. Winnick:** To ask the Secretary of State for Foreign and Commonwealth Affairs what recent communications he has had with the Soviet Foreign Minister; and what subjects were discussed.

Mr. Hurd: I last met Mr. Shevardnadze on 12 February in Ottawa at the Open Skies conference. Our discussions focused on developments in Europe. Since then we have kept in frequent direct touch.

Mr. Winnick: Is it the Foreign Secretary's intention to discuss with the Soviet Union the bloody terrorist dictatorship in Iraq and the way in which chemical weapons have already been used against the Kurdish nationals in that country? Is there not a strong case for the closest possible co-ordination between nations, including those in eastern Europe, to ban the sale of high-level technology to that terrorist regime? Is it not time that we learnt some of the lessons of pre-war years in no longer appeasing notorious and bloody dictatorships?

Mr. Hurd: Yes, indeed—I covered that point in my recent statement on the subject. It is important that we should draw the Soviet Union and other eastern European countries as closely as possible into the work of enforcing the non-proliferation treaty and the missile group to which I referred in my statement.