

PRIME MINISTER

THE COMMUNITY CHARGE - LATEST DEVELOPMENTS

Following your meeting with the Environment Secretary on Wednesday, officials from Cabinet Office, Treasury and DOE considered yesterday morning how a further paper might be prepared.

The paper will be based on the enhanced capping plus referenda approach worked up this week. To meet Mr. Patten's concern - that, while he does not wish to go down this route at all, he might (by implication) be prepared to do so with a satisfactory grant settlement - the paper will look at different options on:

- grant;
- SSAs;
- assumed actual increases in spending;
- number of authorities likely to be capped; and
- community charges.

My understanding from Richard Wilson is that the meeting of officials was positive in tone. DOE will co-operate in producing figures. Some further work is also being done on the practical difficulties in drafting the necessary legislation.

The next step is for a very small group of Ministers - Mr. Patten, Mr. Portillo, the Chancellor, the Chief Secretary, the Chief Whip and yourself - to consider the paper produced by officials. That is scheduled for next Wednesday afternoon, 13 June.

Separately, you should know that the Chief Whip asked to speak to me yesterday. He wanted to talk in advance of a meeting with Mr. Patten later that afternoon - at Mr. Patten's instigation. I spent about 20 minutes with the Chief Whip explaining how the approach worked and, in broad terms, what the outcome was of your meeting with Mr. Patten.

The Chief Whip telephoned this morning to report on the outcome of his meeting with Mr. Patten. Surprisingly he did not major on the difficulties of the legislation. Instead he focussed on two main points:



- (i) Mr. Patten remains desperately unhappy even about the new approach. Much of this unhappiness seems to flow from a concern about the grant rather than the legislation on enhanced capping itself. He fears that the Treasury will insist on both enhanced capping and a very tough settlement - putting him in the position of trying to defend (again) an unrealistic settlement.
- (ii) He is also unhappy that while he has declared his hand on grant - he apparently mentioned a relatively modest figure of an extra £2.3 billion to the Chief Whip yesterday - the Chancellor has not put any numbers on the table.

Assessment

First Mr. Patten is right to resist a settlement that would require him to defend unrealistic numbers. In fact, it would be essential to be realistic about local authority spending in order to get through the enhanced capping legislation. (A substantial rise in SSAs will be required to reassure backbenchers that their authorities will not face capping.) It is also, frankly, important in presenting the policy that the SSAs quoted for individual authorities and the community charges for standard spending are seen to be achievable and fair. (Rightly or wrongly they were seen as neither fair or achievable last year.)

Secondly, if Mr. Patten is talking about £2.3 billion extra (though this excludes transitional relief, minor measures and any change in functions), I would guess the gap between him and the Treasury is not very large. Put another way, it may just be that

Mr. Patten can be led to accept enhanced capping with a grant settlement, which - though relatively generous - will ensure that the money goes to reduce Community Charges, not higher spending.

Finally, Sir Robin Butler considers that the Lord President should also be invited to the meeting on Wednesday. Content for him to attend?

BHP

Yes

BARRY H POTTER

8 June 1990

a:\community.TW