

PRIME MINISTER

THE COMMUNITY CHARGE

A meeting has been arranged at 1630 today to discuss the proposed settlement on the community charge, (which you saw over the weekend) - see papers at Flag A. The Chancellor, the Chief Secretary and Mr. Patten will attend.

There are two main worries with the proposed settlement.

- (i) The TSS and the CCSS numbers are too high: given the grant settlement negotiated, there are advantages for public presentation in keeping the TSS a little lower, so that the CCSS is below the £379 figure quoted in Mr. Patten's minute.
- (ii) Even more important is the likely outcome on actual local authority expenditure and community charges. No figures were given in Mr. Patten's minute. But unless he uses the capping powers to keep spending down below £40 billion, then community charges would average about £400.

There are three issues to be resolved at the meeting.

- (a) Can the TSS number be squeezed down from £39 billion to £38½ to £38¾ billion? - such that the CCSS number should be kept to under £370. (c.f. £275 last year and £363 at outturn before capping).
- (b) How precisely does Mr. Patten intend to use the community charge capping powers under the Solicitor General's approach approved by Ministers last week? How will categories of local authorities be defined (low, medium, high spending in terms of SSAs). What would be the objective in terms of permitted increases in spending in each category?

- (c) After use of these capping powers, what would be the outcome on local authority expenditure: and hence what would be a reasonable expectation of average community charge? (My own view is that capping needs to be used to constrain spending to no more than £39½ billion - an 8 per cent increase in overall LA spending; on that basis community charges would be £380-£385, given the proposed AEF settlement).

BHP

BARRY H. POTTER

2 July 1990

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