

CONFIDENTIAL

*Right: a another
Derek to Nat prov
an option with future Nat
on these Councils
I think this must be
the right line (but I don't
understand 2c) AA*

CHANCELLOR

FROM: B H POTTER

DATE: 13 October 1987

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Turnbull
Miss Peirson
Mr McIntyre
Mr Gieve
Mr Fellgett
Mr Call

TRANSITION TO THE COMMUNITY CHARGE

1. We understand that Mr Ridley intends to minute the Prime Minister within the next day or so noting the demands at the Party Conference for full introduction of the Community Charge (CC) in England in 1990, and undertaking to put revised proposals on the transition to the CC before E(LF) very soon. Cabinet Office believe the proposals could be discussed at the earliest at the next scheduled meeting of E(LF) in the week beginning 26 October.

2. Our understanding is that DOE officials are working on the following options:

a. an unrestricted right for local authorities to "opt out" early of domestic rates and move wholly over to the CC;

fashionable!

b. a restricted right to opt out, if the average residual rate bill in an LA fell below a given level; Mr Ridley is not attracted to this option because he believes low spending councils with high rateable values in the South would not be able to switch quickly to the CC;

??
c. a right to opt out if the Community Charge is below a certain level; this alternative form of b., again a selective approach, is preferred by Mr Ridley.

Other possibilities (rejected earlier) such as full introduction of the CC outside London and a phased approach within London, may also re-emerge. We have pressed DOE officials to give us an early sight of detailed proposals (still to be properly developed on "opting out").

Assessment

3. The arguments of substance for a four year phasing-in of the CC which you presented at E(LF) remain sound. They are based on the distributional consequences of full introduction of the CC in 1990 for middle income local taxpayers in low rated properties, for adults paying local taxes for the first time and for all local taxpayers in London and some parts of the North - and on their likely political response. These arguments should carry the same weight as before.

4. We have doubts about the practicality of opting out schemes (quite apart from the inevitable inequity of treatment between different parts of the country). If a county opted out but none of its constituent districts did, there would be extraordinary administrative complexity: indeed the costs of transition could turn out to be greater than under the 4-year phasing-in. And changes in political complexion, leaving an unwilling authority to administer a 'premature' CC, would also cause major difficulties. But we will need to consider the detailed schemes before offering further advice.

5. But, whatever the arguments of substance and practicality, Mr Ridley believes he has important support for more rapid introduction of the CC. He will adduce not only the reaction at the Party Conference but also the views expressed by Conservative Councillors and some businessmen to Mr Howard and Mr Chope at meetings organised around the country to generate

support for rates reform. The Association of District Councils is also about to come down against phased introduction of the CC. And our understanding from Cabinet Office is that the Prime Minister is also minded to support a faster introduction of the CC.

6. Mr Ridley clearly believes he detects important changes in the balance of opinion on the right transition of the CC. But he would do well to test wider political reactions before jumping in to alter the present transition proposals. These proposals were only announced in July: it would be very damaging politically to change tack now and make a further public announcement only to have to alter course for a third time (fourth including the Green Paper scheme) in response to backbench or House of Lords pressure.

7. Subject to clarification of DOE's new proposals, we would welcome confirmation that our starting point at E(LF) should be to argue for no change to the announced 4 year transition period to the CC in England.

Barry H. Potter

B H POTTER

4790



agree: PM
K...
N...
M...

Ch Phoned through

PUP

As expected. Question is where you want to put write round before E(LF) (next Tuesday).

Officials don't think this is necessary. I suspect it might help, but could be ill-advised (especially vis-a-vis M).

But do need v good briefing

YH RHM.

AA



25

FROM: CATHY RYDING
DATE: 14 October 1987

MR B POTTER

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Turnbull
Miss Peirson
Mr McIntyre
Mr Gieve
Mr Fellgett
Mr Call

TRANSITION TO THE COMMUNITY CHARGE

The Chancellor was grateful for your minute of 13 October.

2. The Chancellor agrees with your recommendation that our starting point at E(LF) should be to argue for no change to the announced four year transition period to the Community Charge in England. Another point is that providing an option will ensure that it is grasped by those councils that wish to inflict maximum political damage on the Government.

CR

CATHY RYDING

CR
→
POTTER
14/10