



FROM: A C S ALLAN
DATE: 6 NOVEMBER 1987

CHANCELLOR

COMMUNITY CHARGE: TRANSITION

Notes below from the Chief Secretary and Andrew Tyrie.

2. I think the Chief Secretary is right to attack the absurd proposals for London: they mean nine inner London labour authorities start with a poll tax of £100, while neighbouring Barnet, Kensington, and Westminster start with ones of £300, £400 and £500 respectively. I take Andrew's point about the possible risk of ending up with transitional arrangements for London and immediate introduction elsewhere. But, at the end of the day, wouldn't sensible arrangements for London be better than nothing at all?

3. One point I would stress is the impact on those who don't pay rates at all now. That is where a lot of the attack will come from (in the country, even if not from your back-benchers). The Green Paper proposed phasing in the community charge initially at £50 per head. You have already raised that to £100. Now what is proposed takes it to £200 in a lot of areas, and much higher in some. One major plank of the case for a transition is that hitting single people, or grown-up children or grannies, with a bill as large as that in year one is going to intensify the opposition.

4. Andrew's points about the "hump" are valid but tricky to get across. The main point I would stress is that it means that many areas start with a poll tax higher than they will end up with. These are by definition low spending, high rateable value areas -ie presumably your supporters. When your canvassers go to the doorstep and say "don't worry, as the safety net is phased out your poll tax bill will fall", will they be believed?

[Handwritten notes in red ink:]
 [404 X]
 Complaints
 value of
 value
 1m
 [Blue
 see
 what
 will
 be
 the
 result
 of
 this
 matter,
 but
 the
 new
 tax
 breaks
 621]
 * * *
 You - post fix a
 small
 memo
 to
 discuss:
 CS/para (if you)
 Act/ARSA/
 Felgata
 20th



5. Where you have to be a bit careful is in arguing that phasing out rates automatically produces a smoother profile for household bills. Take Barnet, for example, (flagged). For a two adult household with average rateable value, the total household bill falls more smoothly with a full community charge introduced immediately than with it phased in.

6. A few other points about the safety net. Much of the language in Mr Ridley's paper is about helping people out because of problems caused by the safety net (eg para 21(ii)). But what the safety net does is ensure that the total amount raised from local taxes in an authority is unchanged - ie it is reducing the rate at which South Bucks gains, not taking money away from it.

7. I take Andrew's points about the £75 wheeze being difficult to justify. But I'm not sure that it's something you need necessarily oppose. It is fairly small beer, and doesn't have particularly damaging effects outside the areas who benefit.

8. As I mentioned to you, I would lay off any arguments about equivalent to Xp on or off income tax.

9. I think a small meeting on Monday would be useful to sort out which points you want to make in a minute to the PM.

AA

A C S ALLAN

draft attached (may be a bit strong)

X / as per [unclear] [unclear] [unclear]

DRAFT MINUTE TO PRIME MINISTER

COMMUNITY CHARGE: TRANSITION

I have seen Nick Ridley's paper E(LF) (87)45, with his new proposals for the transitional arrangements for the community charge.

I cannot see how we could justify the bizarre pattern of charges which it produces, especially in London. He rightly acknowledges that immediate introduction is not a possibility in the high spending London boroughs, and that we could not afford to risk letting them opt out immediately. But what he now proposes has the effect that the initial community charge in the nine inner London (Labour) authorities who are required to have dual-running is fixed at £100, whereas it is very much larger in neighbouring authorities where the community charge is introduced immediately. It would be, for example, £297 in Barnet, £391, in Kensington and Chelsea and £471 in Westminster.

Even if the last two can make savings from opting out of ILEA, the differences will still be very large. On his figures, a lodger in Earls Court would face a personal bill of £391 whereas in Hammersmith his bill would be only £100. A family with three grown-up children would have to pay an extra £1,413 in year one in Pimlico, but only £300 in Islington. I do not see how we could defend those results. And they would further add to the problems of enforceability among the very mobile population of inner London.

Elsewhere, the problems which the Chief Secretary set out in his paper E(LF) (87)32 remain. In many areas with low spending but high rateable values, the initial community charge would be much higher than the eventual level when the safety net is phased out. In Barnet, it would initially be £297 but would then fall to £222; in Elmbridge it would fall from £314 to £239. Will people in these areas believe us when we assure them that the initial level of the community charge is high, but it will fall?

Not having a safety net is no answer: that merely reopens the speed of the transfer from the North to the South, which we have rightly

