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FROM: L WATTS
DATE: 18 NOVEMBER 1987

MR ALLAN

cc: Sir P Middleton
Mr B Potter

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

I attach a slightly revised draft letter to Nigel Wicks from the one on which you sought comments.

2. Since I submitted in September the Palace attitude has hardened considerably. I suspect from contact with MOD. They now argue that their staff are disadvantaged compared to others. Employers of staff in tied accommodation are able to make community charge payments on behalf of their employers. The Palace see no reason why this should not be done for them by the Treasury out of public expenditure savings from RGPD.

3. This argument is of course, simplistic since it leaves out of the calculation the extra expenditure required to put the change into effect; and the savings which employers make on rates. Nevertheless it seems prudent to give No 10 the fuller picture in case there are some informal exchanges between the Palace and No 10.

4. I have also made a minor change to the final paragraph of the draft taking account of the latest advice.



L WATTS

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Nigel Wicks Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

You asked for information about the effect the community charge would have on the Royal Household. There has been some Ministerial correspondence about the general issue of Crown property and the community charge (Mr Ridley's minute of 30 July). This letter covers the specific impact on the Royal Household.

I attach a table showing the impact on those in the Household whose pay and conditions take account of free accommodation and who do not, at present, pay rates. These figures are based on the DoE exemplifications of the level of charge that would apply in 1987-88 if the reform had been implemented in full then. They thus show what the position would be, on present spending levels, after the transition has been completed. The year-by-year pattern for the first four years would be affected by the phasing out of the safety net and - in Inner London - by the phasing in of the community charge. It would also be affected by local education authorities opting out of ILEA (costs should be significantly reduced when Westminster and Kensington opt out).

The Treasury has explained that, in keeping with the policy adopted throughout the public sector, we do not accept

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that there should be an increase in Civil List to cover any additional costs if Her Majesty was minded to pay additional sums to those staff to meet the cost of the community charge. Until recently the Keeper of the Privy Purse had accepted that the Household staff would have to pay the community charge if there are to be no exceptions to the general rule. Lately he has been arguing that these Household staff are not, like others, facing a substitute tax, or being put in a position like other occupiers of tied accommodation. He is also suggesting, like MOD coincidentally, that "compensation" could be found from savings on RGPD (though this is a simplistic view). Discussions ^{on this point} are continuing; the problem is the awkwardness of our paying the tax of Household staff, and putting the Palace in a privileged position.]

As for the Royal Family itself, the Queen and the Prince of Wales (as Duke of Cornwall) will be exempt from the personal community charge, as was indicated in the note attached to Mr Ridley's minute. All other Members will be subject to it and all Members will be subject to the standard community charge on second homes which are not main residences.

A C S ALLAN

*He is also suggesting compensation
among (Household staff) that
the whole household staff
on the basis of Government
Departments (RGPD).*

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18 November 1987

Nigel Wicks Esq
Principal Private Secretary
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LONDON SW1

Mr L Watts cc Mr Pilleto
This is now needed urgently.
Any comment? (based on
draft attached to you note of 18/9)

ACSA

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

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I attach a table showing the impact on those in the Household whose pay and conditions take account of free accommodation and who do not, at present, pay rates. These figures are based on the DoE exemplifications of the level of charge that would apply in 1987-88 if the reform had been implemented in full then. They thus show what the position would be, on present spending levels, after the transition has been completed. The year-by-year pattern for the first four years would be affected by the phasing out of the safety net and - in Inner London - by the phasing in of the community charge. It would also be affected by local education authorities opting out of ILEA (costs should be significantly reduced when Westminster and Kensington opt out).

The Treasury has explained that, in keeping with the policy adopted throughout the public sector, we do not

accept that there should be an increase in the Civil List to cover any additional costs if Her Majesty was minded to pay additional sums to those staff to meet the cost of the community charge. [The Keeper of the Privy Purse accepts that the Household staff will have to pay the community charge if there are to be no exceptions to the general rule though, naturally, he would prefer the Civil List people to receive special treatment.]

As for the Royal Family itself, the Queen and the Prince of Wales (as Duke of Cornwall) will be exempt from the personal community charge, as was indicated in the note attached to Mr Ridley's minute. All other Members will be subject to it and all Members [except for the Queen in respect of Balmoral] will be subject to the standard community charge on second homes.

A C S ALLAN