



Paul Gray Esq  
 Private Secretary to  
 The Prime Minister  
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My ref:

Your ref:

23 March 1988

Dear Paul,

Thank you for your letter of 17 March which my Secretary of State saw with those from Jill Rutter of 8 March and Rod Clark of 9 March.

My Secretary of State is happy for the work to be carried forward in the DHSS group to a remit broadly as proposed by the Chief Secretary. He remains convinced that the problems raised in his minute of 19 February are real ones and must be addressed urgently: in his view, the marginal tax rate illustrated in that minute of 90.1% for low earners is already excessive, particularly after the income tax reductions in the Budget; and it would now be all the more unwise to increase that tax rate to 93.4% by steepening the housing benefit taper to 70% for 1989/90. He is coming under increasing pressure in the Local Government Finance Bill where the issue is beginning to be understood by a number of backbenchers. He fears the subject will be difficult to handle at Report Stage, and even more so when the Bill is in the Lords. It may also arise on the Housing Bill.

Accordingly, my Secretary of State hopes that the group can consider the options quickly, to a timetable which would allow for collective Ministerial discussion before, say, the end of May, in advance of the main PES discussions. Perhaps Geoffrey Podger could confirm that such a timetable is achievable.

I am copying this letter to Jill Rutter (Treasury), Geoffrey Podger (DHSS), Margaret Jones (Scottish Office), Jon Shortridge (Welsh Office), Alison Brimelow (DTI), Nick Wilson (Employment) and Trevor Woolley in Sir Robin Butler's Office.

Yours sincerely,  
 Deborah.

DEBORAH LAMB  
 Private Secretary

HOUSING : Reform of benefits

June 80

