

CONFIDENTIAL

1. MR POTTER ^{BHP} SA
 2. CHIEF SECRETARY

FROM: R FELLGETT

Date: 5 April 1988

cc: Chancellor
 Sir Peter Middleton
 Mr Anson o/r
 Mr Phillips o/r
 Mr Hawtin o/r
 Mr Tyrie

COMMUNITY CHARGES: POSSIBLE DOE CONCESSIONS

Mr Tyrie spoke to me last week about possible DOE concessions to the argument from Mr Michael Mates MP and others that the Community Charge should be better related to individuals ability to pay. He had heard from his contacts that some of Mr Mates supporters had been led to believe that concessions might be forthcoming, particularly if support for the Mates amendment on Report increased beyond the 39 people on the Government side that were already said to be firm supporters.

2. Possible concessions at the expenses of the public finances, fall into the following categories:

- (i) further exemptions from liability to the Community Charge, in full or in part, which would have to be financed by the Exchequer (whatever was said at the time) because the Community Charge for all others could not be allowed to rise;
- (ii) a more generous scheme of Community Charge rebates, involving higher thresholds for entitlement to the full rebate, a more relaxed taper or a higher percentage rebate;

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(iii) more AEG (paid for by progressive central government taxation), to reduce the Community Charge to a lower level.

3. We are aware at official level that DOE are canvassing minor amendments to the definitions of people who will be exempt from the full Community Charge, to offer as concessions on Report or in the Lords as necessary. For example, remand prisoners might be exempt as well as the convicted. Technical discussions are proceeding among officials, which might lead to a proposal from Mr Ridley to E(LF) in due course. The possible changes that we are aware of would involve very few people, and be relatively inexpensive. There may, however, be more extensive concessions in Environment Ministers' minds that they have not discussed with their officials, or that their officials have been told not to discuss with us.

4. Mr Tyrie reports that concessions of the second type - more generous rebates - are being canvassed among backbenchers. This is potentially much more expensive. A very rough calculation suggests that if the ~~percentage rebate~~ were raised by 10% (ie to 90%), the cost would be in the region of £125-£175 million. (Changes in the taper would not only cost more but bring more people into rebate.)

5. I do not have any particular news about the option of more grant, although the possibility is obvious and is a factor in your discussions with Mr Rifkind about Scottish penalties.

6. Mr Tyrie further reports that Environment Ministers are said by some backbenchers to have "life rafts" being prepared, in case the Bill runs into serious trouble in the Lords. These might need to be brought forward for Report in the Commons in the week beginning 18 April, if Mr Mates amendments attracts any more supporters. I assume that any such life rafts would fall into one of the three categories mentioned above: a concession on the general principle that the Community Charge should be a nearly universal, flat-rate obligation would presumably be politically impossible (even if, in theory, it could make the Community Charge more acceptable without extra Exchequer finance.)

7. We will endeavour to find out from DOE officials about what they might have in mind, to avoid being bounced on a specific proposal for an immediate concession to avoid a defeat. They are, however, under orders not to speak to us about anything important. We naturally take any available and reasonable opportunities to remind them that the Community Charge is meant to be brought in without additional Exchequer finance: the Chancellor secured the agreement of the Prime Minister and colleagues to this at the meeting which decided to limit phasing-in to parts of inner London, and we have subsequently secured endorsement in correspondence to the principle that the safety net should be self-financing.

8. Subject to your views, we do not propose to make an issue with DOE officials of Mr Tyrrie's latest intelligence. That might give them the impression that we were worried. We are not entirely surprised to hear that options to make the Community Charge more palatable, at the Exchequer and taxpayers expense, are being canvassed. Our main aim must be to prevent them becoming established policy.

9. You may wish to consider whether, at a political level, anything need be done to reinforce the message that the Community Charge will be introduced on its merits, and not on the back of an Exchequer subsidy.

pp Barry H. Potts

R FELLGETT