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NBM From The Secretary of State for Wales
September 1986

Du Wallis

SOCIAL SECURITY AND THE COMMUNITY CHARGE

attap.

Malcolm Rifkind copied to me his letter to you of 9 September asking for a decision soon about the interaction between Social Security and the Community Charge.

I very much agree with the arguments he puts forward in support of a rebate system as was envisaged in the rates reform Green Paper. I appreciate that Norman Fowler finds it difficult to accommodate such a system within his own sphere of major legislative proposals, but, as Malcolm says, to go back now on what we were offering previously to cushion the effect of the new charge upon those on low incomes would be very damaging indeed. We have made much of the unfairness of the present rating system in putting forward our proposals. To announce now that there will, after all, be no direct help to anyone in meeting the charge will make our criticisms of rates sound very hollow. A flat rate system offered instead would very quickly be labelled as being manifestly unfair, given the wide range of charges there are likely to be. Even if an acceptable way could be found to narrow the range at the outset, this would only postpone the difficulties since there would be no guarantee that they would not subsequently diverge. There has been no shortage of bodies and pressure groups eager to do their own calculations of how the community charge will affect individuals and this aspect of the proposals - not unnaturally - has attracted much attention. We could, conceivably, have included the flat rate option in the original proposals and found a degree of acceptance for them (though I have my doubts). To try to do so at this stage would bring us into very heavy weather indeed.

I think that we should also give careful thought to the nature and timing of announcements on our intentions for legislation in Wales and England. I understand Malcolm Rifkind's concern to introduce his Bill quickly and of course Nicholas Ridley and I cannot remain silent on what we plan to do. As Malcolm said in his letter to Nicholas of 2 September, a joint statement on the community charge will be needed. But I hope that this will not lead to us fragmenting our approach to the reform of local government finance. The Green Paper proposed a comprehensive package which fitted together, and we should continue to present our intentions in that way.

I am copying this letter to the other members of E(LF) and Sir Robert Armstrong.

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The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council

LOCAL GOVT: Kating PTs

