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 The Prime Minister
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My ref:
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Dear Andy,

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

Councillor Layden wrote to the Prime Minister on this subject on 23 December, and we sent you a short holding reply on 12 January because the matter was going to take some time to resolve.

The position is this. The Leaders of the local authority associations met the Prime Minister on 25 November to discuss the Green Paper "Paying for Local Government". The Prime Minister was accompanied by my Secretary of State and the Secretaries of State for Scotland and Wales. Councillor Layden's recollection is that the Prime Minister said during the meeting that help towards the community charge for those on low incomes would be through a rebate system. David Norgrove's record of the meeting bears that out, saying "Rebates would be provided for the community charge, working in a similar way to the present system of rate rebates, though the percentages might be different."

On 2 October, however, E(LF) had concluded that, while provision allowing for the rebating of the community charge should be included in the Scottish legislation, no commitment should be given for England and Wales about the way in which those on low incomes might be helped to pay the community charge. Consequently, the Abolition of Domestic Rates Etc (Scotland) Bill includes a power to give community charge rebates, but the DOE/Welsh Office document on the operation of the community charge in England and Wales, published on 13 December, says merely that "those on low incomes will continue to get help through the social security system. Detailed arrangements will be settled later."

Councillor Layden's letter draws attention to this apparent discrepancy, and asks whether there will in fact be community charge rebates in England and Wales.

My Secretary of State feels that the appropriate course would be to use the opportunity of the reply to Councillor Layden to announce formally that there will be community charge rebates throughout Great Britain. Although in the longer term he remains attracted to the idea of simply providing help through income support, he feels that there are strong arguments against attempting to adopt such a course initially:

- Public debate of the community charge will take place against the background of the present pattern of local spending which implies a very wide range of community charges. Providing help only through income support will be seen to be overcompensating those in low charge areas while placing very heavy burdens on those where they are high.

- One of the main concerns being expressed about the community charge is its fairness, especially so far as those on low incomes are concerned. It will be much easier to win this argument if the Government can say that there will be rebates. Conversely, to announce that there would not, or that the Government was still keeping open the option of not having rebates, would provide further ammunition for opponents of the community charge.

My Secretary of State does not envisage, however, that a commitment to rebates should mean that the Government need rule out the possibility of putting pressure on high spending councils by, for example, imposing a ceiling on the maximum amount of community charge that would attract a rebate. Nor would the use of rebates in the early years of the new system preclude a decision to move to a system of help through income support alone when the pressures of accountability or other changes had caused a narrowing of the range of community charges.

My Secretary of State suggests that the letter to Councillor Layden should commit the Government to community charge rebates in England and Wales, at least in the early years of the new system, while making clear that the precise details of how rebates will be calculated have not yet been settled. I enclose a draft letter for the Prime Minister to send, subject to her views and those of other Ministerial Ministers.

I am copying this letter and the draft reply to Joan McNaughton (Lord President's Office), Stephen Boys Smith (Home Office), Jill Rutter (Chief Secretary's Office), Tony Laurance (DHSS), Robert Gordon (Scottish Office) and Colin Williams (Welsh Office), and to Trevor Woolley in Sir Robert Armstrong's Office. Perhaps they could let you know by, say, close on Wednesday 4 February if my Secretary of State's proposal causes problems.

*Yours sincerely,
R U Young.*

R U YOUNG
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO COUCILLOR JOHN LAYDEN, ASSOCIATION OF METROPOLITAN AUTHORITIES

PAYING FOR LOCAL GOVERNMENT

Thank you for your letter of 23 December, in which you ask about help towards the community charge for those on low incomes.

You will have seen that clause 26 of the Abolition of Domestic Rates (Scotland) Bill, published soon after our meeting, provides the power to pay community charge rebates in Scotland. I can confirm that there will also be rebates in England and Wales when the community charge is introduced there.

As I made clear when we met, however, we shall be looking at the detailed operation of the new system, to make sure that the rebates work in a way that is compatible with our concern to improve local authorities' accountability to all the people in their areas.

For that reason, and because the scheme for community charge rebates will in turn be a development of the revised rate rebate system to be introduced in 1988, it is not possible at this stage to give more details of how the new system will work. The system will, however, mean that young, single people entitled to income support will be eligible for rebates.