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PRIME MINISTER

MINIMUM CONTRIBUTION TO DOMESTIC RATES

The discussion of the minimum contribution and compensation for the poorest people in the papers below is very largely based on the effects at the moment of changeover, April 1988, when domestic rates will still be very much in existence.

The distribution effects may well be different when the community charge is introduced.

As you know, the ILEA is a major factor in the range of the community charge and Mr. Ridley and Mr. Baker are considering other options for its future, following your recent meeting.

I wonder whether one option would be to postpone the introduction of the community charge for the ILEA boroughs by a few years. This would allow time for rate-capping to bring ILEA spending nearer to the national average and so reduce the effect on the community charge when it is introduced.

(Now in your folder, below.)

I understand that DHSS will be circulating fresh distributional tables at tomorrow's meeting: the tables they have sent to you assume some cash protection for existing benefit recipients. The effect on new benefit recipients will be larger.

DNR

DAVID NORGROVE

29 April 1987

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