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PRIME MINISTER

THE 20 PER CENT CONTRIBUTION TO RATES AND THE COMMUNITY CHARGE

The Chief Secretary held a meeting yesterday to discuss how "compensation" for the minimum 20 per cent contribution to the Community Charge and rates should be handled. Mr. Fowler, supported by most people at the meeting, argued that there was no politically sustainable course short of increasing the planned income support level across the board (i.e. including the unemployed as well as the disabled, etc.) by the average cost of the new liability to pay 20 per cent.

The Chief Secretary pointed to the cost and said he was bound to consider whether it would be practicable to reduce this either by extending compensation at a lower flat rate than the average of the 20 per cent liability or by limiting compensation to only some groups eligible for income support.

The upshot is that Mr. Fowler will be sending you a note and the Chief Secretary will also be sending you his views.

Handwritten initials: DW

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David Norgrove

6 May 1987

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