

CONFIDENTIAL

FROM THE MINISTER OF STATE, SCOTTISH OFFICE

NEW ST. ANDREWS HOUSE

ST. JAMES CENTRE

EDINBURGH EH1 3SX



The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

10 August 1987

Dear Nick,

*file with
MFA.*

RATE AND COMMUNITY CHARGE REBATES : UPDATING OF INCOME SUPPORT

You copied to Malcolm Rifkind your letter of 30 July to John Moore on this subject.

I agree with you about the importance of our decision to uprate income support to cover the average minimum contribution to rates, and in due course the community charge. This is crucial in demonstrating the fairness of the whole package of reforms we are introducing, and it is essential that we should extract the maximum presentational advantage from it. We cannot do so if our commitment is hedged about with "ifs" and "buts", and last week's press reports were particularly unfortunate in this respect.

As you say, uprating in 1988 to cover the minimum contribution to rates will bring a benefit to some non-householders. In Scotland that will last for only one year, because we have full introduction of the community charge on 1 April 1989, with no period of dual running. On 1987-88 figures our average community charge will be around £5 per week with an average minimum contribution of around £1 per week. The figures in many of our urban areas, where unemployment and low income are concentrated, will be above the average. These factors mean that the degree of over-compensation in Scotland resulting from an income support addition based on householders' liability for rates GB-wide (£1.30 per week) will be relatively insignificant. On the other hand, any marginal reduction in income support to reflect the introduction of the community charge - even assuming that this was possible within a GB-wide scheme of benefit - would immediately mean that large numbers of people would see a reduction in, or even worse, the loss of this income support as a result of the introduction of the community charge. I support your proposition that this should not be allowed to happen.

You are of course concerned about 1990, but a reduction in that year, the second year of operation of our system, would be no less unacceptable than a reduction in 1989.

CONFIDENTIAL

Whatever our detailed approach to the arithmetic, a point of cardinal importance will be the presentation of the announcement about the setting of income support levels this autumn. This will be the opportunity to demonstrate that we have honoured the commitment to cover the minimum contribution. The figures at that stage will relate to rates, but we need to present them in a way which will enable us to convince those who become liable for the community charge one year later in Scotland (and two years later in England and Wales) that from April 1988 their benefit levels will already include an appropriate addition for that too. This is obviously a presentational problem of some magnitude: it is essential that the figures should show clearly what has been done, otherwise we will gain little credit for a substantial and expensive concession. I hope that John Moore will consult those of us concerned with rating and community charge matters about the presentation of these important figures in good time before they are made public.

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

*Yours ever,
Ian.*

IAN LANG

AEP216A2

CONFIDENTIAL

