



CE/AG

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

CONFIDENTIAL

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

Prime Minister 4
This will all need to be
discussed with the Chief
Secretary in the PES context, and
does not have to be settled until
later in the year. Do you want
to offer any comments at this
stage on the suggested figures of
£1.05, £1.30 and £2.00? Or
wait for Messrs Ridley and Major
to comment?
18 May 1988

No

Nicholas

RR CB

27/5

COMPENSATION WITHIN INCOME SUPPORT FOR MINIMUM CONTRIBUTION TO COMMUNITY CHARGE

attached

not flap

When E(LF) discussed this subject last November, they left it to us to agree with the Chief Secretary how the figures should be updated to April 1989. As I indicated in my letter of 14 April, following the events of recent weeks I think it particularly important that the contribution should be set at a level which is seen to be realistic.

The E(LF) discussions were based, rather confusingly, on a figure of 85p as the average community charge contribution if the charge were in force on a national basis in 1987-88, and on an estimate of £1.30 as the average rate contribution in 1988-89 of an income support recipient. The latter figure assumed average rate increases in the current year of no more than prices generally; taking account of actual movements in rates, the figure should have been £1.40. I understand that your current estimate of the community charge liability if the charge were introduced this year is £1.00 per week. Both of these figures must be updated to 1989-90. The conventional assumption that rates will go up in line with the RPI produces figures of £1.44 and £1.03 respectively.

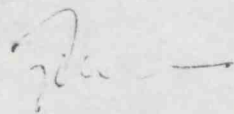
E.R.

I believe it is important to recognise from the outset that these uprated figures are more likely to be on the low rather than on the high side. I would not argue for any greater uprating factor, but we will be vulnerable to charges of failing to provide the protection against the minimum rates liability that we have promised, and therefore I regard it as essential that we do not attempt to squeeze the figures any further, and that we "round up" rather than down.

Using these figures, it follows from the E(LF) decisions that the compensation in the income support rates should be £1.05 for single people under 25, and £2.10 for couples. There is more room for argument over the appropriate figure for single people over 25. E(LF) agreed to a level of compensation 20p less than the average rates contribution. Given the political sensitivity of these issues in recent weeks, I would see no scope for going below this. This is now so close to the current years figure of £1.30 that there could well be substantial advantage in avoiding any explicit cash reduction, and in leaving the figure at £1.30. The cost of the extra 5p would only be £9m.

Of course, all of this will have to be looked at again in October in the light of the latest inflation forecasts and your latest estimates of likely levels of the community charge. Meanwhile, I would welcome your comments on these suggested levels of £1.05 for singles under 25, £1.30 for singles over 25 and £2.10 for couples.

Copies of this letter go to the Prime Minister, Malcolm Rifkind, Peter Walker, Tom King, John Major and Sir Robin Butler.



JOHN MOORE

Hand Gov. Rates
At 10



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File L04A04



10 DOWNING STREET
LONDON SW1A 2AA

ORIGINAL FILED ON

SOCIAL SERVICES: Upgrading
of Benefits
PT4.

From the Private Secretary

18 May 1988

Dear Nick,

The Prime Minister met a group of Conservative backbenchers yesterday afternoon, at their request, to discuss some aspects of the Government's social policy. The Members attending were Timothy Raison, Sir George Young, Robert McCrindle, Andrew Bowden and Robin Squire. Your Minister was also present.

I should be grateful if you (and Jill Rutter, to whom I am copying this letter) could ensure that there is very limited distribution of this letter in your Departments.

Timothy Raison opened the meeting and said he fully agreed with the Prime Minister's statement in the House that people at all levels were better off since 1979. But there was a worry that the less well off might be adversely affected by policies in the pipeline. The Government and the Party must not give the impression that they were no longer concerned about the poor. Mr. Raison said that the main focus of concern was those somewhat above the level of income support. It was vital that the Government ensured that new social policies did not leave the less well off worse off, and that this aspect was properly assessed in advance. He urged that the Prime Minister take fully into account the views of backbenchers before introducing controversial social policy. They were well placed to offer advice on the practical and political impact of these measures. He and his colleagues then went on to make a number of more detailed points.

Child benefit

The MPs believed strongly in child benefit. They welcomed the Prime Minister's re-affirmation of the Manifesto commitment in the House that afternoon. The benefit had the advantages of being paid to the mother, of helping those just above the level of income support, of emphasising the Government's commitment to the family, and of avoiding the poverty trap. It was, admittedly, not easy to justify paying child benefit to those on higher incomes, particularly when they had benefited so much from tax cuts. But the fact was that mortgage interest tax relief was given to those in the same position, and a universal benefit ensured 100 per cent take-up.