

~~cc BCG~~

2 MARSHAM STREET
LONDON SW1P 3EE
01-212 3434

My ref:

Your ref:

The Rt Hon John Moore MP
Department of Health and Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

MSM
14 June 1988

Reco
17/6

Dear John

COMPENSATION WITHIN INCOME SUPPORT FOR MINIMUM CONTRIBUTION TO
COMMUNITY CHARGE

at flag ✓ *at flag*
X Thank you for your letter of 18 May setting out your proposals for the level of compensation within income support for the minimum contribution to the community charge. I have also seen John Major's letter of 18 June. As you say, final decisions on this compensation do not need to be taken until the Autumn. At that time, we will be in a better position to estimate likely community charge figures. However, it may be helpful if I give you my comments now on the strategy you propose.

I agree that the compensation for couples should be set at twice the estimated minimum contribution to the community charge. We need to ensure that the figure we choose can be defended as a reasonable estimate of likely community charge bills.

I strongly support your suggestion that the compensation for single people over 25 should be maintained at the cash level of the compensation included in 1988/89 for the minimum contribution to rates (£1.30). We would face great criticism if we were to propose a cash reduction, even if logically this might still represent full compensation.

You suggest a lower level of compensation for single people under 25 from 1989/90, as there will be in 1988/89. Although I would not argue that under 25s should receive the same uprating as over 25s, I must warn colleagues that, throughout proceedings on the Local Government Finance Bill, we have been severely criticised for the way in which the rebate system discriminated against those under 25. This criticism is bound to be voiced again if we announce that those under 25 are to receive less compensation through income support when, of course, the community charge bills they will pay

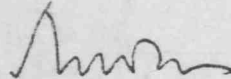
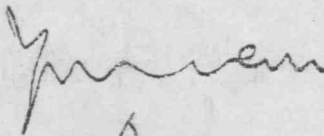


CONFIDENTIAL

will be exactly the same as those paid by over 25s. As has frequently been argued to us, both groups face identical Community Charge Bills.

It will, in my view, be essential that the PES provision is sufficient to ensure that, when we come to finalise decisions on these matters in the autumn, we have sufficient room for manoeuvre.

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



NICHOLAS RIDLEY



LOCAL GOVT: rates pt 10