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PRIME MINISTER

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COMMUNITY CHARGE: TRANSITIONAL RELIEF SCHEME

This note highlights five points which are not brought out in the Cabinet Office paper, but which need very careful attention in making a decision on a relief scheme.

1. BASE FIGURE FOR CALCULATING RELIEF

The paper rightly concludes that if relief was based on actual community charges, local authorities would simply have a blank cheque to push up spending. The illustrations in Table 2 therefore assume a charge figure based on local authority spending 7 per cent above 89/90 budgets. This was the mid-range outcome foreseen in Chris Patten's original note.

This will cause great difficulty, because it will be contrasted with the July settlement figure for standard spending: 3.8 per cent above 89/90 budgets. The implied difference in local authority spending between the two is £1 billion.

You will therefore be challenged whether the Government now accepts that standard spending should be £1 billion higher than estimated in July. And you will be on rather weak ground if a relief scheme is based on the higher figure.

It is therefore essential to base relief on community charge figures for each authority consistent with the July settlement, i.e. spending 3.8 per cent up on 89/90. This could be done by adjusting the left-hand side of the comparison, eg:

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4 per cent on rates bill : 3.8 per cent on
(the GDP deflator used for the budgets.
July settlement).

or

Actual rate bills 89/90 : 3.8 per cent on
budgets.

The second of these would be more readily understood and avoid assumptions having to be made about what rates would have been if community charge was being introduced. But either would meet the crucial point of avoiding the accusation that the Government no longer believed in the July settlement.

2. SCOTLAND

In the time available, the official group has not considered this. But if a scheme is set up for England and Wales it seems politically impossible not to match it in Scotland. Not to do so would intensify further the Government's difficulties there. It might even lead to an intensified campaign of non-payment of community charge.

If the English scheme is based on rates previously paid, the question immediately arises: should a Scottish scheme be retrospective to 89/90? If not, what in 90/91 could relief be based upon? And the question of legal powers could also be complicated. An urgent assessment of the Scottish dimension must be made.

3. ADMINISTRATION: COMPUTER PROCUREMENT

Very great care is needed over paragraph 12 of Annex E.

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Political opponents will be looking for any chinks in the Government's legal armour, and EC procurement rules are fertile ground for this. They generally require Community-wide open tender, and this of course is very time-consuming.

The implications of setting the rules aside on grounds of public policy, and whether this opens a door to spoiling legal tactics, need to be thoroughly examined. It would be doubly disastrous if a scheme was upset by a Government defeat in the Courts arising from non-compliance with EC legislation.

4. ADMINISTRATION: OFFICE ACCOMMODATION

You suggested as one possibility using the DSS facility in Glasgow which was set up for the housing benefit relief scheme.

That scheme is indeed now running down, with only 100 staff left from a peak of 600. But the building is now being used for processing London Income Support claims. And at the peak, 600 staff could not all be accommodated there, but had to be spread among several Glasgow sites.

Even if this building could be used, it might be best not to house such a controversial operation in one location, nor in Scotland at all.

First it needs as far as possible to be insulated from disruption caused by industrial action, and split sites linked by computer would be safer in this regard.

Second, any site in Scotland could mean a greater risk of action aimed at undermining the community charge policy itself. This applies with even more force if a Scottish

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relief scheme to match England and Wales is not introduced, or if one is introduced which is seen as less generous.

It, therefore, seems best to make a virtue out of necessity by opting for split sites located in England or Wales and computer-linked.

5. TITLE OF THE SCHEME

Given the target population, "relief" is a very unsatisfactory word. It conjures up images of helping the poor, when the real objective - smoothing the transition to new, fairer local taxation - is quite different. Keeping the 'transitional' is, however, important.

The obvious alternative is 'rebate'. But I understand this is impracticable because it is used legally in conjunction with community charge benefit.

Possible alternatives, as neutral-sounding as possible, might be:

- transitional reimbursement
- transitional offset payments
- transitional adjustment.


JOHN MILLS