

SUBJECT CC MASTER

SECRET



me slw

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

22 March 1990

Dear Jim,

COMMUNITY CHARGE CAPITAL LIMIT IN SCOTLAND

Your Secretary of State met the Prime Minister this morning to discuss his proposals for a limited scheme to deal with the problems that had arisen in Scotland over the Budget proposal to raise the capital limits for housing benefit and community charge from £8000 to £16,000. Although he had taken care not to reveal that he had put proposals to the Prime Minister the day before, the press coverage, particularly in Scotland, portrayed him as having made a bid which had been rebuffed. If no such scheme were now introduced, the Government's position in Scotland would be greatly weakened.

He believed that the scheme he had set out in his minute of yesterday evening met the conditions which had been set at the meeting of Ministers yesterday morning. In particular, it avoided primary or secondary legislation, formal retrospection or back-dating of the Budget changes to social security capital limits, and administrative difficulties for DSS. The cost would be met from within existing Scottish Office resources.

The Prime Minister said that journalists had approached No.10 fully armed with knowledge of the meeting. In these circumstances it was not possible for the No.10 press office to deny that a meeting had taken place. They had taken care to avoid commenting on whether your Secretary of State had sought additional help and on whether or not he had been successful. However, the important question was how to take matters forward from here.

The Prime Minister thought it would be difficult to reconcile introducing a scheme with the statements which various Ministers had made yesterday. Your Secretary of State had, entirely properly, defended the issues of principle, and in particular the point that an increase in the capital limits was in the context of removing disincentives to saving and that it was not confined to community charge. He had also pointed to the need to be fair to those receiving rate rebates in England. The Chief Secretary had pointed out the administrative difficulties. She was concerned that to announce a scheme in Scotland would give rise to complaints from rate-payers in England. Your Secretary of State argued that this was unlikely; indeed some of the English press supported the introduction of a scheme in Scotland.

SECRET

At this point the Chancellor of the Exchequer joined the meeting. Summing up the subsequent discussion, the Prime Minister said it was agreed that a scheme along the lines proposed by your Secretary of State should be introduced provided he could give an assurance that it would meet the conditions identified at yesterday's meeting and would resolve the matter politically in Scotland. She invited your Secretary of State to discuss with the Chancellor of the Exchequer, Chief Secretary, Secretary of State for Social Security and the business managers the form and content of a statement.

I would be grateful if you would retain the letter within the Private Office.

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

Jim Gallagher, Esq.,
Scottish Office.

SUBJECT CC MASTER

CONFIDENTIAL



the Shw

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 March 1990

COMMUNITY CHARGE CAPITAL LIMIT IN SCOTLAND

After Cabinet a further meeting on the subject was held under the Chairmanship of the Lord President. Also present were the Chancellor of the Exchequer, the Secretaries of State for Scotland and for Social Services, the Chief Secretary and the Chief Whip.

Your Secretary of State reported on his meeting with the Prime Minister earlier that morning. He said she had agreed, after consulting the Chancellor of the Exchequer and the Chief Secretary, that a scheme along the lines set out in his further minute of 21 March should be introduced. He had assured the Prime Minister that this would meet the demands being made in Scotland. He believed that it met the conditions which had been set out at the meeting of Ministers the previous day. He then set out his proposals for criteria for payments to personal community charge payers. He invited colleagues' views on the form and content of a statement which he proposed should be made later the same day.

In discussion the following points were made:

(i) it was important to clarify the powers under which the payments were being made. Your Secretary of State thought that powers to make payments to the local authorities were available. The position of local authorities would need to be clarified though this was against the background where the local authorities were keen to make such payments;

(ii) although the Secretary of State's proposals set out the criteria for eligibility they did not set out how the amounts to which people would be eligible would be calculated. There was no reason why these should be the same as for the main scheme; indeed, there were advantages in differentiating them as this made it easier to argue that the scheme was not formally retrospective;

(iii) it was important, for market reasons, to make clear that the Chancellor had been consulted, supported what was being done and that the funds came from within existing resources;

CONFIDENTIAL

KK

(iv) it was necessary to clarify the arguments as to why a scheme which was retrospective in effect satisfied the normal objections about retrospection.

There followed a discussion about the nature of the statement. It was agreed that it should make the following points:

"The increase in the capital limits from £8,000 to £16,000 was to be welcomed. Both for reasons of principle and on grounds of practicality, it was not possible to introduce a scheme which was formally retrospective. The scale of the problem was limited and might involve only x thousand people and cost no more than £4 million. The Secretary of State recognised the concerns which had been expressed and he had discussed the matter with colleagues who were sympathetic. With their agreement, he would be examining how a practicable framework for an ex gratia scheme, administered and funded from the present resources of the Scottish Office, could be devised. He would be discussing the practicalities with colleagues and local authorities and would report his proposals to the House as soon as possible."

The meeting agreed that as this statement went no further than indicating an intention and did not promise to report to the House there should not be an Oral Statement. It was agreed that instead a statement should be issued to the press in the early afternoon.

The Prime Minister then joined the meeting and endorsed the form of statement proposed. The Secretary of State for Scotland was invited to refine the statement and clear it with the Lord President, the Secretaries of State for Social Security and Environment and with the Treasury. Further thought should be given to the best time for announcing the details of the scheme.

I am copying this letter to Tim Sutton (Lord President's Office), John Gieve (HM Treasury), Carys Evans (Chief Secretary's Office), Helen Dudley (Department of Social Security) and Roger Bright (Department of the Environment).

(ANDREW TURNBULL)

Jim Gallagher, Esq.,
Scottish Office.

A
file

The Secretary of State for Scotland, Rt Hon Malcolm Rifkind QC MP, commenting on the retrospection interruption in the Commons, said:

"Mr Dewar and his colleagues were raising entirely bogus questions during the Chancellor's statement.

"The capital limits on rebates for housing benefit and community charge or domestic rates have applied in England as well as in Scotland for the last 2 years.

"Those with savings over £8,000 have been without entitlement to rebates on local taxation whether they have lived in England or Scotland as these capital limits have applied throughout Britain.

"Questions of retrospection simply do not arise and Mr Dewar knows this perfectly well".

BACKGROUND NOTE

Capital limits have applied in relation to rebates for domestic rates and for the community charge; and they have applied equally in Scotland and in England and Wales. There can therefore be no case for making the new limit retrospective. The £8,000 limit has applied to ratepayers in England throughout 1989 as it has applied to community chargepayers in Scotland. The decision to increase the limit, which ought to be welcomed rather than disparaged, applies to the whole of Great Britain and coincides with the introduction of community charge benefit in the whole of the country, replacing community charge rebate in Scotland and rate rebates in England and Wales.

Scottish Information Office
01 270 6760
March 20, 1990