

## PERSONAL AND CONFIDENTIAL



FROM: CHIEF SECRETARY

DATE: 11 April 1988

CHANCELLOR

## COMMUNITY CHARGE REBATES

I have looked carefully at Mr Ridley's letter, Mr McIntyre's submission of 8 April and your proposed letter to Nick. There are many facets to this problem and several points occur to me.

2 Firstly, perception. This is a major retreat. It will be seen as an acknowledgement that we had been too tough on the poor in the social security reforms and have to retreat on the Community Charge.

3 Moreover, the retreat is on Housing Benefit, the weakest point with our backbenchers. It will add to pressure on the capital cut-off specifically and the social security reforms generally.

4 All this will whet DHSS's appetite for the PES round.

5 Secondly, merits. The Chief Whip will advise but my guess is that Nick is right to be worried about Parliament. A concession therefore has political merits since it will, I think, purchase the Bill.

6 Moreover, if it does so at a cost to be clawed back from Revenue Support Grant it may prove a Treasury bargain. At present I fear that an un-amended Bill will leave us exposed in 1990 to a hugely swollen RSG to buy-off introductory problems.

PERSONAL AND CONFIDENTIAL

7 However, I do not see how we ensure the cost is recouped from RSG. We would need to square Cecil (as Chairman of E(LA) on this point.

8 Thirdly, Nick's proposals. They have the disadvantages set out in Mr McIntyre's minute. However, I accept a concession is necessary and is better made now.

9 I cannot see any novel way of meeting this problem other than those Nick sets out.

10 Of his two propositions, changing the Community Charge taper is much the best. If we increased the earnings disregard on Community Charge then:

- (a) ~~I do not see how we could avoid doing so for the rent element of Housing Benefit (which faces other pressures anyway);~~
- (b) we would face demands to raise it for all income related benefits;
- (c) it begins to unpick the 'simplification' case for the Social Security reforms.

This is too high a price.

11 We should therefore restrict any concession to the tapers. I do not share Mr McIntyre's sensitivity about the 20 per cent rate taper at present and only 15 per cent for Community Charge. This is easily defended (though who will attack it anyway?)

12 Fourthly, our price for the concession. I agree we should seek to recoup through RSG though I cannot see how. Perhaps Cabinet should minute it? However, we can discuss means.

13 I agree too, we should insist that Nick accepts the PES agreement of a 70 per cent rent taper which, at present, he

PERSONAL AND CONFIDENTIAL

is seeking to over-turn.

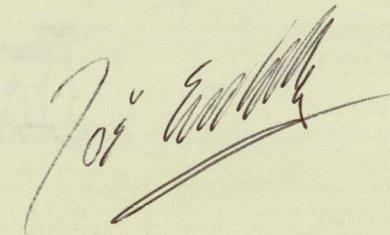
14 I would suggest we also <sup>seek</sup>~~meet~~ his agreement to:

(i) 'capping' a maximum Housing Benefit entitlement.

(ii) reducing the direct Housing Benefit subsidy to local authorities from its present 97 per cent ceiling.

(The Prime Minister should support both these objectives and it might be best to make these points verbally at the meeting).

15 Subject to these points, I am content with the substance of the proposed letter.



PP JOHN MAJOR

(Approved by the Chief Secretary  
and signed in his absence)