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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

5 October 1989

*Dear Rose,*

INTRODUCTION OF THE COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS

Following the various discussions which took place on this subject yesterday, both here and under the Lord President's chairmanship in the Cabinet Office, it may be helpful to set down for the record what has now been agreed.

Ministers have decided that there is to be a new scheme of transitional relief for the community charge. It is to be targeted on couples and single adults who have previously paid rates, and also on pensioners and the disabled whether or not they have previously paid rates. In two-adult households relief is to be paid automatically to both adults. In larger households transitional relief will extend only to the first couple or single adult, and not to other adults in the household; this may require applications from such households and hence add modestly to the administrative costs of the scheme.

For single people, relief will be given if the community charge for 1990-91 payable on the settlement spending assumption (3.8 per cent above 1989-90 budgets) for an authority exceeds the 1989-90 rate bill for that person's property by more than £3 per week. For two people, relief will be given if two community charges on the same basis exceed the 1989-90 rate bill by more than £3 per week, the relief being shared equally between them. For pensioners and disabled people who are not the first couple or single adult in a household relief will be given if the community charge (or in the case of couples two charges) exceeds the 1989-90 rate bill by more than £3 per week.

The estimated cost of the scheme, on the basis of which decisions were taken yesterday, is £345 million which covers England, Wales and Scotland as well administration. In the case of Scotland the Secretary of State for Scotland is to be invited to consider what scheme he would regard as most effective in the circumstances of Scotland within the share of the costs allocated to Scotland.

In addition Ministers decided that the safety net should be amended so that all gains should come through in full from the

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second year onwards (that is, from April 1991) with the money to finance remaining protection for losers being found from within the total for Aggregate Exchequer Finance.

Your Secretary of State reported these conclusions in general terms to Cabinet this morning. He will be agreeing with the Chancellor the arrangements for making the decisions known, and in particular what can be said publicly next week at the Party Conference, in the Report Stage on the Local Government and Housing Bill and in Commons consideration of Lords' amendments. Your Secretary of State is also pursuing with the Secretary of State for Scotland, in consultation with the Treasury, what the arrangements for Scotland will be.

No final decisions have been taken on the period over which the new scheme will be phased out although, as the Prime Minister said this morning, earlier discussion has pointed to two or three years. I understand that at his meeting yesterday the Lord President asked that further analysis should be carried out on the interaction between the phasing out of this scheme, the safety net and housing benefit rebate. The Prime Minister attaches importance to this analysis.

Finally, the Prime Minister has stressed the paramount importance of ensuring that news of this scheme does not leak or appear in the press before Mr Hunt announces it next week. I would therefore be grateful if you would ensure that this letter is not copied and is seen only by named officials authorised personally by you to do so.

I am copying this letter to the Private Secretaries to the Lord President and the Chancellor of the Exchequer, and to Sir Robin Butler.

Yours,

Paul

PAUL GRAY

Roger Bright, Esq.  
Department of the Environment

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DRAFT LETTER FROM PAUL GRAY TO ROGER BRIGHT

INTRODUCTION OF THE COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS

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Ministers have decided that there is to be a new scheme of transitional relief for the community charge. It is to be targeted on couples and single adults who have previously paid rates, and also on pensioners and the disabled whether or not they have previously paid rates. In two-adult households relief is to be paid automatically to both adults. In larger households transitional relief will extend only to the first couple or single adult, and not to other adults in the household; ~~notwithstanding the fact that~~ this may require applications from such households and hence add modestly to the administrative costs of the scheme.

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In addition Ministers decided that the safety net should be amended so that all gains should come through in full from the second year onwards (that is, from April 1991) with the money to finance remaining protection for losers being found from within the total for Aggregate Exchequer Finance.

Your Secretary of State reported these conclusions in general terms to Cabinet this morning. He will be agreeing with the Chancellor the arrangements for making the decisions known, and in particular what can be said publicly next week at the Party Conference, ~~later this month~~ in the Report Stage on the Local Government and Housing Bill and ~~subsequently~~ in Commons consideration of Lords' amendments. Your Secretary of State is also pursuing with the Secretary of State for Scotland, in consultation with the Treasury, what the arrangements for Scotland will be.

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Lord Reid,

I am copying this letter to the private secretaries to the ~~and the~~ Chancellor of the Exchequer and to Sir Robin Butler.

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