

PRIME MINISTERCOMMUNITY CHARGE

There are two Ministerial discussions next week on the Community Charge:

- a pre-meeting with the Environment Secretary and the Chancellor on Tuesday at 12 p.m.;
- a meeting of the ad hoc Ministerial group at 10.00 a.m. on Wednesday.

I attach (Flag A) the draft Cabinet Office report on the further work commissioned at the last meeting. At Flag B is a Policy Unit note. In due course there may be further minutes from the Chancellor, Solicitor General and Mr. Patten setting out views on the policy options described in the report.

Cabinet Office Report

The report identifies three basic approaches:

- Option I: No legislation: a conventional RSG settlement plus more intensive use of existing capping powers.
- Option II: Legislation to strengthen existing capping plus conventional RSG settlement.
- Option III: Introduction of income limits, i.e., cash limits for large local authorities.

The report gives details and legal advice obtained on each option. The main points are:

Option I: A conventional settlement would have to rely on appropriately low grant and strengthening capping to put downward pressure on spending and community charges. Some

constraints on the selection criteria would be dropped: but the critical spending figure of 12½% above SSA could not be tightened. Such a move might draw at maximum about 80 (out of 145) LAs into capping. The impact on spending is difficult to predict and could be limited: realistically it might cut spending by perhaps around £500 m - though the theoretical savings would be larger.

Option II: A conventional settlement, plus legislation to tighten the selection criteria would increase the number which could be caught and have a further downward impact on spending. The amounts are highly uncertain.

Option III: Income limits can be set in primary legislation and do not have to allow for a margin above SSAs. If defined in primary legislation, that should give considerable, though not complete, protection against successful judicial review. But, subject to further advice from Parliamentary Counsel, it may not be possible to limit the Bill so that amendments, e.g. on banding, would be outside its scope. A number of variants are available: the most attractive - because it retains and enhances accountability - would be income limits accompanied by referenda.

One point which has emerged is that, even with legislation to tighten the selection criteria, capping cannot be extended too far. It is not a substitute for income limits: ultimately, to be capped, either an authority's expenditure or increase in expenditure must pass the test of being excessive.

Assessment

The last two Ministerial discussions have taken place in what may have been a temporary calm period. Controversy over the community charge quietened after the London riot; the Labour Party's alternative was exposed; and the local elections, particularly in London, seemed to indicate that accountability had some impact. But controversy will re-emerge. Non-payment is bound to take prominence over the next few months. And - if the Government were to announce a settlement which could be

interpreted as leading to community charges over £400 - that could damage the Government's rating quickly and sharply.

At the heart of the matter is whether colleagues can be persuaded that income limits are worthwhile. DOE and Treasury accepted last time that the gains relative to a conventional settlement with existing capping could be around £1 billion in public spending terms (not negligible); and that is equivalent to about £30 on the average community charge. But - they ask - is it worth the political problems of taking the legislation through the House?

The counterargument is whether the Government can take the political risk of community charges coming out at over £400. It should be understood that those risks are considerable with a conventional RSG settlement even with more intensive use of existing capping. (I attach a note which has kindly been prepared by Policy Unit: it shows that on reasonable assumptions about spending and the AEF settlement, community charges could easily exceed £400.)

Ministerial positions

At further official discussions, DOE have dug in on Option I - no legislation. Mr. Rifkind, the Solicitor General, Lord President and the Chancellor of the Duchy of Lancaster, will probably argue for a conventional RSG settlement - but with high rather than low grant to keep down community charges (though not spending) plus reliance on existing capping powers.

The Chancellor has carefully avoided stating a final position. He has argued that the legislative and political problems of income limits might preclude their adoption while, nonetheless, saying that there must be firm measures in place to keep spending under control. But, as he indicated yesterday, he may be coming down on the side of a conventional settlement with tougher use of existing capping powers.

The Chancellor is the lynchpin. If he and the Chief Secretary were to support income limits, that could be pursued.

The problem is that the Chancellor and Mr. Patten seem to have agreed privately in principle, on a conventional settlement. In practice any such agreement may not be thought through. The Chancellor may think he can dig in on low grant, though the risk of high community charges will be greater. Mr. Patten may be calculating that he can reach agreement now with the Chancellor; then put forward further DOE bids for extra grant later in the year to keep down community charges; and then shy away from more vigorous capping (as DOE did this year).

Conclusion

A decision on the basic approach really should be taken this week. (Issues of transitional relief etc, can be left over.) The choice is clear if unattractive.

Income limits will work to keep down both spending and community charges, but at the cost of considerable political problems. Income limits with referenda could however be very popular: local government is not liked.

A conventional settlement would avoid those political risks and allow the community charge regime to operate as originally conceived. The aim would be to shift all blame for high Community charges to LAs. It is the approach most colleagues appear to want. But, given the limits to more intensive use of capping; the current political complexions of LAs, and the lack of important elections next year, the dangers of excessive community charges and spending next year are clear.

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1 June 1990

COMMUNITY CHARGE REVIEW

There is still a lot of resistance in Whitehall, among Ministers and officials alike, to the idea of new legislation on income limits in time for next year. But frankly the alternative options, based on existing or strengthened capping powers, just don't seem likely to be able to deliver the lower community charges which are your overriding objective.

The options on the table are:

No Legislation

1. rely on existing capping powers

Legislation

2. enhanced capping powers
3. income limitation: either with derogations granted by DOE or derogations through referenda or no derogations at all (at least in year 1)

These options have got to be assessed in terms of their effect on next year's average charge.

On the following page is a table showing some possible scenarios for next year assuming a fairly generous grant settlement (+12%). It is probably unrealistic to expect local authority budgets to rise by less than 10%. Even this takes average charge close to £400. Budget increases of 13%, which many see as a more likely outcome, take average charge (on this grant assumption) to £430. And at this level, as you can see, the RPI impact next May becomes serious.

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Possible Scenario for 1991/2 - England only

	<u>1990/91</u>		<u>1991/2</u>		
	<u>actual</u>		<u>estimates</u>		
TSS (£bn)	32.8	36.1	36.1	36.1	36.1
		(up 10%)	(up 10%)	(up 10%)	(up 10%)
AEF (£bn) ¹	23.1	25.9	25.9	25.9	25.9
		(up 12%)	(up 12%)	(up 12%)	(up 12%)

LA budgets (£bn)	36.2	39.1	39.8	40.9	41.6
		(up 8%)	(up 10%)	(up 13%)	(up 15%)
Average CC (£)	357	376	396	427	447
(after caps)			—	—	

RPI impact ²	(1.4)	0.2	0.5	0.9	1.2
(published May '91)			—	○	
Expenditure on benefit and transitional relief (£bn)	2.9	3.02	3.4	3.8	4.1
(Great Britain figures)				○	

Notes:

- 1) assumes an extra £2bn over the baseline ie £3.2bn in all, to cover all local authority-related expenditure. (£400m of this is needed for transitional relief assuming certain improvements to the scheme). Of the remaining £2.8bn available for grant, about £500m is needed for funding safety net and low rateable value area grant.
- 2) net effect of these figures will be to reduce the effect of this year's 1.4 dropping out of the RPI next year. Assumes a weighting in the index of 0.05 (this year 0.043); it could well be higher given this year's high average charge.

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A reasonable objective of policy might therefore be to have certainty that on average budgets would not increase by more than 10%. Provided there is certainty on this ceiling, there is then room for manoeuvre on providing extra grant to bring down average charge, and above all to ensure that it stays below £400.

Those uneasy about income limits need to convince you that this level of certainty can be achieved through capping. Capping's track record, however, and the considered legal advice about the constraints on tougher capping, entitle you to be extremely sceptical whether it could be sufficient.

There are two major constraints regarding capping:

- The legal advice is that more stringent capping, whether through existing or enhanced powers, is fraught with difficulty. This is basically because of the need to demonstrate 'excessive' spending and the precedent the Government itself has established that this can hardly exist below SSA + 12.5%.

The legal advice is equally uncompromising even if next year's capping criterion was excessive year-on-year spending increases, and not related to SSAs. In this case, the 'excessive' test would, say the lawyers, require a significant add-on (several percentage points) to a 'reasonable' increase figure. So if the latter was 10%, capping could only come into play above say 14%.

- Second, DOE emphasises that, whatever criteria are chosen, the nature of capping is such that theoretically possible savings are unlikely to be realised in practice. The outcome is likely to be about half of what is theoretically possible. The various figures given in the latest paper to illustrate possible savings from capping, when combined with the caveat as to what is achievable, just do not seem to offer enough to be sure of a sufficient impact on average

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charge.

Capping has two other distinct disadvantages:

- It is post-hoc. It allows local authorities to keep the initiative by setting high budgets. The Government is left in a responsive role only and open to blame for imposing cuts. That is already happening this year, especially in high-spending authorities not traditionally regarded as 'loony-left'.

- It does not take balances into account. Authorities will be building balances this year. DOE estimates total usable balances at the end of 1990/91 at up to £1.5bn. Capping imposes no obligation for these to be utilised. Income limits, on the other hand, would positively encourage their use. *(But ~~that~~ would be taken into account to act to prevent ~~the~~ higher spending implied.)*

The Nature of the Review itself

This is a further crucial consideration. In your Central Council speech on 31 March you said

".... everyone has the right to look to Government and Parliament to protect them as community charge payers from overpowering taxation. They will not look in vain"

You will recall the importance you attached to this wording.

This commitment alone surely rules out the first option which is no legislation and reliance on existing capping powers. Without any legislative action, the review will be seen as a damp squib, weighted towards special interest groups such as second home owners, and with only pennies to offer to those most affected by high charges.

(The latter point was the basis of the Daily Mail's highly effective criticism of Mr Heseltine's proposals; viz, that they would be worth only 25p per week to hard-hit chargepayers. That is the amount at

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stake in deciding not to begin the phasing-out of transitional relief next year).

The next question is whether legislation for enhanced capping is enough of a response to the commitment you gave. At the outset, when an announcement was made in July, it might be. But the acid test would be next year, and the very serious doubts whether it is robust enough to have a meaningful impact on next year's average charge would leave you potentially very exposed if things work out badly.

The real problem is that capping, on whatever basis, provides no certainty that budgets can be constrained at a given level and therefore that extra grant will not feed through to higher spending.

One is thus confronted with the conclusion that the case for income limits is overwhelming, if for no other reason than that it would be seen as a strong response to the commitment you gave, and thus a way of helping you keep the initiative and avoid the charge that your words at Cheltenham were hollow. It is the only item being considered by Ministers which has been kept absolutely secret, and not trailed in the press at all. That, too, will add to its political impact.

There seems to be a real danger that without a major new initiative of this kind the review announcement will fall far short of expectations among Government supporters.

PROS AND CONS OF INCOME LIMITS

The earlier papers from Richard Wilson's group have already concluded that a system of income limits is technically and administratively feasible. What is at issue is the political angle, in particular whether a Bill would get through Parliament, and get through in time.

The political difficulties are undeniable, but they do need to be weighed very bluntly against the advantages:

- a clear ceiling for next year's expenditure, so that extra grant reduces average charge and thus the RPI;

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- putting local authorities on notice now that they need to husband this year's inflated resources to go towards next year's expenditure;
- putting the policy initiative firmly in the Government's hands;
- unequivocal action to meet your Cheltenham commitment;
- ensuring that the much-vaunted review is not just a collection of tit-bits but rather goes to the heart of the matter - local authority overspending;
- above all, the best way of ensuring that average charge next year is held below 400 and if possible reduced.

Derogations from income limits would need to be kept to the absolute minimum, by being clearly limited to exceptional circumstances (eg where the Government had demonstrably got its grant sums wrong). And to keep average charges and the RPI down, derogations of this kind which were granted would probably have to be funded from grant. To fund them from supplementary community charge would be inviting unnecessary controversy.

But these are second-order issues to be worked up once a decision in principle is taken to proceed with income limits.

Conclusion

The key issue for decision next week is whether to go for income limits, or just rely on capping. The other elements of the review - eg on standard charge and transitional relief - need detailed consideration but are secondary and can wait upon the main decision.

Given the need to do everything possible to keep down next year's average charge, the case for income limits rather than capping seems unassailable, and you will be on strong ground in pressing the

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proponents of capping to try to demonstrate that their option can deliver the kind of average charge you consider essential.

You will also be on very strong ground in arguing the case for a major new initiative as the focal point of the review to be announced next month.

If, however, opinion remains divided, the only way to resolve matters is for the relative merits to be tested quickly against given assumptions and objectives. For example:

Objective : average charge £380 or £400

Assumption : AEF rises by 12% or 10%

What capping criteria would be needed to achieve with certainty local authority budgets reconcilable with such figures. What income limits would need to be set to achieve them bearing in mind availability of balances. This approach will at least enable Ministers to focus on some concrete figures.

John Mills
JOHN MILLS

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THE COMMUNITY CHARGE

Note by the Cabinet Office

At the Prime Minister's meeting on 17 May we were asked to coordinate further work on the community charge.

2. This work is set out in the annexes attached to this paper. Annex A, by a working group of the Department of the Environment and the Legal Secretariat to the Law Officers, provides further legal advice. Annex B, by DOE, looks at ways of keeping down community charges in 1991-92 short of general income limitation. Annex C, also by DOE, looks at measures to help individuals.

Constraining expenditure and community charges in 1991-92

3. The work suggests three possible broad approaches to constraining local authority expenditure and community charges in 1991-92.

4. The first approach would be to continue to develop the present system without fresh legislation. The pressures of accountability under the community charge would be backed so far as possible with tougher use of existing powers to cap excessive spending on a selective basis after budgets had been set. The risk of high community charges would be accepted: the aim would be to make local authorities take the blame.

5. The second approach would be to introduce legislation to strengthen the existing capping powers so that they imposed a tighter discipline on high spending local authorities, but stopping short of general income limitation. This could be accompanied with other measures to improve accountability and bear down on spending.

6. The third approach would be to legislate to introduce a system of general income limits, for instance on the lines discussed at the last Ministerial meeting, setting a maximum on the amount of income which major local authorities could raise. This would be

controversial, constitutionally and politically; but it would provide a more certain way of restraining community charges. If Ministers wished to strengthen local accountability and reduce the need for derogations from the Secretary of State, one variant would be to require an authority to hold a referendum if it wished to exceed the limit which had been set.

7. These approaches are summarised below. Each could be coupled with further action to improve accountability and to tackle the perceived unfairness and anomalies of the new system: a number of options are covered later in this paper.

Option I: no legislation

8. The essence of the first option would be to make a settlement which put the Government in a position to argue that authorities which made responsible budgets could set acceptable community charges, and to ensure that authorities took the blame for high charge levels.

9. Such a settlement would be backed, so far as possible, by tougher use of the existing community charge capping powers. Ministers asked for further legal advice on what might be achieved in this way. This is at Annex A. The main points are:

i. Any reduction in the criterion of 12.5% above SSA used to select authorities for capping in 1990-91 would invite a legal challenge which might well succeed.

ii. It might be possible to relax or drop the second criterion of £75 per adult above SSA. This decision would need to be explained, if need be to the satisfaction of the Courts; but DOE's preliminary view is that this should be possible. This would allow the selection of additional authorities with budgets 12.5% above SSA, where the per capita excess was below £75.

iii. The Secretary of State could also reduce the de minimis threshold of £26 per adult which was applied in 1990-91 to

prevent the selection of authorities where only a small reduction in community charge bills could be secured.

iv. The Secretary of State could also use the second criterion for selecting authorities set out in the existing legislation, which is based on an excessive year-on-year increase in their precepts. But the threshold would have to be set at a high level if it were to be reasonably safe from legal challenge. For example, with general inflation of 8%, the threshold might have to be set at a minimum of 12%.

10. This advice suggests that it might be possible for the Secretary of State to achieve a modest tightening of the capping criteria under existing powers. He might, for example, select authorities on the basis that their expenditure exceeded SSA by both 12.5% and £50 per adult, or that the increase in their expenditure compared to the previous year exceeded 12%, with a de minimis threshold reduced to £10 per adult. DOE estimate that if these criteria had been adopted in 1990-91, 83 authorities would have been selected, with potential savings of £1.15bn. If the £50 per adult test had been dropped altogether, 86 authorities would have been selected, with potential savings of £1.18bn. But it is unlikely that all the potential savings could have been achieved in practice. Furthermore the 1990-91 figures are not necessarily a good guide to what will happen to budgets in 1991-92.

Option II: legislative changes short of income limitation

11. The essence of the second approach would be to bolster the present system with legislation to provide tougher capping powers and possibly to make other changes designed to bear down on spending, to be in force for the financial year 1991-92.

12. Annex A provides legal advice on strengthening the capping powers, and Annex B discusses a number of options for legislative change. The main points are:

i. Greater protection against legal challenges to capping could be secured by legislating for procedural changes. For

example, the Secretary of State could be empowered to make an immediate capping Order, which could be made subject to approval by the House of Commons. Not separately, send together

ii. It might be possible to reduce the margin of 12.5% above SSA if some safety valve procedure were introduced. For example, local authorities might be given the right to apply to the Secretary of State to have their selection for capping removed.

iii. A more direct approach would be to amend the capping legislation to increase the Secretary of State's powers. One option could be to add declaratory statements, for example to the effect that caps might be set as low as 10% or even 5% above SSA. Another would be to take powers to cap authorities before the start of the financial year in question, on the basis of their performance in the previous year. Finally, provisions could be added to allow multi-year capping (although the main effect would be on years after 1991-92).

13. Annex B also discusses a number of other options for legislative changes:

i. Annual election by thirds for all councils. The annex concludes that this could not be put in place for 1991-92 (or even 1992-93) because of the need to restructure wards and redraw electoral boundaries to provide three member wards everywhere. Annual elections for whole councils might perhaps be a possibility for 1991-92, but there could be implications for Parliamentary handling of the Bill.

ii. Separate billing by each tier of local authorities. The annex concludes that separate billing would have serious operational and presentational drawbacks. In any case, it could not be put in place for 1991-92 because of timing constraints, eg for changing the computer software needed for billing. It would however be possible to alter the presentation of bills: see paragraph 19 below.

iii. A power for a specified proportion (eg 10%) of councillors to demand a referendum on the council's budget. The annex concludes that this option could not be introduced for 1991-92, because of the need to bring the whole budgetary cycle forward to accommodate a possible referendum.

14. In practice, Ministers would probably want any package of measures short of income limitation to include other changes, such as those set out in paragraph 19 below.

Option III: general income limitation

15. A particular form of this option was discussed in the Cabinet Office Note of 15 May. The legal advice which Ministers requested is at Annex A. It addresses the three questions raised at the last meeting:

i. the legal constraints on any scheme of income limitation. The advice is that, provided the legislation was explicitly framed, it could in principle provide powers to impose any reasonable limit to local authorities' income. In particular, there would be no requirement that an authority's expenditure had to be "excessive" before the powers applied.

ii. how far such a scheme could be made proof against successful legal challenge. The advice is that the way to achieve the greatest possible degree of protection against a challenge would be to put as much of the system as possible into primary legislation. Where it was essential for the Secretary of State to exercise discretion, eg in the setting of annual percentage increases, some protection could be obtained by requiring his decisions to be specified in Orders or reports which had to be approved by Affirmative Resolution of the House of Commons. But once an element of discretion was introduced there could be no absolute assurance of safety from legal challenge.

iii. how the scope of the legislation could be made as limited as possible. The advice is that it might be possible to limit

the scope of a Bill to income limitation and capping. But given the need to refer to SSAs, amendments relating to Government grants might also be within its scope. There is also a danger that the House authorities, under pressure, would agree to accept amendments more generally related to the community charge, particularly in the Lords where there is traditionally a more relaxed attitude to scope.

16. If Ministers decided to proceed with a system of income limits, they would need also to reach decisions on its main features, as discussed in the earlier Note.

Option IIIa: income limits backed by referendums

17. At the heart of this approach would be the idea that an authority's electors or chargepayers should be asked to endorse expenditure over a given limit. The limit would be set in good time before the start of the financial year and authorities would have the power to set their budgets up to that limit. Where an authority wished to exceed the limit, they would have to organise a referendum, inviting chargepayers to choose between their proposal and the Government's maximum figure. If the vote went against the authority, they would have to set a budget within the Government's limit. There might need to be a limited power of derogation to deal with unforeseen circumstances during the financial year (eg disasters).

18. Subject to the legislative implications, such a system could be introduced for 1991-92, but it would need to operate through supplementary community charge bills in that year. If Ministers decided that they wished to pursue this approach, further work would be needed on the practical issues, including many of the questions posed in the earlier Cabinet Office Note, and on the constitutional implications, about which the Home Office would need to be consulted.

Other possible measures

19. Any of the above options could be accompanied by further measures designed to improve accountability and bear down on local authority spending. The main options are:

i. improved presentation of community charge bills. Existing powers could be used to make it clearer which authority was responsible for high bills, for example by highlighting the overspend of each tier and perhaps by including year-on-year comparisons of spending. This might produce most of the benefits claimed for separate billing without the major upheaval which that would involve.

ii. freezing new and enhanced burdens on local authorities. Annex B updates the earlier list of new burdens attached to our last Note.

iii. strengthening the role of the Audit Commission in relation to value for money (VFM) work. Annex B sets out a number of options, all of which would require primary legislation.

iv. a minatory Green or White Paper, setting out the measures for controlling local authority expenditure which the Government might have to introduce if authorities did not exercise more restraint in their spending. Annex B discusses this option.

20. Ministers will want to consider which of these options should be pursued.

Measures to help individuals

21. Annex C sets out a number of measures designed to tackle the perceived unfairness of various aspects of the community charge and the unified business rate (UBR).

Transitional relief scheme

22. The main options for enhancing the transitional relief scheme are:

i. extending the life of the scheme, eg to 5 years rather than 3, coupled with a freeze on entitlements in 1991-92 and 1992-93.

ii. extending relief to cover increases in bills due to the withdrawal of the area safety net and the low rateable value grant. (The costs of this option could be offset by savings if relief were withdrawn from those whose assumed losses would be reduced by the phasing out of safety net contributions.)

iii. reducing the threshold for relief, eg from £3 per week to £2 or £1 per week.

iv. extra help for the disabled and/or young people, eg to treat these groups in the same way as the disabled and elderly who were not formerly ratepayers.

v. portability. It would be possible to provide portable relief for all recipients of special relief (the elderly, disabled and possibly under 21's) so that they would not lose entitlement if they moved.

vi. extra relief for the elderly and disabled in sheltered accommodation.

The costs of these options are set out in Table 1 attached.

23. Ministers have already agreed in principle to the first two measures: extending the scheme and providing cover for the effects of withdrawing the safety net and low rateable value grant. They will want to consider whether to adopt any of the further options. Decisions would be needed also on their application to Scotland and Wales.

Community Charge benefit

24. The main options for changes to community charge benefits (CCBs) are:

i. doubling the earnings disregards. This would cost up to £100m in 1991-92 if it could be confined to CCB, but several times this amount if extended to all means-tested benefits.

ii. reducing the benefit taper at the top end. This might cost £150-200m in 1991-92.

iii. reducing the assumed tariff income on savings below £16,000. This might cost £25-40m in 1991-92 if it could be confined to CCB, but several times this amount if extended to all means-tested benefits.

25. Ministers will wish to consider whether any of these options should be pursued. If so, further urgent consideration would be needed, in consultation with the Department of Social Security.

Students

26. There are three possible changes to the personal community charge for full-time students:

i. complete exemption for students who do not receive a local authority grant and are not entitled to social security benefits. This would cost £14m per annum.

ii. revision of the definition of a full-time student to cover the gap between secondary and higher education. This would prevent students being liable for the full community charge, often for a period of only 2 or 3 months, which can impose unnecessary costs for DSS and local authorities.

iii. extension of student status up to, say, 1 September in the year their studies end. This would close the gap which often exists between higher education and a first job.

27. Ministers will wish to consider whether any of these options should be pursued.

Standard charges

28. The main options for giving targeted relief from the standard community charge on second homes are set out in paragraph 21 of Annex C. These options would not increase general government expenditure. But they would lead to a modest reduction in local authorities' income, which might add £2-3 to community charges in some areas if no extra grant were provided. Ministers will wish to consider which of these options should be pursued.

Composite hereditaments

29. Composite hereditaments are properties which contain both domestic and non-domestic accommodation, such as small shops with living accommodation and guest houses. In such properties, the business element only is subject to the UBR. Residents of the living accommodation are subject to the personal community charge in the normal way. Such residents are therefore treated in the same way as shopkeepers or guest house proprietors who live away from their commercial premises.

30. Residents of small composite shops do however face large average increases in their local tax bills. If Ministers felt that it was essential to give some relief, the following options could be pursued:

i. special relief from the community charge, eg to 75% of the full charge, or to impose a maximum of one or two charges per property (cost between £18m and £36m per annum).

ii. additional community charge transitional relief for people living in composite hereditaments. Help would of course be transitional. The cost would probably be less than £10m per annum.

iii. de-rating of small composite shops. A 10% reduction in rateable value would cost about £5m.

iv. improvement of the UBR transitional arrangements for composite hereditaments. A reduction in the annual permitted real increase from 15% to 10% for small composite shops would cost about £2m, or for all small composite properties about £4m.

It might prove difficult in practice to confine any of these concessions to small shops or even to composite properties generally.

31. Ministers will wish to consider whether any of these options should be pursued.

Scotland and Wales

32. Decisions will be needed on how far any changes introduced for England should apply also in Scotland and Wales.

CABINET OFFICE

1 June 1990

Table 1: Costs of transitional relief proposals (fm).

	1991/92	1992/93	1993/94	1994/95	Total
Existing scheme	260	200	0	0	810*
Additional costs:					
(i) Extending the life of the scheme	90	150	260	200	700
(ii) Helping safety net withdrawal areas	50	75	90	75	290
(iii) Reducing threshold to £2	220	220	160	120	720
(iv) Disabled	20	20	20	20	80
Young	240	270	270	270	1050
(v) Portability	0	0	0	0	0
(vi) Multi-unit hereditaments	85	85	70	60	300

* Includes £350m cost in 1990/91