

(a)

SECRET

PRIME MINISTER

CAPITAL LIMIT FOR COMMUNITY CHARGE BENEFIT

Mr Newton's attached note suggests that the £8,000 capital rule (which is currently the same for single people and couples) could be extended to £16,000 for pensioner couples at a cost of £15 million, but not before October 1990. It also discusses other options. I understand - in support of the change - that the Scottish Office have already received a considerable amount of correspondence about the £8,000 limit and feel that it does bear hard on couples who have set aside some savings for their retirement.

Do you think Mr Newton should open discussions with Mr Lamont about:

- extending the limit to £16,000 for pensioners, accepting that this will cost £15 million and cannot be done until October 1990? or
- extending the limit for pensioners and other needy groups at a cost of an additional £2 million and in the same timescale? or
- increasing the capital limit for both community charge benefit and housing benefit, allowing the changes to happen at April 1990? Given its high costs and the danger of pressure to extend it to income support, this seems a very unattractive option;

or should he keep the limit of £8,000 for all couples?

CSS
Caroline Slocock
8 August 1989

We really cannot do this in isolation from 200's consideration of the safety net. Any proposal of the kind above should be considered with Economic Committee. It will

substantially increase the number of people dependent on benefit. I think it is more up for collection decision about with any other community charge proposals