

CONFIDENTIAL

6/11

 NBPA at this stage  
 M.B.F. 5/9/89.

REC 11/8

10 August 1989

PRIME MINISTER

COMMUNITY CHARGE BENEFIT

Tony Newton sent me a copy of his minute dated 8 August, and I have also seen Caroline Slocock's letter of 9 August recording your views. I look forward to seeing the further work Tony has commissioned on the possibility of raising the capital limit for pensioner couples to £16,000. I would like my officials to be involved. But I would like to mention now a number of points which argue for caution in considering this.

2. Naturally, I am concerned about the potential cost, especially in the difficult circumstances of this Survey. Even additional amounts of £15-30 million, to which Tony refers, would be unwelcome from this point of view. No doubt he will want to review his Department's bids. But they currently stand at over £1 billion in Years 1 and 2 of the Survey and at nearly £3½ billion in Year 3.

3. However, I believe we should also consider this in the context of the rebate scheme as it stands and of other measures in the pipeline which will be of particular help to pensioners.

4. The rebate scheme is already generous. DSS estimate that over 11 million chargepayers (1 in 4) will be helped including 4½ million pensioners, not far short of half the pensioner population. This compares with 7 million people getting help with rates, including 3½ million pensioners. The cost next year is estimated at nearly £2 billion, compared with less than £1½ billion if rates had continued. One of the reasons for this is that we have cut the income taper for community charge rebates from 20 per cent (which has applied for rate rebates) to 15 per cent, at a cost of £100 million. This will help an extra 1 million people next year, including pensioners, and I am sure we can take further credit for this measure when it is implemented in England and Wales, alongside the community charge, next April.



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5. You will also recall that we have already raised the capital limit, for housing benefit as well as rates/community charge rebates, from £6,000 to £8,000, as part of the concessions made in the early weeks of the reforms last year. This was principally of help to pensioners.

6. Pensioners are also due to gain from other measures announced but not yet implemented. In October, the pensioners' earnings rule will be abolished. In the same month, the extra money for some 2½ million poorer pensioners (over 75 or disabled) will begin to be paid. This will be not only through income support and housing benefit but also in higher rebates of rates and community charge. These are major changes in expenditure terms. Together, they will add some £575 million a year to the Social Security programme in this year's Survey.

7. From April, independent taxation will be especially helpful for many pensioner couples. Inland Revenue estimates are that 1.2 million taxpayers over 65 will gain an average of £320 a year. This average gain is nearly 70 per cent higher than for taxpayers under 65.

8. In all these ways, we are already committed to do more for pensioners, at some considerable Exchequer cost. And I am sure we can take further credit for these changes as they are implemented. Against this background and the general Survey position, we need to think very hard before we decide to provide still more help through the benefit system, which would be directed to those with over £8,000 of free capital.

9. I am copying this minute to Tony Newton, Chris Patten and to Sir Robin Butler.

*P. Wailes*

PP **NORMAN LAMONT**

*[Approved by the Chief Secretary  
and signed in his absence.]*

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LOCAL GOVT: Rates

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COMPUTER

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