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Prime Minister

COMMUNITY CHARGE BENEFIT

1. I have put in hand ^{Map RT13} urgently the work on the capital limit for community charge benefit commissioned by Paul Gray's letter of 24 July. I fully share your concern that pensioner couples should not be discouraged from saving and a concession along the lines you propose would have clear attractions.
2. The cost of a £16,000 capital rule for pensioner couples in community charge benefit would be £15 million. If we did go down this road, there would be a logical case - and there would certainly be strong pressure - for the same concession to be extended to other groups such as disabled couples and couples with children. In fact, the extension to all couples would cost only an additional £2 million.
3. It would, of course, be highly desirable that any change should coincide with the introduction of the community charge. Unfortunately, virtually all local authorities use automated systems for the assessment and recording of rebates and it is now too late for them to make a structural change in their programmes without a very real risk of putting in peril the implementation of the entire rebate scheme. This means that we could not safely implement for April 1990 a concession limited to particular groups - whether pensioner couples or couples generally - or which resulted in different capital rules for community charge benefit and housing benefit.
4. In these circumstances there seem to be two main options for a concession on capital rules. One would be to adopt the tightly focussed concession which you proposed but from October 1990, the earliest date at which we think that such a structural change could

be implemented. The disadvantages of such delay are all too clear. The alternative would be to ease across the board from April 1990 the capital limit for both community charge benefit and housing benefit. Unfortunately this concession would not be targeted on couples and would cost substantially more: for example, an increase to £10,000 in the general capital limit for both benefits would cost £30 million. Such an increase could lead to pressure for a similar limit for income support but, at a cost of a further £45 million, that clearly could not be an immediate priority.

5. We shall need to balance such points carefully in the future work that is done and also, as you have noted, assess the likely impact of the move to independent taxation. Any proposals for extra spending would clearly have implications for the Survey which I would need to discuss with Norman Lamont, to whom I am copying this letter. Copies also go to Chris Patten and Sir Robin Butler.

8 AUG 1989

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