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PRIME MINISTER

THE COMMUNITY CHARGE TRANSITIONAL RELIEF

my record for 17/14

1. As agreed at your meeting on Thursday 28 September, after consultation between Nigel Lawson's officials and mine, I have circulated a further paper for consideration by E(LG). It concentrates on two options, one which I prefer and one which Nigel will advocate. Since my option differs a little from the specification in Option (v) of the Cabinet Office paper which we considered last Thursday, I think that it would be helpful if I was to explain to colleagues who were present at that discussion why it does so.

2. We agreed that we should concentrate on options which would provide relief to former ratepayers, together with pensioners and disabled people who will be first-time payers. I have looked more closely at this possibility since Thursday and I find that it presents some rather serious legal and administrative difficulties. These would not only result in very high administrative costs in relation to the amount of relief given, but could well have political consequences if the scheme broke down. There are however a number of variants which would achieve the effect we want without the same administrative complications. The options which I have considered are summarised in the attached table.

3. The basic problem with the very closely targetted scheme implied by Option (v) (A in the attached table) derives from its selective character. It would require local authorities to identify former ratepaying individuals and couples in order to give them relief. This is difficult for local authorities to do because the statute does not go further than to place responsibility to pay rates with the rateable occupier or rateable owner. In many cases, the local authority does not know who that person is, and it addresses its bill simply to the occupier. In other cases under non-statutory arrangements it sends bills to all the

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occupiers of a hereditament -and in any case in law all those occupiers are liable for any unpaid bills. In other cases again the rates are paid by someone outside the household, eg a non-resident landlord.

4. As a result I have concluded that a scheme targetted precisely on ratepayers would have to work by inviting applications from everyone who thought that they might be entitled to relief. That would attract a lot of ineligible applications and it would be necessary for local authorities to check the bona fides of ratepayer, pensioner and disabled person applications. This would be time consuming, expensive and would delay billing in many cases well into 1990/91 with consequential effects on authorities' cash flow and in terms of the need to recalculate entitlement to community charge benefits. It would also cause a lot of annoyance and frustration to unsuccessful applicants for relief.

5. Based on the experience of the transitional scheme for housing benefit, we think that the cost of such arrangements could be up to £60 per successful case (allowing for the cost of handling unsuccessful applications) plus start-up costs. It would be very poor value for money, and I am sure that we should provoke intense criticism from all local authorities if we were to try to impose such a scheme on them at such short notice.

6. The three other options in the table aim to avoid applications so far as possible, by giving relief to 'households', i e, the people living at a former rateable hereditament. That would permit calculation of relief in advance, using information which authorities will already have. In the case of one and two-person households this is in practice the same thing as giving help to ratepayers since 85% of two-person households are couples and of the remainder a significant proportion are people we should want to help such as relatives living together.

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7. The new system requires a transition from a household basis of supporting local expenditure to an individual charge. Given this, I do not think that it is unreasonable to base the transitional relief on the position of households.

8. Building on this, one option (B in the table) would be to require ratepayers, and other pensioners and disabled people living in 3-person or more households to apply individually for relief. But it would be possible to take the principle of 'automatic' calculation by household further, as in options C and D. Both options would have the effect of restricting the amount of relief given to third and fourth members, by calculating relief on the assumption that, irrespective of size of household, only two community charges were payable in total by the household; the resulting relief would be shared in equal amounts between all the members of the household. That would be fair enough where they pool responsibility for rates. Where there is a head of household who has been paying the rates, it is quite likely that he or she will in practice have to bear all the community charge liability of the other members, so the relief will come back to that former ratepayer. Under such a scheme, it would be possible in addition (as in option D in the table) to allow pensioner and disabled members of larger households to apply separately to the authority for additional relief to reduce their community charge outgoings in 1990/91 to no more than £2.00 a week.

9. The costs of relief itself in all 4 options lie within a fairly narrow range, but there are wide differences in administrative costs, and in relative simplicity for authorities (an important point since we shall have difficulty in presenting any scheme to them at this very late stage). I have concluded that option A is not a starter, and of the remainder I prefer option D. Accordingly, I have proposed that to colleagues in my E(LG) paper, but without burdening them with this explanation of how I have reached my conclusion following our discussion last Thursday.

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10. I am copying this minute to Sir Geoffrey Howe, Nigel Lawson, Norman Lamont, Kenneth Baker, Tony Newton, David Waddington and Sir Robin Butler.

A handwritten signature in blue ink, appearing to be 'CP'.

C.P.

3 October 1989

Department of Environment

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Caseload and cost of options targetted on former ratepayers and pensioners

	Thres- hold	Charge units or households helped (000s)	Cost of relief (£m)	Admin- istrative cost (£m)
A Relief paid on application to charge units who were ratepayers or are pensioners	£2.00	4600	380	340
	£2.50	3800	290	280
B Relief paid to automatically 1 or 2 adult households plus non-ratepaying pensioners and larger households on application	£2.00	4850	410	120
	£2.50	3820	320	90
C Relief paid automatically to all households	£2.00	4510	380	70
	£2.50	3480	300	50
D Relief paid automatically to all households and topped up for non-ratepaying pensioners in larger households on application	£2.00	4850	410	90
	£2.50	3820	320	75

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option
in the
E(LG)
paper.

