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Treasury Chambers, Parliament Street, SW1P 3AG  
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17 October 1989

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Department of the Environment  
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*NB: Mr. Bright's  
report.*

*Reeb  
18/10*

*Dear Roger*

**COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS**

*see memo ps*

Many thanks for copying to me your letter of ~~10~~ 10 October to Paul Gray covering a paper on the phasing out of the various transitional grants under the proposals for introducing the community charge.

I can confirm that the Chancellor is content with the proposals for phasing out the area safety net by means of a new area protection grant and for the phasing out of the low rateable value and ILEA grants.

While he agrees that the transitional community charge relief should be phased out over three years, the Chancellor is not attracted to your Secretary of State's proposal that it should be paid at the same level in 1990-91 and 1991-92. Instead he believes it would be appropriate to begin withdrawing transitional community charge relief in 1991-92. This is for two main reasons.

First there is no logic in proposing that the three other transitional measures - the low rateable value, the area protection and ILEA grants should begin being withdrawn in 1991-92, while leaving the community charge relief still in place. Such an asymmetric approach would be difficult to defend in public. It would, for example, involve continuing to pay transitional community charge relief at the full rate to all those whose community charges should fall in 1991-92 as a result of abolishing the safety net.



Second, if the transitional community charge relief were kept in place for two years at the same rate, there must be a danger that the Government would come under pressure to sustain this relief at that level thereafter. It is vital that none of the transitional measures agreed as part of the package for introducing the community charge should become an established part of local government finance - least of all this scheme with its link back to the payment of domestic rates. That would obscure accountability under the new regime.

There are broadly two approaches by which transitional community charge relief might be withdrawn. First it would be possible to increase the threshold of losses above which this relief is paid from £3 to say £3.50 per week in 1991-92 and from £3.50 to £4 per week in 1992-93. Alternatively the payments made under transitional community charge relief could be reduced by one-third in 1991-92 and by a further third in 1992-93. The Chancellor would be content with either approach.

In making these proposals, he has considered the impact of withdrawing simultaneously transitional community charge relief, the other transitional grants and housing benefit transitional protection. It seems that very few households will still be in receipt of housing benefit transitional protection in 1991-92; they will face only small average losses as this protection disappears; and any withdrawal of transitional community charge relief at the same time will in part be compensated for in most of these households by higher community charge benefit payments. He is satisfied, therefore, that the simultaneous withdrawal of housing benefit transitional protection does not represent any obstacle to beginning the phasing out of transitional community charge relief in 1991-92.

I am copying this letter to Paul Gray.

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Jr.

JOHN GIEVE  
Principal Private Secretary

LOCAL GOVT: RANG PATS

