

PRIME MINISTER

PHASING OUT COMMUNITY CHARGE TRANSITIONAL RELIEF

Earlier in the month you agreed to the detailed proposals for phasing out three of the transitional arrangements for the Community Charge, ie the area safety net (over four years), the "Pendle" scheme (also over four years) and the ILEA grant (over five years). These details were included in David Hunt's announcement to the conference.

But the one aspect left over for further consideration was the detailed phasing out of the new scheme for transitional relief. All that was announced on this was that the phasing out would be over three years with an estimated cost of £300 million in 1990-91, the first year.

You were concerned that, before detailed conclusions were reached, more work should be done on the interaction between transitional relief for Housing Benefit and the transitional relief for the Community Charge.

The Treasury and the Department of the Environment have now pursued this further, in their letters at Flags A and B respectively. They have reached agreement that withdrawal should be on the basis of 25p a week per person in both 1991-92 and 1992-93. This would have the effect that a household with two or more adults would have a loss threshold in 1990-91 of £3.00 followed by £3.50 and £4.00 in the following two years. They have also agreed that there will be very few households still in receipt of housing benefit transitional protection in 1991-92; and that any small losses faced from joint withdrawal of the two forms of relief will, in part, be compensated by higher Community Charge benefit payments.

Content to endorse the agreement for withdrawal of transitional relief agreed between the Treasury and the Department of the Environment?

Recd.

PAUL GRAY

27 October 1989

Yes [initials]

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