

CCB/JP

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PRIME MINISTER 1

COMMUNITY CHARGE TRANSITIONAL RELIEF

Following our talk at the beginning of the week after your meeting with the Barnet Councillors I wrote to the DOE asking for further work on possible changes to the transitional relief scheme; my letter is at Flag A.

The DOE have now responded with the letter and detailed exemplifications at Flag B. The letter points to a number of difficulties with the basic proposal of operating the £3 cap up to either Government assumed spending or SSA, whichever is the higher. The cost is surprisingly high - £225 million in 1990-91.

The letter also spells out an alternative proposal, put forward by Terence Higgins and others, for the spending assumption to be the same percentage below SSA as budgeted income was below GRE. This would cost £70 million. But some of the same difficulties of principle also arise in this case.

*This would help a lot of authorities*

You will want to look through the exemplifications for the two approaches. I have highlighted the position for Barnet and some other authorities. It is striking that both options would have a major favourable impact on Birmingham.

Unless you now feel it would not be appropriate to consider any of these options, I think the next step is for you to talk to DOE and Treasury Ministers. Content for me to fit in a meeting next week?

Plc6.

*Lu*

(PAUL GRAY)

2 February 1990

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