



DEPARTMENT OF SOCIAL SECURITY
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cc [unclear]

From the Secretary of State for Social Security

The Rt Hon Christopher Patten MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON

Prime Minister
You will wish to be
aware of this problem,
and of the action proposed.
16 FEBRUARY 1990

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16/2

Dear Chris,

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Ally

COMMUNITY CHARGE CAPPING

Your minute of 5 February to the Prime Minister makes a strong case for capping excessively high charges, and I fully accept the political arguments for the timetable you suggest. You should, however, be aware of the rather unattractive consequences for Community Charge Benefit.

By the time caps are imposed, authorities will already have awarded benefit based on their original charge. It would clearly be ridiculous to pay subsidy on this "excess" benefit. There seems a strong possibility that precisely this would happen, however, as a rather subtle consequence of the proposed changes to the Community Charge Benefit Regulations to take account of transitional relief. My officials are pursuing the point urgently with yours to clarify the legal position, but if the present draft regulations would make subsidy payable on the excess, we will clearly have to rectify the position. To avoid retrospection, the change would have to be in place by 1 April; this, in turn, would require us to go out to consultation no later than the middle of next week.

Though the consultation would refer to capping only as a theoretical possibility, there can be little doubt that Authorities would see the letter as a declaration of intent. Unattractive as this might be, however, I see little alternative if we wish to avoid large payments of subsidy to precisely those authorities whose expenditure we wish to restrain.

I must also stress that the in-year changes to community charge levels will be yet another strain on authorities already hard stressed systems for assessing benefit, and will increase the risk of significant numbers of people receiving unrebated bills with a long wait for the rebate to be calculated. Again, I see no

E.R.

alternative, but it is clearly imperative that we now do everything possible to avoid making any further changes in the first half of the next financial year.

Copies go to other members of E(LG) and Sir Robin Butler.

ever.
Tony

TONY NEWTON

LOCAL COURT: Peter

PT 16.

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