



DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social Security

CONFIDENTIAL

The Rt Hon Chris Patten MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1

Prie Minister²
I don't suggest you try to
make the issue a point ① at
this stage; it is ~~something~~ to consider
when we come to charge-capping
decisions. But you will wish to note

28 February 1990 the proposal
on ②.

Dear Chris,

MS

*RCG
2/3*

COMMUNITY CHARGE CAPPING AND LOCAL AUTHORITIES' PREPAREDNESS

As you know, we have now gone out to consultation with the Social Security Advisory Committee and the Local Authority Associations on a proposal for regulations to ensure that Community Charge Benefit, paid on charges which are subsequently reduced by capping, is treated as an overpayment which will not attract Government subsidy. We are making it clear that the proposed amendment is to cover any circumstance in which an authority sets a substitute charge, and my officials are continuing to liaise closely with yours.

①
My officials have also been looking carefully at the complex interaction between transitional relief and capping for benefit claimants. I have annexed to this letter their note of the types of cases where authorities will need to make detailed comparisons between a claimant's position before and after capping, to ensure that they deliver the undertaking that no-one will lose from transitional relief. You will see that, where the capped charge remains above the level of the charge which was assumed for the purposes of transitional relief, there will be judgements to be made about the withholding, or the reinstatement, of transitional relief in cases where a claimant is no longer entitled to benefit after capping. However, should the capped charge be below the assumed charge, the assessments which will be needed become so various and complex as to be virtually unmanageable. You will, I am sure, already have appreciated that in these

circumstances all chargepayers with transitional relief would need their relief recalculating. So far as claimants are concerned, I seriously doubt that it would be possible to devise software to deal with the necessary assessments that will need to be made. This implies a requirement for the local authority to make large numbers of these complex assessments manually, at high cost and - since it is likely that competent staff trained in benefits would be the only people able to do this job - at the risk of grave adverse effects on the delivery of their day-to-day benefit service. Thus from the benefit point of view there are very strong arguments against capping at a level below the assumed charge (which in any case you may feel would give rise to difficulties of presentation).

② Turning to the general issue of authorities' preparedness, we have now received the report commissioned from P-E Inbucon and my officials are following it up with telephone calls and visits to authorities where there seems to be serious problems. The survey was done in early January and there are indications that the situation has improved since then: nevertheless I am sure that we shall find that there is a small but significant number of authorities in real difficulties, and a number of others which will be unable to issue rebated bills to all their claimants by 1 April. The crucial areas of difficulty are software, and recruitment and training of staff. We have to recognise that the interface between transitional relief, and the benefit system has been very difficult for many authorities to handle, particularly delivery of the undertaking that no-one will lose from transitional relief, and has placed a considerable strain on already hard-pressed authorities and software companies. For authorities who are capped, the problems will of course be compounded.

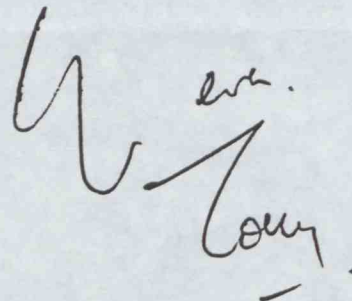
The question, therefore, arises whether we should take any specific action to minimise the effect for claimants where authorities do not succeed in sending them rebated bills by the beginning of April. There are three possible approaches here. Firstly, I understand that it is possible for an authority to delay the issuing of bills but uncertain whether all authorities have the capacity automatically to separate claimants' bills from the rest. Even if delay is practicable, I would doubt its wisdom. All claimants will have to pay at least 20% and those on the taper more - in many cases, almost the full amount of the charge. It would be undefensible to delay for two or three months and then, without warning, issue higher bills for which claimants had made no provision. Ideally, claimants should be encouraged to start making some payment from the beginning.

E.R.

The second approach would be for authorities simply to send out unrebated bills, with revised bills following when benefit has been calculated. This would cause alarm and distress to claimants who in many cases are vulnerable and I do not think it could possibly be justified.

The third option, and the one I favour, would be for this Department to issue a low-key circular to local authorities suggesting that, should they be unable to decide all claims by 1 April, they issue unrebated bills accompanied by a slip, along the lines of the attached example, to indicate that a revised bill will follow and reminding the claimant that he will have to pay at least 20%. Such a circular could of course be represented as indicating that we expected some authorities to be issuing unrebated bills. On the other hand, there is a real risk that in doing nothing we would be accused of having failed even to try to moderate the effects for claimants where authorities were late in issuing rebated bills. I should be grateful for your confirmation that you agree a circular would be a sensible measure which would protect us against such accusations.

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

A handwritten signature in dark ink, appearing to read 'Tony Newton', with a stylized flourish above it.

TONY NEWTON

EFFECT OF INTERACTION BETWEEN TRANSITIONAL RELIEF, CHARGE SUBSTITUTION, AND COMMUNITY CHARGE BENEFIT

1. It is not possible to predict every likely effect of the interaction between transitional relief, charge substitution and benefit, but we have identified a number of situations which we can be sure will arise.

Lower substituted community charge is *still higher* than the level of the charge assumed for transitional relief

2. Here, the amount of transitional relief in designated authorities always remains the same. There will be two groups of chargepayers where reassessment will be required:

a) Where transitional relief had been withheld at the former higher charge because the claimant would otherwise have lost benefit but, at the lower substituted charge, benefit is lost, the LA will have to reinstate the relief.

b) Where, under the higher charge, the claimant was entitled to both benefit and transitional relief, but the lower substituted charge leads to the complete loss of benefit, the LA will have to consider whether transitional relief should be withheld, so that benefit can be reinstated.

Lower substituted community charge is *below* the level of the charge assumed for transitional relief

3. Here, the amount of transitional relief will have to be recalculated for all chargepayers entitled to it. Reassessment will be required in the following cases:

a) In *every case* where transitional relief had been withheld at the former higher charge because the claimant would otherwise have lost benefit, the LA will have to consider whether to reinstate the recalculated transitional relief, either:

(i) because at the lower substituted charge benefit is lost and the chargepayer may be entitled to have his relief back, or:

(ii) because the lower amount of relief to which he would be entitled might be low enough that it did not take him out of benefit and he should now be receiving both transitional relief and benefit.

b) In all cases where, under the higher charge, the claimant was entitled to both benefit and transitional relief, but the lower substituted charge leads to the complete loss of benefit, the LA will have to consider whether the recalculated transitional relief should be withheld, so that benefit could be reinstated.

c) In all cases where the transitional relief previously awarded was sufficiently high to remove the need for benefit, the LA will need to reconsider the original benefit claim, in

the light of the fact that the transitional relief has now been reduced or eliminated.

4. It will be seen that, where the capped charge is still higher than the assumed charge, the cases needing reconsideration are restricted to those where there was an entitlement to transitional relief (actual or underlying) and the new charge leads to loss of benefit entitlement (these could of course still be large in number). However, where the capped charge is below the assumed charge:

- **all** transitional relief entitlements need recalculating;
- **all** benefit cases where transitional relief had previously been withheld need reconsidering;
- **all** cases where transitional relief previously removed the need for benefit need reassessing for benefit;
- cases where there was both transitional relief and benefit entitlement need reconsidering where the new charge leads to loss of benefit entitlement.

SAMPLE SLIP FOR ATTACHMENT TO UNREBATED BILLS

'If you have claimed Community Charge Benefit and you are entitled to benefit, we will send you a revised bill as soon as possible. Do not forget that you will have to pay at least £[] a week (the 20% minimum contribution), even if you get the maximum amount of benefit. If your income is higher than Income Support levels, you will have to pay more than 20%. YOU SHOULD START PAYING AT LEAST 20% NOW. THE PAYMENT DETAILS ATTACHED TO YOUR BILL TELL YOU HOW TO DO THIS.



10 DOWNING STREET

THE PRIME MINISTER

Press Office -

Germany - Safety Net.

- New Roads -

- Streets of London - People on streets

Beggars - Thieves sleeping rough.

Hostels around

London Parks Police.

Anti - Pressure on Renters. - Double
Renters.

~~Anti~~ Community Charge - £290

Inc. above rates.

Rent Increase. [Renters]

Barclay Loans

S.S.B.

Free R.W.

Expanding Town Centre. Demand Rel-

Appl^d

Walthamstow £1400.

Redbridge £290.

Inc. Support Level - £8,000.

Transit of
Rings

High
Personal Tax