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Private Secretary to  
The Prime Minister  
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27 September 1989

*Dear Paul*

**TRANSITIONAL RELIEF**

Cabinet Office have circulated a paper on transitional relief to be discussed on 28 September.

My Secretary of State thought that colleagues might find the attached supplementary information useful.

The first two pages expand on table 1 of the Cabinet Office paper by showing numbers of gainers and losers:

- comparing actual 1989/90 rate bills with safety netted community charges if authorities spend 3.8% above 1989/90 budgets;
- comparing actual 1989/90 rate bills with safety netted community charges if authorities spend 7% above 1989/90 budgets (as shown in Table 1 of the paper);
- comparing actual 1989/90 rate bills with safety netted community charges if authorities spend 11% above 1989/90 budgets;
- comparing 1989/90 rate bills plus 7% with safety netted community charges if authorities spend 7% above 1989/90 budgets (as shown in Table 1 of the paper).

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The third and fourth pages supplement Table 3 of Annex C of the Cabinet Office paper. They show costings and caseloads for an option in which no losses are allowed and for an option with a £1 threshold.

I am copying this letter and enclosures to private secretaries of those attending Thursday's meeting, *and also to Trevor Woolley in Sir Robin Butler's office.*

*John*  
*Roger*

R BRIGHT  
Private Secretary

IMPACT OF THE COMMUNITY CHARGE WITH SAFETY NET

Table 1

IN CASH TERMS WITH SPENDING UP 3.8%

Breakdown of Gainers and Losers

	Single pensioner	Single parent	Other single	Pensioner couple	Couple with no children	Couple with children	Total
Charge units (thousands)							
Loss of over £ 8	0	1	47	1	33	40	122
Loss of £ 5 to £ 8	58	9	1908	56	267	231	2529
Loss of £ 4 to £ 5	80	8	1633	54	198	193	2166
Loss of £ 3 to £ 4	32	7	365	81	279	296	1058
Loss of £ 2 to £ 3	48	8	285	129	384	389	1243
Loss of £ 1 to £ 2	219	40	766	228	498	570	2321
Loss of £ 0 to £ 1	460	68	870	492	672	893	3454
Losers : Number	896	140	5874	1041	2331	2610	12892
: Percentage	22%	17%	66%	48%	55%	52%	51%
Gain of £ 0 to £ 1	1349	303	621	462	517	647	3898
Gain of £ 1 to £ 2	568	121	467	221	368	450	2195
Gain of £ 2 to £ 5	760	155	1121	294	629	768	3726
Gain of over £ 5	445	115	781	139	387	530	2396
Gainers : Number	3122	693	2989	1115	1901	2394	12215
: Percentage	78%	83%	34%	52%	45%	48%	49%

IN CASH TERMS WITH SPENDING UP 7%

Breakdown of Gainers and Losers

	Single pensioner	Single parent	Other single	Pensioner couple	Couple with no children	Couple with children	Total
Charge units (thousands)							
Loss of over £ 8	0	1	64	6	86	79	237
Loss of £ 5 to £ 8	98	15	2875	99	446	398	3930
Loss of £ 4 to £ 5	49	7	881	87	279	307	1610
Loss of £ 3 to £ 4	34	4	214	120	382	383	1137
Loss of £ 2 to £ 3	69	12	330	156	487	542	1596
Loss of £ 1 to £ 2	275	59	1021	246	526	651	2778
Loss of £ 0 to £ 1	539	68	659	542	621	851	3280
Losers : Number	1064	164	6044	1257	2827	3212	14568
: Percentage	26%	20%	68%	58%	67%	64%	58%
Gain of £ 0 to £ 1	1331	318	672	387	376	468	3551
Gain of £ 1 to £ 2	514	101	453	164	259	361	1851
Gain of £ 2 to £ 5	730	156	1073	234	478	558	3229
Gain of over £ 5	379	96	621	115	292	406	1909
Gainers : Number	2954	670	2819	899	1405	1792	10539
: Percentage	74%	80%	32%	42%	33%	36%	42%

IMPACT OF THE COMMUNITY CHARGE WITH SAFETY NET

Table 1(cont)

IN CASH TERMS WITH SPENDING UP 11%

Breakdown of Gainers and Losers

	Single pensioner	Single parent	Other single	Pensioner couple	Couple with no children	Couple with children	Total
Charge units (thousands)							
Loss of over £ 8	7	1	225	30	218	186	667
Loss of £ 5 to £ 8	118	16	3334	171	643	633	4915
Loss of £ 4 to £ 5	33	7	339	109	387	393	1268
Loss of £ 3 to £ 4	48	7	220	136	473	523	1407
Loss of £ 2 to £ 3	77	14	383	147	487	555	1663
Loss of £ 1 to £ 2	336	62	1214	314	496	663	3085
Loss of £ 0 to £ 1	646	101	518	551	461	677	2953
Losers : Number	1264	209	6233	1458	3165	3630	15959
: Percentage	31%	25%	70%	68%	75%	73%	64%
Gain of £ 0 to £ 1	1287	303	725	286	278	371	3250
Gain of £ 1 to £ 2	451	98	408	137	210	286	1590
Gain of £ 2 to £ 5	687	141	1006	197	352	400	2783
Gain of over £ 5	329	83	490	78	228	317	1526
Gainers : Number	2754	625	2630	698	1067	1374	9149
: Percentage	69%	75%	30%	32%	25%	27%	36%

IN REAL TERMS WITH SPENDING AND RATE BILLS UP 7%

Breakdown of Gainers and Losers

	Single pensioner	Single parent	Other single	Pensioner couple	Couple with no children	Couple with children	Total
Charge units (thousands)							
Loss of over £ 8	0	1	64	6	72	64	207
Loss of £ 5 to £ 8	98	15	2875	84	360	335	3766
Loss of £ 4 to £ 5	49	7	880	46	241	222	1443
Loss of £ 3 to £ 4	34	3	198	113	300	341	990
Loss of £ 2 to £ 3	49	11	311	124	410	409	1314
Loss of £ 1 to £ 2	271	57	985	242	499	605	2659
Loss of £ 0 to £ 1	450	58	628	508	604	846	3094
Losers : Number	951	151	5940	1123	2486	2821	13473
: Percentage	24%	18%	67%	52%	59%	56%	54%
Gain of £ 0 to £ 1	1312	294	595	413	469	553	3637
Gain of £ 1 to £ 2	562	119	460	195	330	412	2079
Gain of £ 2 to £ 5	733	154	1046	280	558	684	3454
Gain of over £ 5	459	116	822	144	389	534	2464
Gainers : Number	3067	683	2923	1033	1746	2183	11634
: Percentage	76%	82%	33%	48%	41%	44%	46%

SUMMARY OF ILLUSTRATIVE COSTINGS - £0 THRESHOLD

Basis of comparison of bills/community charges

Cash comparison: actual rate bill vs charge with spending 7% above budget

Real terms comparison: rate bill plus 7% vs charge if spending 7% above budget

	Caseload ('000)			Caseload ('000)		
	Cost £m	Households or charge units	Adults	Cost £m	Households or charge units	Adults
<u>Universal options:</u>						
(i) Limiting losses to <sup>+</sup> £0 per adult in household before benefit.	2260	12120	26160	1980	11080	24260
(ii) Limiting losses to £0 per adult in household after benefit.	1930	10930	23680	1680	9860	21680
(iii) Limiting losses to £0 per charge unit.*	2430	14570	21860	2240	13470	19900
<u>Selective options:</u>						
(iv) Limiting losses to £0 where charge unit includes a former ratepayer. No relief for non-ratepayers.	1070	8810	16020	890	7720	14060
(v) As (iv) but relief also for pensioners who were not ratepayers.	1140	9290	16510	960	8200	14550
(vi) As (v) but limiting losses to £0 for single people and £0 for couples.	1140	9290	16510	960	8200	14550
(vii) As (iii) but relief limited to those entitled to community charge benefit.	300	4220	5860	280	3940	5410
(viii) As (vii) but relief limited to vulnerable groups (pensioners, families with children, disabled etc).	120	2170	3490	110	1970	3160

+ Net of estimated flowback from community charge benefit cost

\* A charge unit is a couple or a single person

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Supplement to ANNEX C  
TABLE 3

SUMMARY OF ILLUSTRATIVE COSTINGS - £1 THRESHOLD

Basis of comparison of bills/community charges

Cash comparison: actual rate bill vs charge with spending 7% above budget

Real terms comparison: rate bill plus 7% vs charge if spending 7% above budget

	Caseload ('000)			Caseload ('000)		
	Cost £m	Households or charge units	Adults	Cost £m	Households or charge units	Adults
<u>Universal options:</u>						
(i) Limiting losses to <sup>+</sup> £1 per adult in household before benefit.	1680	8890	20090	1450	7700	17770
(ii) Limiting losses to £1 per adult in household after benefit.	1380	6100	14330	1180	5170	12380
(iii) Limiting losses to £1 per charge unit.*	1750	11300	16570	1620	10380	14850
<u>Selective options:</u>						
(iv) Limiting losses to £1 where charge unit includes a former ratepayer. No relief for non-ratepayers.	700	5800	11000	570	4890	9280
(v) As (iv) but relief also for pensioners who were not ratepayers.	740	6220	11430	610	5310	9710
(vi) As (v) but limiting losses to £1 for single people and £2 for couples.	510	4800	8590	420	3970	7030
(vii) As (iii) but relief limited to those entitled to community charge benefit.	130	2240	2860	125	2140	2640
(viii) As (vii) but relief limited to vulnerable groups (pensioners, families with children, disabled etc).	50	830	1320	40	740	1140

+ Net of estimated flowback from community charge benefit cost

\* A charge unit is a couple or a single person

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COMMUNITY CHARGE : TRANSITIONAL HOUSEHOLD RELIEF

A possible scheme

Threshold: £2.50 per week

Eligibility: pensioners and those on community charge benefit

Cost: £130 million in 1990-91 (including Scotland, Wales, and administration).

Caseload: 1.1 million (including estimate for Scotland and Wales)

of which: 600,000 pensioners  
500,000 non-pensioners on community charge benefit.

Definition of loss: "real terms", as in Cabinet Office paper.

Duration of scheme: 2 years. Transitional payments would be reduced by 50 per cent in Year 2.