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My ref:

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Barry Potter Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
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23 April 1990

*Dear Barry*  
THE COMMUNITY CHARGE

Thank you for your letter of 11 April to Roger Bright about the treatment of composite hereditaments and about the liability for the personal community charge of non-working wives. I enclose the notes on these issues for which the Prime Minister asked.

Copies of this letter go to John Gieve and Carys Evans.

*Tom*  
*AD Ring*  
A D RING  
Private Secretary

*Prime Minister*

*These are the notes on*

*i) composite hereditaments (e.g. flats over shops); and*

*ii) community charge & non-working wives*

*which you asked for.*

*The note on ii) is convincing: any change would be much too expensive and add to the headline community charge.*

*Note i) explains why there is no double taxation of flats over shops. The domestic & non-domestic parts are separated by the Valuation Office - only the latter are given the rateable value. The domestic element attracts a personal community charge (if used by the sleepowner) or standard charge if left vacant. All properties are treated on potential residential use - see X1 which may be the source of some complaints. Y1 is also, I suspect, another reason for complaints.*  
BHP 23/4



PRIME MINISTER

THE COMMUNITY CHARGE

1. We are to meet on Thursday 26 April to consider arrangements for the community charge in 1991/92. This minute and the attached series of notes prepared by my officials carry forward the matters which we agreed should be given further study. I understand that the Chancellor will be submitting a separate note on taxation aspects. I apologise in advance for the length of this note but I believe it is necessary to set out the options and the issues involved at some length.

BACKGROUND

2. Our reforms of local government finance and in particular the introduction of the community charge are as radical as any which we have undertaken. In administrative terms, implementation has gone remarkably smoothly both in Scotland and in England and Wales, thanks to the detailed work done by the responsible Departments and the local authorities. This has been illustrated by the steady and timely flow of regulations, by the completion of community charge registers, by the comparative ease with which the late changes imposed by the transitional relief scheme were absorbed, and by the fact that almost all authorities in England had by early in April issued community charge bills net of both benefit and transitional relief. No doubt, there have been some errors (though very few have been reported in the Press) and some people entitled to benefit or transitional relief have still to claim it. But the overall picture is as encouraging as we could have wished for.



3. The comparative smoothness of implementation in administrative and legislative terms has not been matched at the political level, however. Here, we are only too well aware of problems, reflected both in Parliament and in the opinion polls which obstinately suggest that the community charge continues to be deeply unpopular. But there is also evidence that the public are sympathetic to the principle that everyone should make some direct contribution towards the cost of local services. So we need to consider what changes can be made to make the new arrangements more acceptable to the public.

#### THE ISSUES

4. There seem to me to be three basic issues that we need to address:

(1) Fairness. It is not true that under the community charge everyone pays the same. Moreover, through national taxation and grants, the better off make a substantially greater contribution to the cost of local services than those lower down the income scale. Nevertheless, there is a wide public perception - significantly, shared by many of the better off and those gaining from the new arrangements - that the community charge is unfair. This perception is reinforced by the level of the charge: we have found that it is not easy to explain to some 27 million people in England why it is reasonable that they should have to pay the full flat-rate impost averaging some £360 (which, for those just above the level entitling them to community charge benefit, takes up a significant slice of their income).

(2) The level of the charge. This reflects on the one hand the amount of Aggregate External Finance (AEF) which we have provided and on the other hand the extent to which local authorities have chosen to spend more than we have planned. We have been wholly justified in stressing that authorities'



spending increases in recent years have been unacceptable: this year's is quite unwarranted. By way of riposte authorities can argue that Government is continually pressing them to take responsibilities for new or improved services (in this context, it should be noted that only 15% of spending is on programmes for which I am responsible - the other 85% funds the responsibilities of other departments, mainly Education, the Home Office, and Health); and that throughout the eighties the proportion of their spending met by central government has been reduced in order to enhance accountability. Moreover, this year the extent to which the level of the charge can be seen to be attributable to the spending decisions of local authorities has been masked by the allegation that the level is the fault of the charge itself and of the level of AEF which is the Government's own work. It is also the case that some of our supporters in local government consider that the maintenance of services is of more concern to their electors than the level of the charge; others felt that the level of AEF this year was so tight that there was no point in trying to achieve the spending levels which it implied.

(3) The structure of the system. This year's experience has demonstrated that if local authority spending diverges from that implied by the settlement, the gearing of the system requires the chargepayer to foot the whole bill. And the gearing is such that an increase in spending leads to a much larger proportionate increase in the level of the charge. This is exacerbated by lack of buoyancy: the number of the chargepaying population is unlikely to change much. Both these points should in the long run enhance the pressure of accountability on authorities' spending decisions at a substantial initial cost to chargepayers. But, particularly in the short run, they will also focus attention on the extent of Government help both generally and with those new



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and increased responsibilities which we impose on local authorities, and (of lesser significance) on the accuracy of SSAs. Insofar as spending runs ahead of the growth of the chargepaying population, the cost must be borne by increases in AEF (the business rate element of which is statutorily constrained) or by increases in the real level of the community charge. Despite their current moans, it will not be long before it will be seen that the real beneficiaries of the new arrangements are the business community. - not

#### RADICAL OPTIONS

*small business*

5. Accountability, the gearing, and the lack of buoyancy were of course precisely why we favoured the charge as an effective mechanism for putting a brake on the increase in local authority spending. Given time it may well prove to be effective. But we shall need to negotiate a difficult few years to get to the destination. The annexes consider changes we might make next year to that end. It may first be helpful however to comment on some of the more radical options, of which colleagues should at least be aware.

#### Return to domestic rates

6. I do not believe that this would be practicable, either as an alternative or as a supplement to the community charge. Despite what has been suggested in the press, a revaluation would be essential. Provided we could have borne the immediate political consequences, it might have helped to have had such a revaluation before the community charge was introduced (though experience in Scotland suggests that people's memories are rather short). But the trauma of a revaluation would not be tolerable following the stresses created by introducing the charge. In any case, I believe that our properly trenchant criticisms of domestic rates over many years make it impossible for us to revert to a domestic property tax now.



#### Other local taxes

7. There has been a good deal of study in government over the years of other possible revenue sources. None look more attractive than the community charge, and it is in any case questionable how far further sources of income should be put under the hand of the local authorities.

#### Removal of services

8. Many of our supporters on the backbenches are toying with the possibility of removing services such as education, police and fire from the responsibility of local government. If the basic intention is to reduce the level of the community charge, that end can only be achieved if some or all the related grant is left with local government. There is the risk that local authorities would use this grant for spending on other things, and in any case we could achieve the end, without all the organisational upheaval of removing services, simply by increasing AEF. If the intention of removing services is also to bring spending on those services within central government control, there is more to be said for it. But now that a going rate for the community charge has been established, there is still the danger that authorities will maintain the level of the charge by spending on other things.

#### Limitation of local authorities' power to tax

9. If the object is to control local authority spending, then there is a case for a radical limitation of authorities' power to tax, and (apart from a small residual community charge as a safety valve) making them dependent either on assigned revenues or on grant to fund all spending up to the level of the Standard Spending Assessment (SSA). With the introduction of the business rate we have in fact already taken a step in the direction of



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assigned revenue. This approach does at least address itself to the central issue of the difficulty of controlling local spending while one of the financial taps is under the hand of the local authorities themselves. It has however fundamental implications for the relationship between central and local government. And it has formidable implications in terms of higher direct and indirect rates of national taxation (though with offsetting reductions in the level of local personal taxation). I think that it is worth giving further consideration to the possibility, but it is not an immediate solution. (I strongly suspect that an eventual move in this direction is a likely consequence of continuing growth in local authority spending and functions).

#### Expenditure limitation

10. If there were [easy] ways in which expenditure by local government could be limited in the short term, I have no doubt that they would have been found already. There are some important obstacles. Local authorities have extensive though imprecise statutory responsibilities to which additions are constantly being made. Adequate funds are needed to discharge these responsibilities and if we seek to cut resources or spending below what is regarded as an adequate level (at least, in the short term), we should lay ourselves open to legal challenge.

11. Secondly, there is the question of whether limitation of expenditure results in greater efficiency, or reduced services, or a bit of both. This is not without political significance since even many of our own supporters tend to want both low charges and a high level of services. We have taken a number of steps to improve efficiency, through the Audit Commission and competitive tendering for example. The Commission has identified since 1982 £1 billion of efficiency savings. £550 million remain to be achieved, though the Commission has said that these cannot



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all be made in one year and a pre-condition of some is capital expenditure. The probability is, therefore, that we cannot limit expenditure severely without controversial cuts in the level of services.

12. Thirdly, comprehensive expenditure controls imply greater central interference in the budgets and management of local authorities. This poses formidable political and administrative difficulties and to my mind control via the limitation of the power to raise revenue is likely to be a more effective and politically acceptable mechanism. In the short term, I believe that it would be wiser to concentrate on limiting the expenditure of those authorities which are responsible for the bulk of local authority overspending - in the main, metropolitan districts, London boroughs and shire counties. This will require more effective powers for 'exemplary' capping.

13. But if we are to hold the average community charge at this year's level, or to see some reduction as certain areas cease to contribute to the safety net, I believe that it is essential to have, in addition to enhanced capping powers, a reasonable increase in AEF for 1991/92. Politically, it is essential to put ourselves in a position where we can say with conviction from July onwards, that the level of AEF for 1991/92 will enable all those authorities which take reasonable account of their chargepayers' interests to hold the community charge at its present level or even to reduce it. Enhanced, multi-year capping should essentially be a selective tool to protect the chargepayers' interests where the authorities have little or no regard for them.

#### MEASURES FOR 1991/92

14. I turn now to the detailed measures which could be taken in 1991/92.





h.

IMPROVING PERCEIVED FAIRNESS

15. The community charge has introduced much greater fairness to the financing of local government because all adults now make a contribution to the cost of local services. However public perception has concentrated on:

- those with low rateable values who have faced large increases in bills despite the partial protection offered by transitional relief; and
- the relative position of those on low incomes, but just outside the present range of community charge benefit, who pay a full community charge, compared with those on very high incomes who pay exactly the same charge and have gained substantially from the change from domestic rates;
- the advantages of the change in system for the better off, which runs up against widely held perceptions that personal taxation should be progressive.

16. The Chancellor's separate note looks at extra sources of revenue including the question of how an increased contribution might be secured from those with very high incomes. The annexes to this paper consider:

- Annex A: ways of improving and extending the transitional relief scheme;
- Annex B: ways of extending Community Charge Benefit to help some of those with modest incomes who are just outside its scope;
- Annex C: the Standard Community Charge.



i.

THE BETTER OFF

17. It is clear that we must look at the issue of fairness from both ends of the spectrum. One of the approaches considered in the Chancellor's paper is a national supplementary community charge levied on better off higher rate taxpayers, with the possibility of a double supplement for those on the very highest incomes. If we are to give our proposals political credibility then it is important that we address the position of the better off; that we do so without resurrecting rateable values as a proxy for wealth; and that our proposals should not be too soft by restricting the supplement to relatively few people right at the top of the income scale.

18. I think myself that we should adopt a system in which all higher rate taxpayers pay a supplement. We might say that all higher rate taxpayers should pay a half supplement of £175 (ie half the national average charge) and that those with taxable incomes above about £50,000 should pay a full supplement of £350 and those with taxable incomes above £100,000 a double supplement of £700.

19. This would make it clear that we really do have fairness in mind, rather than making a token surcharge on the relatively few very well off. It would help to ease the consciences of those who feel some guilt about their gains from the introduction of the community charge. And it would raise considerably more income than the Treasury proposal, perhaps £400m, which could be put to good use financing the extensions of transitional relief and community charge benefit which I propose below.

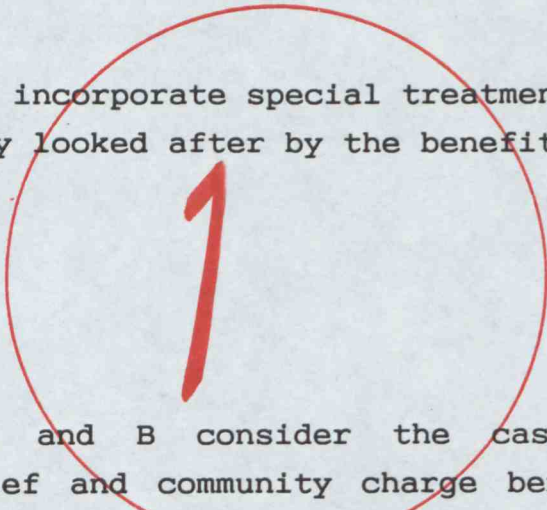
20. If we adopt this approach we will need to be clear why it is superior to earlier rejected proposals for a banded community charge. There are several advantages:



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- it is simpler as there is only one collection agency and only one set of supplements (rather than different supplements in different authorities);
- it does not involve local authorities knowing the income or tax position of every one of their residents;
- it operates for individuals rather than couples;
- it does not penalise the better off living in high charge areas;
- the proceeds can be put to national purposes (eg rebates) rather than local purposes and there is no need for a complicated system of resource equalisation between authorities;
- it does not incorporate special treatment for non-taxpayers who are already looked after by the benefit system.

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THE LESS WELL OFF

Non-working wives

21. Annexes A and B consider the case for changes to transitional relief and community charge benefit which I deal with below. But there is also the question of the position of non-working wives which Geoffrey Howe has raised.

22. I recognise that there is some inconsistency in the fact that we have at the same time introduced independent taxation but treat husbands and wives jointly for some community charge purposes -in particular the benefit system. But to make any changes would take us into very difficult territory. It would undermine a key characteristic of the charge -that everybody should pay the same, subject to the benefit system. It would be

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unfair; a two earner couple would pay more in charges than a one earner couple with the same or a higher income. There are practical difficulties of identifying who is married, who is working, and what incomes are, all of which would mean giving an excessive amount of personal information to local authorities. And finally it would be expensive as there are about 5.5 million non-working spouses in taxpaying households (including pensioner couples) and the cost would have to be met either from higher charges for others, or extra grant. I do not therefore believe that we should seek to make a general special provision for non-working wives. But we might want to consider further some special provision for pensioner couples, though even that is likely to take us into some of the difficulties I have described, although on a lesser scale.

#### Transitional relief

23. The transitional relief scheme has been quite well received. Chargepayers generally seem to understand that the relief is intended to help those who face large increases between their rate bills and community charges. There has been some criticism of the fact that relief is based on assumed charges rather than the higher charges set in most local authorities. Many people have therefore faced larger increases than the £3 which they might have expected and there has been some pressure from our own backbenchers to alter the basis of the scheme for 1990/91.

24. I do not believe that we should now change the basis of the scheme for 1990/91 but consider transitional relief to be a well received foundation on which we might build a little for 1991/92 and subsequent years. The existing transitional relief scheme benefits about 7.5 million chargepayers and will cost about £350m in 1990/91, £260m in 1991/92 and £190m in 1992/93.



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25. On present plans £13 a year of relief will be withdrawn from each eligible chargepayer in 1991/92 and 1992/93. The relief will be withdrawn completely in 1993/94. About 2 million people will lose relief altogether in 1991/92 and a further 1 million in 1992/93. The remaining 4 million chargepayers will lose relief completely in 1993/94 and some of them could then face increases of over £300 a year or £6 a week.

26. I therefore recommend in respect of those currently entitled to transitional relief that we should extend the scheme for a further two or three years and cancel the planned withdrawal in 1991/92 and 1992/93. I also suggest that we should increase relief for those living in areas where the safety net is being withdrawn, to fully or partly offset the effect of that withdrawal. If we did not withdraw relief at all for the next two years and then withdrew over the following three years at £13 a year the maximum extra costs on present estimates might rise from £120m in 1991/92, to peak at £300m in 1993/94 and fall again to £160m in 1995/96. In practice the costs in later years could be substantially less than this because entitlement to relief is lost as people move or die.

27. There are several categories of hard cases that will not be covered by what I have just proposed eg those who move, those who become elderly or disabled and those who are not at present entitled to relief but will be adversely affected by the withdrawal of the safety net. Annex A canvasses a number of possibilities ranging from the portability of relief for people who move, to a complete relaunch of the scheme calculated perhaps on the difference between 1989/90 rate bills and 1991/92 assumed charges. This latter approach would increase help to those currently in the scheme and bring into the scheme for 1991/92 some of those who in fact lost more than £3 a week in 1990/91.

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28. The only case here that I think we really must address is that of chargepayers in those areas affected by the withdrawal of the safety net and low RV grant. In these areas there will be people losing up to £60 a year because of withdrawal of the safety net. Had their assumed charge in 1990/91 included that £60, some of them would have been entitled to transitional relief. I think that we should extend the scope of the transitional relief scheme in order to bring such people into the scheme in 1991/92 and later years. This would mean in these areas recalculating entitlement in 1991/92 and subsequent years to extend relief to those people who, but for the safety net, would have been entitled to relief in 1990/91. Such an add-on might cost £20 million or so in 1991/92 rising to perhaps £50m in later years. We might also wish to consider the position over the withdrawal of ILEA grant.

29. I also think that there are other aspects on which we should keep our minds open - for instance we might want to do something about some of the types of property like sheltered accommodation, which do not have a separate entry on the valuation list, if they can be successfully ring-fenced.

Community Charge Benefit

30. About 1 chargepayer in 4 will receive community charge benefit in 1990/91, at a cost of about £2 billion (in England). Only about 2 million people in work will receive benefit. In most local authorities, a couple with two young children would cease to be entitled to community charge benefit if their joint income went above about £200 a week - two thirds of average male earnings. In general, those in work that will receive community charge benefit will get relatively small amounts. Single people over 25 run out of benefit at earnings below £100 a week in most authorities.



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31. Annex B looks in some depth at three ways of extending the range of community charge benefit:

- increasing the earnings disregard;
- reducing the withdrawal rate from its present level of 15p in the pound of net income;
- increasing the lower capital limit above which the income tariff applies and/or reducing the tariff.

32. Detailed consideration of community charge benefit is of course a matter for Tony Newton and the annex has been drawn up without the benefit of consulting him or his officials. With that proviso, I recommend that we should make changes to the benefit in 1991/92 which would increase benefit for those in work, on modest incomes. I do not think that this carries much risk of extending the dependency culture; it would allow people to keep more of their own earnings (perhaps a few pounds each month) rather than putting new cash in their hands each week.

33. The most direct way to target extra benefit on those in work would be to increase earnings disregards. Doubling them would cost about £80m in extra benefit and bring 460,000 people into entitlement to benefit. But the difficulty would be to increase the earnings disregard for community charge benefit without also doing so for rent rebates and other benefits. However, there are differences between community charge benefit and other benefits and I think that increasing the earnings disregards for community charge benefit only seems to be the best approach.

34. An alternative, which I regard as second best, would be to reduce the taper to 10p or 12.5p in the £ for chargepayers on either side of the present run out point for benefit. Changing the taper in this way would have no read across to other benefits, but it is a second best approach because to reduce the



dead-weight cost of a general reduction in the taper, we would treat the relatively better off more generously than those who are worse off. It might cost £30 to £50m in extra benefit.

35. I also favour increasing the lower capital limits and/or reducing the tariff income to be more in line with actual returns on savings. This would be of particular benefit to pensioners who have made modest provision for their retirement but its disadvantage is that it would have a read across to other benefits. This would cost about £40 million if restricted to community charge benefit and £70m if extended to housing benefit.

Standard charges

36. Annex C reports the position on standard charges. David Hunt has already announced that we will look again at the rules for 1991/92 in the light of local authority use of their powers in 1990/91. In particular we intend to compel local authorities to abate the standard charge in the case of those people who are forced by circumstances to maintain a property which is not their main residence - notably retirement homes for teachers in boarding schools, the clergy, service people and publicans; mature students; those who have moved out to take care of someone living elsewhere; prisoners; and difficult to sell inherited property.

Summary on fairness

37. I am therefore proposing a package on fairness which would consist of levying a graded national supplement to the community charge from all higher rate taxpayers. About half the national average charge (£175) would be levied on all higher rate taxpayers; £350 on those with taxable incomes above £50,000 and £700 on those with taxable incomes above £100,000. The revenue so raised would go to fully or partly finance an extension of transitional relief to five years with no withdrawal in 1991/92





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or 1992/93 and increased payments in areas where the safety net is being withdrawn. I also propose increasing earnings disregards for community charge benefit and increasing the lower capital limit/tariff income. This would be a transfer of about £400m from the better off towards those in work with modest incomes. About 1.7 million people would pay more while up to 8 million would see some reduction in their payments.

#### CONSTRAINING EXPENDITURE

##### Capping

38. The Local Government Finance Act 1988 gives us powers to limit the spending of authorities who either spend excessively or increase spending excessively from year to year (spending here is the amount falling on the collection fund and so is after use of balances). The limits cannot be set until after authorities have set their budgets for the year. Authorities spending less than £15 million are exempt from this limitation.

39. In practice these powers are restricted by past practice in relation to uncertainty about the accuracy of SSAs. We are advised that we would be at risk of successful legal challenge if we took capping closer to SSAs than we have this year. In other words we cannot limit expenditure closer to SSA than about 12.5% or £75 an adult.

40. I believe that we need to tighten up on these powers so that we can cap authorities closer to SSA; can cap in advance; and can tie authorities into capping for a run of years. Such powers would be greeted with some scepticism by our opponents who would ask what had happened to accountability? But they are an important component of the package of measures I am suggesting to hold the level of the community charge and increase its



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acceptance. This capping proposal might itself be more defensible if the powers were time-limited and taken only for the duration of the transitional period.

41. This will all need legislation which it is important to get right. This would inevitably take time. Some of the provisions would be detailed and difficult to draft. Particular difficulties may arise in taking capping closer to SSA because it would probably mean defining SSAs in the Statute (there is no reference to SSAs in present primary legislation) before specifically allowing us to cap within, say, 5% of SSA. This would in turn limit flexibility under part V of the 1988 Act which deals with grant distribution.

42. I believe that we need go no further than this extension of capping powers. This would give us powers at the margin to prevent the provision in a sensible settlement spilling over into extra spending. We would work on the spending of up to 50 major authorities. We would not however be able to reduce their spending below the level needed to meet statutory or contractual obligations. We would be operating on rather less than half of local authority spending so could not expect reductions of more than about £1bn.

#### Targets and incentives

43. Annex D sets out a system of targets, incentives and caps along the lines which we discussed. Although this is a commendable piece of work I believe that in practice the whole system suggested is so complicated that we have little chance of explaining it to our people and persuading them to support it. I look at this in more detail below.



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44. The approach would be that each authority should be set a target level of income in 1991/92 which starts from its spending in 1990/91 plus an allowance for cost pressures between the two years. In broad terms, where that spending is below its 1991/92 SSA the authority target would be set equal to its SSA. Where that spending is above the authority's 1991/92 SSA then some reduction towards SSA would be required. Where targets were above SSA they would be tightened towards SSA over a period of perhaps five years.

45. Reinforcing these targets would be a system of incentive payments which would reward with a lower community charge, chargepayers in authorities which spent at or below their target. Some incentive would also be offered for spending a little above target in order to give some encouragement to cut spending for those authorities which could not quite achieve their target in a particular year. To give sufficient encouragement to shire districts, I believe that an incentive payment of about £50 a chargepayer would be needed, (split between the county and the district in the proportion £40/£10).

46. On top of this would come the extended power to cap of the sort I have described.

47. I have no doubt that we could make such a system work in technical and administrative terms but we should be in no doubt about the difficulties. It would be extremely complicated. We would appear to be giving up on both the accountability and simplicity of the new system. Critics have not been slow to point this out in response to capping. The criticisms would multiply once we set targets for authorities run by our own supporters.



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48. The incentive system is also very expensive - at best £1.8bn of extra grant to save £1.8bn of spending. Of course it prevents leakage of that extra grant into higher spending. But it would be presented by many of our more prudent supporters as robbing them of basic grant in order to give rewards to high spenders who should be making cuts anyway. This criticism would not be entirely unfair.

49. Finally, we would appear to be re-inventing very largely the system followed in the first half of the 1980s which was so unpopular with our own supporters that it led us into the review of local government finance which resulted in the community charge. There are some differences - there is now a fixed grant for spending at SSA, the system of targets suggested would not validate from year to year overspending by individual authorities, and the power to cap would lie on top of the system of targets and incentive. Even so the scheme is similar to that of the 1980s and we should expect a similar volume of opposition from our supporters in and out of Parliament.

50. My conclusion is that targets, even with incentives, is further than we should go. It is over-complicated, unsure in its effect, unlikely to secure substantial savings and would be widely resented. This is why I recommend taking only extended powers for exemplary capping which would enable us to cap up to, say, 50 authorities closer to SSA than at present and to set them a programme of expenditure reductions over several years.

#### Manpower controls

51. Finally there is the possibility of manpower controls. This is examined in Annex E. There would be considerable difficulties with such an approach and I suggest that we should not consider it further.



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Conclusion

52. I see no prospect of reducing or even holding the present average level of charge unless we recognise the current level of spending by local authorities, together with the cost pressures they face for next year, and make substantial extra provision for AEF. But there remains the danger that extra grant would leak into higher spending, so I would also propose that we should take enhanced powers for exemplary capping. I envisage that these might in due course catch about 50 authorities which we would be able to retain within the scope of capping for several years, until they reduced their expenditure to a reasonable level.

53. I also propose that we should adopt a package of measures to improve the perceived fairness of the community charge. These would consist of:

- a supplementary charge for those on higher incomes, collected by the Inland Revenue and used to finance the extensions to transitional relief or community charge benefit;
- extension of the life of the transitional relief scheme from 3 years to 5, combined with no withdrawal until 1993/94 and with extra and extended relief in areas where the safety net and low RV grant are being phased out;
- increased earnings disregards for community charge benefit and an increase in the lower capital limit or a reduction in the tariff income;
- revision of the rules for the standard charge, in particular to give relief to those who are forced by circumstances to maintain a home which is not their main residence.

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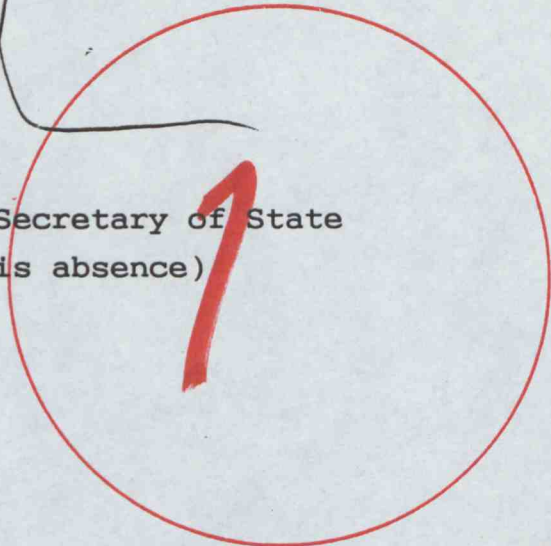
Orders of cost for these proposals are set out in the attached table.

54. A package of measures on these lines would, I believe, address our immediate problems while retaining the more valuable ingredients of the community charge system.

55. I am sending a copy of this minute to the Lord President of the Council, the Chancellor of the Exchequer, the Secretary of State for Wales, The Chancellor of the Duchy of Lancaster, the Secretary of State for Scotland, the Chief Secretary, the Minister for Local Government and Inner Cities, and the Secretary of the Cabinet.

CP  
(Approved by the Secretary of State  
and signed in his absence)

23 April 1990



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