



FROM: A C S ALLAN  
 DATE: 11 November 1987

MR POTTER

cc: PS/Chief Secretary  
 PS Paymaster General  
 Sir P Middleton  
 Mr F E R Butler  
 Mr Anson  
 Mr Gilmore  
 Mr Hawtin  
 Mr Scholar  
 Mr Turnbull  
 Mr Fellgett  
 Mr Tyrie

**E(LF): TRANSITION TO THE COMMUNITY CHARGE**

At this afternoon's meeting of E(LF) it was agreed that there should be a further meeting of a smaller group which should discuss new figures, agreed between you and DoE.

The Chancellor would want to include the examples in the tables he handed round at E(LF) today but expanded as necessary to cover a wider range of local authorities. They should also include figures for two adults living in a house of average rateable value.

He would also be grateful for figures on how many people are in each of these various categories, and what the scatter is. For example, ~~at~~ what proportion of households are composed of two adults living in a house with rateable values of less than 70 percent of the average? It would ideally be helpful to have this information for each of the local authorities for which figures are provided. The second best would be regional figures. If those are not available, then we may have to live with national figures. One source of information may be the Inland Revenue Valuation Office.

The figures should also include some more statistics about likely HB claimants. For two-adult households with a live-in granny,

ACSA  
 →  
 Potter  
 11/11



SECRET

in how many cases will the granny either be poor enough to be eligible for housing benefit, or be so rich that the community charge will be a small proportion of her income? The Chancellor would be grateful if you could examine what data is available from DHSS and what from the FES.

We do not yet have a time for the Prime Minister's next meeting. But I fear the timetable for preparing these numbers will be tight. The Chancellor would be grateful if you could keep him in close touch with progress.

ACSA

A C S ALLAN



- 1. MR POTTER
- 2. CHANCELLOR

I agree. I recollect that some special arrangement for London was seen a feature of loose government finance since Vietnamisation.  
BHP 11/11

FROM: R FELLGETT

Date: 11 November 1987

cc: Chief Secretary  
 Paymaster General  
 Sir Peter Middleton  
 Mr F E R Butler  
 Mr Anson  
 Mr Hawtin  
 Mr Scholar  
 Mr Turnbull  
 Mr Potter  
 Mr Tyrie

ch  
 Note @ end  
 AA

TRANSITION TO THE COMMUNITY CHARGE: SPECIAL HELP FOR LONDON FROM NON-DOMESTIC RATES

Mr A C S Allan asked for a note on the idea that London should receive extra finance, to moderate otherwise very high Community Charges, financed from non-domestic ratepayers in London.

2. E(LF) on 2 July asked Mr Ridley to look at the possibility that London should benefit from either a local element of non-domestic rates, or a special allocation from the non-domestic rate pool. It seems that the Committee were considering a permanent arrangement.

3. However, Mr Ridley's paper for the 14th July meeting recommended against any special assistance. He opposed a surcharge on London rates, because London businesses would lose and they were already facing the prospect of increases in bills as a result of the revaluation. He opposed a special allocation from the pool, because areas outside London, and their Community Charge payers, would lose. The Committee does not seem to have queried these recommendations, although there is no record of a discussion in the minutes or summing up.

Flagged  
 X  
 below



Play 7

4. E(LF) on 27 July considered the option of temporary help for London, via a phasing out of the safety net over five years, rather than the four planned elsewhere, which could be presented as London keeping some non-domestic rate income for longer. This was rejected in favour of the decision to have a four year transition and four year safety net everywhere.

5. If the idea is raised again, I recommend that you are generally supportive of the idea of permanent extra help for London, in view of the obvious difficulties of fully implementing the Community Charge policy. This would be subject to further work by DOE and Treasury officials, and further consideration by the Committee.

6. If special help is agreed, it would be best paid for by a surcharge on non-domestic rates in London, notwithstanding the problem of adding to losers from the revaluation. The rationale would be that London faces special costs from its commuter day-time population, and this is one pretty rough and ready way of collecting from them. There is in practice little difference between an allocation from the pool and grant, because in the future they will in effect be the same.

*surely allocation from pool => no extra cost to tax payers*

7. DOE's thinking is already that the City will require its own non-domestic rate, because it has so few residents to pay the Community Charge.

*Rob. Fellgett*

R FELLGETT>

*OK  
Background is helpful  
(I will play up refs a you  
under me - E(LF)).*

*But I wouldn't follow line  
in paras 5 & 6: better to  
let Ridley set out pros & cons of  
various options. I certainly wouldn't rule  
out some sort of (perhaps temporary) retention  
of non-domestic rate income (same thing as  
extra allocation from the pool)  
AA*



CONFIDENTIAL

*ppp*

PPS/CHANCELLOR

FROM: R FELLGETT

Date: 11 November 1987

cc: PS/Chief Secretary  
Mr Potter  
Mr Portes  
Mr Tyrie

*Ch*  
*Note on business*  
*into London to files*  
*AB*

**TRANSITION TO COMMUNITY CHARGE: WILL GRANNY IN CAMBRIDGE GET A REBATE?**

You asked whether a elderly relative living with their offspring would in practice receive a significant rebate on their Community Charge between 1990-91 and 1993-94, if there was no transition. The following information has been provided by Mr Portes (ST).

2. In broad terms, and adapting the <sup>new</sup> Housing Benefit <sup>system</sup> to 1987-88 prices, someone having only the State pension of about £2,000 a year would be likely to get a full 80% rebate on an average Community Charge of about £225. But if in addition they had private means of another £1,000 a year, they would have to pay their Community Charge in full. Those with income between £2,000 and £3,000 would pay between 20% and 100% of the Community Charge.

3. The Chancellor will no doubt wish to consider whether elderly people who are wholly dependant on the State, or those with modest means of their own, are more important in the political debate. But so far as expenditure is concerned, it is presumably not his intention to finance an awkward transition through Housing Benefit, any more than through any other form of public funds; however we cannot tell from the information available whether additional rebates for any particular category during the transition will be offset by reduced rebate spending on others.

*Rob: Fellgett*

R FELLGETT

*Ch*  
*7 1/2 of pensioners live*  
*with their children. But neither*  
*we nor DSS know how many*  
*of these have incomes less than*  
*£3000 - they are not at present*  
*eligible for HB.*  
*AA*