PO-CH/NL/0251

PARTA

Part. A.

SECRET

(Circulate under cover and
notify REGISTRY

Begins: 20/7/87.
Ends: 5/11/87.

PO -CH /NL/0251

PART A

Chancellor's (Lawson) Papers:

THE COMMUNITY CHARGE AND SETTLEMENT OF THE RATE SUPPORT GRANT SYSTEM

Disposal Directions: 25 Years

27/9/95.

PO -CH /NL/0251
PART A

RP

CHIEF SECRETARY

REC. 22 JUL 1987

ACTION Mr Potter

COPIES TO CX Sir Peter Middleton
Mr Butler Mr Anson
Mr Gilmore Mr Hawtin
Mrs Pearson Mr Turnbull
Mr Fellgett Mr Cropper
Mr Tyrie

From the Minister of State
for Local Government

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

20 July 1987

Dear Nick

I am coming under some pressure about the possibility that members of religious orders may be liable to pay the full community charge, without the benefit of rebates.

I am content that our position is defensible in relation to ministers of religion, who will be liable to pay the community charge, but will be eligible for rebates (as they are now eligible for housing benefit) if their income justifies it. But, as you know, monks and nuns who are fully maintained by their orders are at present excluded from housing benefit. It is anomalous, and - in my view - indefensible, that this group, who have no income, should be required to pay the full community charge.

I would not wish to argue that monks and nuns should be exempt from the community charge. They are eligible to vote in local elections and they benefit from local services. It is right therefore that they make some contribution towards the cost of those services. Moreover, if we were to exempt monks and nuns, we would place them in a more favourable position than ministers of religion, who will be required to pay at least 20 per cent of their community charge. I propose, therefore, that, in common with other people on low incomes, including ministers of religion, monks and nuns should be eligible for rebates to help them meet the burden of the community charge.

I would therefore be grateful for your agreement that, when you amend the housing benefit regulations, there should be provision for payment of community charge rebates for members of religious orders. They would of course remain ineligible for rent rebates. The cost of such a concession would not be large. We estimate that there are about 5,000 monks and nuns in England and Wales; on the basis of the average community charge, rebates would cost just under £1m a year. In practice, because many will live in areas with low community charges and because not all will claim, the cost is likely to be lower than this.

I would like to make an early announcement, to prevent this from becoming a major issue. I should therefore be grateful for your and colleagues' agreement to our announcing that, in common with other low income groups, members of religious orders will be eligible for community charge rebates.

I am copying this to John Major and to Ian Lang and Wyn Roberts. Ian Lang will no doubt wish to consider whether similar provision should be made for monks and nuns in Scotland.

Yours ever

Michael

MICHAEL HOWARD

Nicholas Scott Esq MP

19/206

1. MR POTTER should pre-empt the DHSS bid for full exemption.

2. CHIEF SECRETARY

BHP 28/7

Ch

(Must stop exemptions becoming a habit!) ouch!

AA

FROM: N I HOLGATE

Date: 28 July 1987

cc: PS/Chancellor
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Gilmore
Mr Hawtin
Miss Peirson
Mr Turnbull
Mr Fellgett
Mr Cropper
Mr Tyrie

(When LG were challenged on the justification for this, they said they had it from "higher authority" that it was OK!)

MONKS AND NUNS

Mr Howard wrote to Mr Scott on 20 July seeking agreement to amending housing benefit regulations so that monks and nuns will be able to claim Community Charge rebates. I recommend that you agree with Mr Howard's proposal.

Background

2. As Mr Howard explains, monks and nuns are fully maintained by their religious orders and are accordingly excluded from housing benefit. They will therefore be facing a new burden, when the Community Charge (CC) is introduced, with no means to meet it.

3. Rebates would meet up to 80% of the Community Charge. Because DOE does not wish to stir up debate on the subject, it has not looked in to how members of religious orders will meet the remaining 20%. It has been assumed that they either get some pocket money, or that the orders will have to pay them the remaining 20%.

4. DOE estimates the cost of this concession in rebates to be less than £1 million.

Assessment

5. There are three main options:-

(a) no change from the current position - religious orders would probably have to make full compensation to their members who could then pass on the money to local authorities;

(b) eligibility for Community Charge rebates (Mr Howard's option);

(c) full exemption from the charge, the agreement reached for prisoners, long stay hospital patients, the severely mentally handicapped and those in "homes" and hostels.

might be viewed as

6. The first option seems unduly harsh. It [is tantamount] to a penalty upon monks, nuns and their religious orders for their unconventional style of life. And some religious orders may not be well enough endowed to meet the cost without curtailing other religious or charitable activities.

7. The third option is likely to be that recommended by the DHSS. They seem unconcerned by the numbers of exemptions already agreed and would rather not tackle the difficult, practical question of how to assess a monk's income. (On the other hand, full exemption means that CC rebates from central government are avoided, and the burden which would have been met through rebates and 20% payments, would instead be spread across all remaining CC payers.)

8. The second option, suggested by Mr Howard, has a number of merits.

(a) Monks and nuns can vote and use LA services. They should therefore pay part of the cost.

(b) It reduces, rather than increases, the number of exceptional cases afforded special treatment for the charge.

(c) It is consistent with the treatment of ministers of religion, who have incomes and are eligible for Community Charge rebates. If exemptions were granted, to monks, ministers of religion might be next on the list.

(d) It does not discriminate between religions: those which do not have monasteries or nunneries, such as the non-conformist churches, would otherwise be able to point to preferential treatment given to Roman Catholics.

9. On balance, CC rebates appear the least objectionable of the three alternatives.

Conclusion and recommendation

10. Monks and nuns are in an anomalous position with regard to the Community Charge. There will be practical difficulties in making them eligible for CC rebates, such as definition of those eligible and assessment of their income, but I recommend that you agree with Mr Howard and thereby press Mr Scott to agree in principle that this is the right way forward.

11. ST agree.

12. A draft letter is attached.

N I Holgate

N I HOLGATE

DRAFT LETTER TO:

Rt Hon Michael Howard QC MP
Minister of State of Local Government
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB July 1987

COMMUNITY CHARGE REBATES FOR MEMBERS OF RELIGIOUS ORDERS

Thank you for copying to me your letter of 20 July to Nick Scott about monks and nuns.

2. I agree that rebates are the best way of dealing with the unusual financial circumstances of monks and nuns fully maintained by their orders. As you say, monks and nuns may vote in local elections and use local authority services. Your proposal would avoid creating another special case in the new system; and it is, of course, consistent with the treatment of ministers of religion.

3. I can see that there may be practical problems in assessing the income of monks and nuns for Community Charge rebates; we must clearly seek Nick Scott's advice on how the difficulties can best be overcome.

I am copying this letter to Nick Scott, Ian Lang and Wyn Roberts.

JOHN MAJOR

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SECRETARY OF STATE FOR THE ENVIRONMENT

CH/EXCHEQUER
REC. 29 JUL 1987
ACTION CST.
COPIES TO

29/7

PRIME MINISTER

29/7/87.

Fwd E(LF) [illegible]

COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS

1. At E(LF) on 27 July we agreed

(i) that the starting level of the community charge should be £75 or £100;

(ii) that there should be a 4 year phasing out of rates and the safety net everywhere except inner London, where the possibility of additional help in the 5th year should be considered.

__£75 or £100__

2. I enclose, at Annex A, exemplifications for the 5 sample authorities (Camden, Barnet, Elmbridge, Barnsley, Craven) showing the effect, with a 4 year transition, of 1990 community charges of £75 or £100. (The Camden figures could be affected by the special London arrangements set out in more detail below.)

3. The differences between the two are, as colleagues will see, very small - a maximum of £15 a year even for 3 adult households in Camden. In view of this, and of the attraction of £100 as a number people are likely to remember - so making it easier for us to get our message across - I recommend that we adopt £100 as the starting level in England. It will be recalled that the presentational importance of the figure lies in the fact that the rate element in the package will be fixed so as to make £100 the community charge payable if councils maintain their spending at the level of the previous year. A memorable figure is therefore a distinct advantage.

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Special arrangements for London

4. E(LF) discussed the possibility of special transitional arrangements for inner London. The propositions were that

(i) these should be additional to dual running and the 'safety net';

(ii) they should continue for a 5th year - whereas the national transitional arrangements generally would end after 4 years;

(iii) they might be paid for by an increase in inner London's retained contribution from non-domestic rates.

5. It is important to recognise that the purpose of the safety net is to moderate losses or gains to areas because of the changes we are making in the distribution of grant and non-domestic rate. It follows that the safety net, on its own, provides a considerable amount of support to inner London in 1990/91 and subsequent years. The net payment to inner London from the safety net will be as follows:

1990/91	1991/92	1992/93	1993/94
£410m	£307m	£205m	£102m

6. These amounts are, to a large extent, a continuation of the subsidy that inner London presently enjoys from non-domestic rating. They can legitimately be seen, therefore, as a way of phasing in the losses that inner London will suffer as the benefit it receives from non-domestic rates declines from the present level to the 'per adult' amount that all areas will be given after 1990.

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7. In view of our decision to have a full safety net in 1990, it would be wrong to provide additional special London arrangements in that year. To do so would

(i) mean that average domestic tax bills in inner London were lower in 1990 than they had been in 1989; and

(ii) increase bills everywhere else in the country compared with 1990 - including the north, and the Home Counties.

8. I can conceive of a system under which

(i) the special transitional help for London begins in 1991/92, and continues until 1994/95 (ie a year after the safety net is phased out);

(ii) in order to provide a smooth progression in community charge bills in inner London, the amount of the extra help London receives in each year is simply the difference between the cost of phasing out the safety net over 5 years in London, and phasing it out over 4 years elsewhere;

(iii) this special help can be portrayed as further slowing down of the loss of non-domestic rate income from inner London; it is felt as an increase in the community charge paid everywhere except inner London.

9. A more detailed note is at Annex B. At Annex C are exemplifications of the effects on all London Boroughs for 2 adult households living in properties with average Rateable Values; and for 4 Boroughs (Camden, Greenwich, Wandsworth and Westminster) for 1 and 3 adult households also.

10. Colleagues will note that there is still the likelihood of perverse results in Kensington and Chelsea and Westminster in the final years of the transition: some bills go up in 1994/95, then down again in 1995/96. This is because of the interaction of the

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financing arrangements and the abolition of rates. These effects could only be avoided by keeping domestic rates for another year in London. I assume colleagues would not wish to do that.

?

11. I cannot recommend this scheme. It will bring additional complexity and obscurity, for a year when there is likely to be an election (the one after next) in the offing: and it requires subsidy for London from the rest of the country, which will be strongly resisted.

Wales

12. E(LF) asked Peter Walker to look again at the phasing out of the safety net in Wales. If the Welsh arrangements are closer to those we now envisage for England, we shall give ourselves fewer presentational problems.

13. I am still concerned, however, at the possibility that rates might be abolished in Wales in 1990. This will make drafting the Rate Reform Bill more complicated. More significantly it will make the job of justifying the two different systems very hard indeed. It is true that average rate bills, overall, are lower in Wales than they are in England. But there are parts of England - including some along the Welsh border - where average rate bills are as small as they are in Wales - for example, Forest of Dean £162/adult; Newport £166/adult. It is not easy to see why we need to have 4 years of dual running in Gloucestershire, if there is no dual running in Gwent.

14. Peter Walker's general arguments against dual running - the additional administrative costs and complexity; the disincentive to authorities to set the new system up efficiently; the confusion for existing ratepayers and new taxpayers - all apply equally well in England. We will not therefore be able to use them publicly as the justification for not having dual running in Wales.

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15. I would, however, be prepared to see a lower level of community charge in Wales in 1990 - say £50 - if this would reduce the problem of having unacceptably small rate bills in much of the Principality in subsequent years.

Recommendations

16. I recommend

(i) a starting level for the community charge in 1990 of £100 in England;

(ii) no special London arrangements for 1994/95;

(iii) that I should announce our decisions after E(LF) on Thursday. I will explain at the meeting the terms in which I envisage the announcement being made.

17. Copies of this minute go to the members of E(LF) and Sir Robert Armstrong.

NR

NR

29 July 1987

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ANNEX A

LOCAL AUTHORITY - CAMDEN. 4 YEAR TRANSITION

Average rate bill per household £843 } assuming 1987/88
Community charge - no safety net £782 } spending

Initial community charge : £75

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	75	252	428	605	782	
Rate bill	590	493	369	248	125	0	
H/hold total	590	568	621	676	730	782	
2 adult household 100% average RV							
CC	0	150	503	857	1210	1564	
Rate bill	843	704	528	352	176	0	
H/hold total	843	854	1032	1209	1387	1564	
3 adult household 130% average RV							
CC	0	225	755	1285	1816	2346	
Rate bill	1096	915	686	457	229	0	
H/hold total	1096	1140	1441	1743	2044	2346	

Initial community charge £100

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	100	271	441	612	782	
Rate bill	590	461	345	230	115	0	
H/hold total	590	561	616	671	727	782	
2 adult household 100% average RV							
CC	0	200	541	882	1223	1564	
Rate bill	843	658	494	329	165	0	
H/hold total	843	858	1035	1211	1388	1564	
3 adult household 130% average RV							
CC	0	300	812	1323	1835	2346	
Rate bill	1096	855	642	428	214	0	
H/hold total	1096	1155	1453	1751	2048	2346	

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LOCAL AUTHORITY — BARNET 4 YEAR TRANSITION

Average rate bill per household £655 } assuming 1987/88
Community charge - no safety net £222 } spending

Initial community charge £75

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	75	112	148	185	222	
Rate bill	459	350	263	175	88	0	
H/hold total	459	425	374	323	273	222	
2 adult household 100% average RV							
CC	0	150	223	297	370	444	
Rate bill	655	500	375	250	125	0	
H/hold total	655	650	599	547	495	444	
3 adult household 130% average RV							
CC	0	225	335	445	556	666	
Rate bill	851	651	488	325	162	0	
H/hold total	851	876	823	771	718	666	

Initial community charge £100

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	100	131	161	192	222	
Rate bill	459	314	236	157	79	0	
H/hold total	459	414	366	318	270	222	
2 adult household 100% average RV							
CC	0	200	261	322	383	444	
Rate bill	655	449	337	225	112	0	
H/hold total	655	649	598	547	495	444	
3 adult household 130% average RV							
CC	0	300	392	483	575	666	
Rate bill	851	584	438	292	146	0	
H/hold total	851	884	829	775	720	666	

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[L]OCAL AUTHORITY - ELMBRIDGE 4 YEAR TRANSITION

[A]verage rate bill per household £711) assuming 1987/88
[C]ommunity charge - no safety net £239 } spending

Initial community charge £75

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	75	116	157	198	239	
Rate bill	498	396	296	198	98	0	
H/hold total	498	471	413	354	297	239	
2 adult household 100% average RV							
CC	0	150	232	314	396	478	
Rate bill	711	565	424	283	141	0	
H/hold total	711	715	656	597	537	478	
3 adult household 130% average RV							
CC	0	225	348	471	594	717	
Rate bill	924	735	551	367	184	0	
H/hold total	924	960	899	839	778	717	

Initial community charge £100

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	100	135	170	204	239	
Rate bill	498	362	271	181	90	0	
H/hold total	498	462	406	350	295	239	
2 adult household 100% average RV							
CC	0	200	270	339	409	478	
Rate bill	711	517	388	259	129	0	
H/hold total	711	717	657	598	538	478	
3 adult household 130% average RV							
CC	0	300	404	509	613	717	
Rate bill	924	672	504	336	168	0	
H/hold total	924	972	908	845	781	717	

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LOCAL AUTHORITY - BARNSLEY 4 YEAR TRANSITION

Average rate bill per household £328 } assuming 1987/88
Community charge - no safety net £264 } spending

Initial community charge £75

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	75	122	169	217	264	
Rate bill	230	126	95	63	31	0	
H/hold total	230	201	217	233	248	264	
2 adult household 100% average RV							
CC	0	150	244	339	433	528	
Rate bill	328	181	136	90	45	0	
H/hold total	328	331	380	429	479	528	
3 adult household 130% average RV							
CC	0	225	367	508	650	792	
Rate bill	426	235	176	118	59	0	
H/hold total	426	460	543	626	709	792	

Initial community charge £100

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	100	141	182	223	264	
Rate bill	230	92	69	46	23	0	
H/hold total	230	192	210	228	246	264	
2 adult household 100% average RV							
CC	0	200	282	364	446	528	
Rate bill	328	132	99	66	33	0	
H/hold total	328	332	381	430	479	528	
3 adult household 130% average RV							
CC	0	300	423	546	669	792	
Rate bill	426	172	129	86	43	0	
H/hold total	426	472	552	632	712	792	

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LOCAL AUTHORITY - CRAVEN 4 YEAR TRANSITION

Average rate bill per household £288 } assuming 1987/88
Community charge - no safety net £184 } spending

Initial community charge £75

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	75	102	129	157	184	
Rate bill	202	104	77	51	26	0	
H/hold total	202	179	180	181	183	184	
2 adult household 100% average RV							
CC	0	150	204	259	313	368	
Rate bill	288	148	111	74	37	0	
H/hold total	288	298	315	333	350	368	
3 adult household 130% average RV							
CC	0	225	307	388	470	552	
Rate bill	374	192	144	96	48	0	
H/hold total	374	417	451	485	518	552	

Initial community charge £100

	87/88	90/91	91/92	92/93	93/94	94/95	95/96
1 adult household 70% average RV							
CC	0	100	121	142	163	184	
Rate bill	202	71	53	35	18	0	
H/hold total	202	171	174	177	181	184	
2 adult household 100% average RV							
CC	0	200	242	284	326	368	
Rate bill	288	101	76	51	25	0	
H/hold total	288	301	318	335	351	368	
3 adult household 130% average RV							
CC	0	300	363	426	489	552	
Rate bill	374	131	98	66	33	0	
H/hold total	374	431	461	492	522	552	

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ANNEX B

SPECIAL ARRANGEMENTS FOR LONDON

1. The aim of the new arrangements is to provide

- a 4 year transition generally, but

- a 5 year transition in inner London.

2. In order to ensure as smooth a progression as possible from 1990/91 to the end of the transitional period, the changes in the overall burden of local taxation need to be phased in in equal steps, over 4 or 5 years as appropriate.

3. The benefit to inner London domestic taxpayers in 1990/91 is £409m. If this is phased out in equal steps over 5 years, the cost in each year will be as follows:

1990/91	£409m
1991/92	£327m
1992/93	£245m
1993/94	£164m
1994/95	£82m
1995/96	£0m

4. Overall, the cost of the safety net to domestic taxpayers outside inner London is also £409m in 1990/91 (inevitably, as the safety net is intended to balance). If this cost is phased out over 4 years, the cost in each year is

1990/91	£409m
1991/92	£307m
1992/93	£205m
1993/94	£102m
1994/95	£0m

5. The additional cost of the special London arrangements would therefore be the difference between the amounts in paragraph 4 above, and those in paragraph 3. That is

1990/91	£0m
1991/92	£20m
1992/93	£40m
1993/94	£62m
1994/95	£82m

6. This could be portrayed as additional help from non-domestic rates (or from grant) to further ease the transition in London. It would, however, be felt as an increase in all community charge bills everywhere <u>except</u> inner London of the following amounts (unless, of course, the sums were found from the Exchequer - ie from national taxpayers).

1990/91	0p
1991/92	60p
1992/93	£1.17p
1993/94	£1.82p
1994/95	£2.40p

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ANNEX C

SPECIAL LONDON ARRANGEMENTS

Effect of DOE proposals on
2 adult household 100% of average RV

		87-88	90-91	91-92	92-93	93-94	94-95	95-96
CAMDEN	Rates	843	658	493	329	164	0	0
	CC	0	200	508	818	1124	1434	1564
	Total tax bill	843	858	1001	1147	1288	1434	1564
GREENWICH	Rates	495	304	228	152	76	0	0
	CC	0	200	420	638	858	1076	1216
	Total tax bill	495	504	648	790	934	1076	1216
HACKNEY	Rates	766	580	435	290	145	0	0
	CC	0	200	468	734	1004	1270	1382
	Total tax bill	766	780	903	1024	1149	1270	1382
HAMMERSMITH	Rates	405	225	169	113	56	0	0
AND FULHAM	CC	0	200	358	516	676	834	930
	Total tax bill	405	425	527	629	732	834	930
ISLINGTON	Rates	553	361	272	182	90	0	0
	CC	0	200	372	542	718	888	966
	Total tax bill	553	561	644	724	808	888	966
KENSINGTON	Rates	606	450	338	226	112	0	0
AND CHELSEA	CC	0	200	336	472	612	748	740
	Total tax bill	606	650	674	698	724	748	740

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		87-88	90-91	91-92	92-93	93-94	94-95	95-96
LAMBETH	Rates	536	359	270	179	91	0	0
	CC	0	200	398	598	796	996	1094
	Total tax bill	536	559	668	777	887	996	1094
LEWISHAM	Rates	683	498	374	250	124	0	0
	CC	0	200	456	712	1054	1232	1354
	Total tax bill	683	698	830	962	1178	1232	1354
SOUTHWARK	Rates	500	326	245	163	82	0	0
	CC	0	200	406	614	820	1028	1140
	Total tax bill	500	526	651	777	902	1028	1140
T HAMLETS	Rates	547	369	276	185	93	0	0
	CC	0	200	438	672	908	1144	1278
	Total tax bill	547	569	714	857	1001	1144	1278
WANDSWORTH	Rates	399	210	157	106	53	0	0
	CC	0	200	346	490	634	780	870
	Total tax bill	399	410	503	596	687	780	870
WESTMINSTER	Rates	810	657	493	328	164	0	0
	CC	0	200	360	522	684	846	762
	Total tax bill	810	857	853	850	848	846	792

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ANNEX C

SPECIAL LONDON ARRANGEMENTS

Effect of DOE proposals on
1, 2 and 3 adult households in
Camden, Greenwich, Wandsworth, Westminster

		87-88	90-91	91-92	92-93	93-94	94-95	95-96
CAMDEN								
1 adult)	Rates	590	461	345	230	115	0	0
70% of RV)	CC	0	100	254	409	562	717	782
	Total tax bill	590	561	599	639	677	717	782
2 adults)	Rates	843	658	493	329	164	0	0
100% of RV)	CC	0	200	508	818	1124	1434	1564
	Total tax bill	843	858	1001	1147	1288	1434	1564
3 adults)	Rates	1096	855	641	428	213	0	0
130% of RV)	CC	0	300	762	1227	1686	2151	2346
	Total tax bill	1096	1155	1403	1655	1899	2151	2346
GREENWICH								
1 adult)	Rates	347	213	160	106	53	0	0
70% of RV)	CC	0	100	210	319	429	538	608
	Total tax bill	347	313	370	425	482	538	608
2 adults)	Rates	495	304	228	152	76	0	0
100% of RV)	CC	0	200	420	638	858	1076	1216
	Total tax bill	495	504	648	790	934	1076	1216
3 adults)	Rates	644	395	296	198	99	0	0
130% of RV)	CC	0	300	630	957	1287	1614	1824
	Total tax bill	644	695	926	1155	1386	1614	1824

DOC2719LM

CONFIDENTIAL

		87-88	90-91	91-92	92-93	93-94	94-95	95-96
WANDSWORTH								
1 adult)	Rates	279	147	110	74	37	0	0
70% of RV)	CC	0	100	173	245	317	390	435
	Total tax bill	279	247	283	319	354	390	435
2 adults)	Rates	399	210	157	106	53	0	0
100% of RV)	CC	0	200	346	490	634	780	870
	Total tax bill	399	410	503	596	687	780	870
3 adults)	Rates	519	273	204	138	69	0	0
130% of RV)	CC	0	300	519	735	951	1170	1305
	Total tax bill	519	573	723	873	1020	1170	1305
WESTMINSTER								
1 adult)	Rates	567	460	345	230	115	0	0
70% of RV)	CC	0	100	180	261	342	423	396
	Total tax bill	567	560	525	491	457	423	396
2 adults)	Rates	810	657	493	328	164	0	0
100% of RV)	CC	0	200	360	522	684	846	792
	Total tax bill	810	857	853	850	848	846	792
3 adults)	Rates	1053	854	641	426	213	0	0
130% of RV)	CC	0	30	540	783	1026	1269	1188
	Total tax bill	1053	884	1181	1209	1239	1269	1188

DOC2719LM

Ch

For info, not circulation

AA

ILLUSTRATIVE EFFECTS OF TRANSITION ON HOUSEHOLDS

District: Blaby

JULY AGREEMENT : FULL SAFETY NET AND 4 YEAR TRANSITION.
Initial charge:£ 100

Household	1988-89	1990-91	1991-92	1992-93	1993-94	1994-95
New Payer 1 adult	0	100	122	145	167	189
2 adults 70%average r.v.	321	377	377	377	378	378
2 adults 130%average r.v.	597	528	490	453	415	378
3 adults 100%average r.v.	459	552	556	560	563	567

MODIFIED SAFETY NET (£75 CAP) AND 4 YEAR TRANSITION.
Initial charge:£ 100

Household	1988-89	1990-91	1991-92	1992-93	1993-94	1994-95
New Payer 1 adult	0	100	122	145	167	189
2 adults 70%average r.v.	321	377	377	377	378	378
2 adults 130%average r.v.	597	528	490	453	415	378
3 adults 100%average r.v.	459	552	556	560	563	567

ENVIRONMENT SECRETARY'S PROPOSAL: MODIFIED SAFETY NET, NO TRANSITION.
Initial charge:£ 222

Household	1988-89	1990-91	1991-92	1992-93	1993-94	1994-95
New Payer 1 adult	0	222	214	206	197	189
2 adults 70%average r.v.	321	444	428	411	395	378
2 adults 130%average r.v.	597	444	428	411	395	378
3 adults 100%average r.v.	459	666	641	617	592	567

Note: all figures assume unchanged cash spending and income from 1987-88.

CC PS/CHANCELLOR | 2
SIR P. MIDDLETON
MR F.E.R. BUTLER
MR ANSON
MR GILMORE
MR HANTIN
MISS PEIRSON
MR TURNBULL
MR POTTER
MR FELLGETT
MR HOLGATE
MR CROPPER
MR TYRIE

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Michael Howard Esq QC MP
Minister of State for Local Government
Department of the Environment
2 Marsham Street
London
SW1P 3EB

29th July 1987

PWP

Dear Michael,

COMMUNITY CHARGE REBATES FOR MEMBERS OF RELIGIOUS ORDERS

Thank you for copying to me your letter of 20 July to Nick Scott about monks and nuns.

I agree that rebates are the best way of dealing with the unusual financial circumstances of monks and nuns fully maintained by their orders. As you say, monks and nuns may vote in local elections and use local authority services. Your proposal would avoid creating another special case in the new system; and it is, of course, consistent with the treatment of ministers of religion.

I can see that there may be practical problems in assessing the income of monks and nuns for Community Charge rebates; we must clearly seek Nick Scott's advice on how the difficulties can best be overcome.

I am copying this letter to Nick Scott, Ian Lang and Wyn Roberts.

Yours Ever,
John

JOHN MAJOR

ABB M. PMP PMP

SECRETARY OF STATE FOR THE ENVIRONMENT

JY I DON'T THINK THERE ARE ANY TL 30/7

EXCHEQUER
30 JUL 1987 30/7
CST

Prime Minister

RATE REFORM: CROWN PROPERTY

My officials have been discussing with those from other Departments the treatment of Crown property, and the residents of Crown property, under the new system of local government finance.

I am now able to circulate the attached paper setting out my proposals for England and Wales. I should be grateful for your, and Colleagues' approval, and my officials will instruct the draftsman of the rate reform Bill accordingly.

Copies go to the Lord President, members of E(LF) and Sir Robert Armstrong.

NR

N R
30 July 1987

RATE REFORM: CROWN PROPERTY AND RESIDENTS OF CROWN PROPERTY

NON-DOMESTIC CROWN PROPERTY

1. The Rating of Government Property Department (RGPD) will continue to carry out valuations of non-domestic Crown property and pay contributions in lieu of non-domestic rates. It is proposed that RGPD should cease to make payments to individual local authorities and instead make payments directly into the national non-domestic rate pool. It would not be sensible for RGPD to make payments to authorities when, in any case, the authorities would be required to pass the money on to the pool. An acceptable system of checking that appropriate payments have been made will need to be devised; and it will be necessary to devise an alternative to the present arrangement whereby local authorities notify RGPD of the properties in respect of which payments are to be made.

2. The NHS and other non-Exchequer bodies which occupy Crown property currently pay their own contributions in lieu direct to local authorities. There seems no reason why NHS should not in future make payments direct into the national pool, although it is for consideration whether the other, smaller bodies should continue to make payments to individual local authorities.

RESIDENTIAL CROWN PROPERTY

The Community Charge

3. The community charge will be a near-universal personal liability, unconnected with the ownership of property, and it is important that, unless there are over-riding arguments to the contrary, residents of Crown property should be treated no differently from the residents of non-Crown property.

4. It is proposed that, with limited exceptions, residents of Crown property should be individually registered and personally liable for the personal community charge. The exceptions will be for the Sovereign and the Prince of Wales (as Duke of Cornwall), who will be exempt, and for diplomats, members of visiting armed forces and certain members of the UK armed forces. The special arrangements for diplomats and visiting servicemen are described in Annex A to this paper, and those for certain UK servicemen in Annex B.

5. Exemptions have been agreed for certain other residents of Crown property - convicted prisoners and patients resident in NHS hospitals or other caring institutions run by the Crown.

6. The normal community charge enforcement procedures - seizure of goods and deductions from earnings - will apply to those residents of Crown property who are liable for the personal community charge. This means that bailiffs will have access to Crown property to seize the personal property of residents who do not pay their community charge.

The collective community charge

7. For certain non-Crown properties, which are in multiple occupation and have a very rapid turnover of tenants, it would be impractical to register the tenants individually for the personal community charge. These properties will therefore be designated, by community charge registration officers, for the collective community charge. There are some Crown properties - particularly those occupied by very mobile service personnel - where a provision similar to the collective community charge might be appropriate. It would not, however, be appropriate for the collective charge to be applied in precisely the same way as for non-Crown property, because of the risk of disputes between the Crown and

local authorities: the Crown would not, for example, wish to become involved in disputes with local authorities about the designation of premises or payments due, or to be proceeded against by local authorities seeking to enforce payment.

8. A special provision, effectively equivalent to a Crown collective community charge, is therefore proposed. This is described in Annex B to this paper - which deals with the treatment of UK servicemen - since the provision is likely to be used mainly for certain military establishments.

The Standard Community Charge

9. It is proposed that Crown property should be exempt from the standard community charge - the charge for residential property at which no-one is solely or mainly resident. Contributions in lieu of the standard community charge will be paid to local authorities by the occupying Departments. This procedure would be consistent with the present arrangements for paying contributions in lieu of rates on Crown property.

MIXED NON-DOMESTIC/RESIDENTIAL CROWN PROPERTY

10. Mixed hereditaments - those which are part non-domestic and part residential - will be valued by RGPD and an apportionment will be made of the value of the residential part. A contribution in lieu of rates will then be paid by RGPD in respect of the non-domestic part, while the resident(s) of the residential part will pay the personal community charge - or, if the residential part is not occupied as a sole or main residence, a contribution in lieu of the standard community charge will be paid.

ANNEX A

DIPLOMATS AND MEMBERS OF VISITING ARMED FORCES

A1. Foreign nationals who have their sole or main residence in this country will be liable to pay the community charge. However, diplomats are exempt from personal taxation under a range of statutes including the Diplomatic Privileges Act 1964, the Consular Regulations Act 1968, the International Organisations Act 1968 and the European Communities Act 1972. Members of visiting forces are exempt from any tax based on residence, under a Nato Status of Forces Agreement.

A2. In view of these statutes and agreements it is proposed that there should be a community charge exemption for diplomats, members of visiting forces and their dependants. It is not proposed, however, that they should be exempt from the standard community charge if they take second homes (eg if a US serviceman buys a holiday cottage).

A3. At present embassies, diplomats, foreign bases and servicemen do pay partial rates - the so-called "beneficial proportion" - in respect of both domestic and non-domestic property. It is important that the total amount paid is not reduced as a result of the proposed exemptions, and that foreign Governments are seen to be making at least the same contribution as at present towards the cost of local services.

A4. In the case of non-domestic property, it is proposed that the present arrangements should continue: RGPD will continue to pay rates/ contributions in lieu of rates on behalf of the Governments concerned and will continue to recover the "beneficial proportion". As with all other payments by RGPD, they will in future be made directly into the NNDR pool, rather than to individual local authorities.

A5. In the case of residential property, it is proposed that Treasury and the Foreign Office/Ministry of Defence should negotiate, with the Governments concerned, arrangements for the recovery of an amount equivalent to that currently recovered as the "beneficial proportion" of rates. This would most conveniently be paid to local authorities as an addition to central Government grant.

A6. In order to protect the position of local authorities with heavy concentrations of diplomats or visiting servicemen, there will need to be compensation for the income foregone as a result of exempting diplomats and visiting servicemen from the personal community charge. It is proposed that this should be done by excluding diplomats and visiting servicemen from the definition of "adult residents" used for grant purposes.

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ANNEX B

MEMBERS OF UNITED KINGDOM ARMED FORCES

B1. Most service personnel will be liable for the community charge, in the same was as all other adults: they will be registered for and pay the personal community charge in the area where they have their sole or main residence. It may, however, be impractical to register individually the most mobile service personnel - eg those resident for short-periods during training in a succession of different barracks. It may also be undesirable, for security reasons, for the number and names of the personnel at a particular address to be included in the community charge register which will be, in part, a public document.

B2. The problem of mobility may also arise in respect of some civilian residents of Crown property. In similar circumstances involving non-Crown property, designation for the collective community charge might be appropriate. It would not, however, be appropriate for Crown property to be designated for the collective community charge (for the reasons set out in paragraph 6 of the main paper).

B3. It is therefore proposed that the Secretary of State should have the power to designate Crown premises, if they are mainly used as a residence by individuals, most or all of whom are there for only short periods; or if it would be undesirable for them to be registered for the personal community charge, on national security grounds.

B4. The effect of designation by the Secretary of State would be that any individual solely or mainly resident in the designated premises would be exempt from the personal community charge. The occupying Department would pay contributions in lieu of community charges to the local authority in whose area the premises were located, and would recover the money from the individuals who stay in the premises.

B5. It will be important that the occupying Department should consult closely with the local authority concerned, when deciding whether or not to designate premises, and when assessing the level of the contribution in lieu.

CH/EXCHEQUER
REC. 31 JUL 1987 3/7
ACTION CST
COPIES TO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

31 July, 1987.

Dear Robin,

RATE REFORM: CROWN PROPERTY

The Prime Minister has seen your Secretary of State's minute of 30 July which set out proposals for the treatment of Crown property and the residents of Crown property, under the new system of local government finance, and is content, subject to the views of colleagues.

I am copying this letter to the Private Secretaries to the members of E(LF), and to Sir Robert Armstrong.

Yours,

David.

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

2600/058

CONFIDENTIAL

FROM: L WATTS
DATE: 31 JULY 1987

I remember this, but can't find in minutes.

CHANCELLOR

cc: Sir P Middleton
Mr F E R Butler
Mr Anson
Mr C D Butler
Mr Hawtin
Mr Potter
Mr Fellgett

Alex
I think this is slightly confusing. The PM asked me about the Royal Family & Royal Household & community charge some weeks ago, & I mentioned this to you & (I think) PGM. This looks to be the sequel. You may want to mention it to her [illegible]

BF to Alex 3/9

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

The Keeper of the Privy Purse mentioned recently to Sir Peter Middleton the effect the community charge was likely to have on the Royal Household. Sir Peter Middleton asked me to let you have a note on the subject.

2. I attach a table showing the impact of the community charge on those in the Household who do <u>not</u>, at present, pay rates. The Palace's figures look about right; they are taken from DOE exemplifications of the level of community charge that would apply in 1987-88 if the reform had been implemented. They are at 1987-88 prices and so will change if the reform is implemented by 1990-91, and they make no allowance for any phasing. They are also based on Westminster and Kensington schools remaining part of ILEA. Should these authorities withdraw some of the costs could be significantly reduced. Quite likely

3. We have indicated that, as with other parts of the public sector, there is no intention of increasing the Civil List to cover any additional costs which may occur because of the community charge. We understand that the Keeper accepts that the Household staff are caught if there are to be no exceptions from the general rule.

4. As you know, employees living in tied accommodation will not be exempt from taxation if they receive the benefit of having the personal community charge paid for them. Thus, if Her Majesty was minded to meet these costs from other sources, the sums could be grossed up for tax.

CONFIDENTIAL

5. You may also like a brief comment on the Royal Family itself. As with the Scottish legislation, we understand that all Members of the Royal Family, except for the Queen and the Prince of Wales (as Duke of Cornwall), will be subject to the personal community charge. Members of the Royal Family who get Civil List annuities will not be able to include the personal community charge as an allowable expense under Section 191 of ICTA 1970. All Members of the Royal Family (except for the Queen in respect of Balmoral) will be subject to the standard community charge on second homes.

L WATTS

2600/058

ANNEX A

IMPACT OF THE COMMUNITY CHARGE ON ROYAL HOUSEHOLD EMPLOYEES WHO DO NOT AT PRESENT PAY RATES

Living in:	Reimbursed at the flat rate of the Community Tax	
St James's Palace	19 @ £396	£ 7,524
Marlborough House Mews	4 "	1,584
Gladstone Court	24 "	9,504
Buckingham Palace	90 "	35,640
Royal Mews	113 "	44,748
Kensington Palace	7 @ £370	2,590
Hampton Court Palace	16 @ £233	3,728
Windsor	129 @ £164	21,156
		£126,474

2600/058

ANNEX B

IMPACT OF THE COMMUNITY CHARGE ON EMPLOYEES OF SOME ROYAL HOUSEHOLDS WHO DO NOT AT PRESENT PAY RATES

Household of:	Number of Persons	Reimbursed at the flat rate of the Community Tax		
Queen Elizabeth The Queen Mother:				
Clarence House	20	@ £396	£7,920	
Royal Lodge, Windsor	8	@ £164	1,312	
				£9,232
The Princess Royal - Gatcombe Park	3	@ £192		576
The Princess Margaret, Kensington Palace	3	@ £370		1,110
Princess Alice of Gloucester and The Duke of Gloucester, Kensington Palace	4	@ £370		1,480
The Duke of Kent, St James's Palace	2	@ £396		792
Princess Alexandra, St James's Palace	1	@ £396	396	
Thatched House Lodge	1	@ £212	212	
				608
				13,798

SC0360p

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

CHIEF SECRETARY
REC. - 5 AUG 1987
ACTION Mr Potter
COPIES TO CX Sir Peter Middleton
Mr Butler Mr Anson
Mr Gilmore Mr Hawtin
Mrs Pearson Mr Turnbull

Mr Fellgett
Mr Cropper
Mr Tyrie

Michael Howard Esq MP
Minister of State for Local Government
Department of the Environment
2 Marsham Street
London
SW1P 3EB

3rd August 1987

Dear Michael,

Your letter of 20 July invited me to agree that community charge rebates, when introduced, should be extended to include monks and nuns who are fully maintained by their orders. I am afraid I have to say that I am not persuaded that this is the right course.

Members of religious orders who are fully maintained by their orders are at present effectively outside the scope of all income-related benefits. The reason is quite straightforward. The religious orders have in effect a contract with their members to maintain and house them. There is therefore no reason for them to be a charge on public funds nor, so far as I am aware, any wish on the part of the orders or their members to apply for means-tested benefits.

I note that you believe that this small and unusual group must be liable to the charge. That is for you to decide but I do not think the arguments are strengthened by comparing the effects of exemption with other people on low incomes such as ministers of religion.

The amount of rebate they receive may be considerably less than 80 per cent as this depends on their income. Nevertheless, our decision to add the value of 20 per cent of the average rates bill to income support rates means that it remains possible to be fully compensated.

I am sure you are right to say that it will be seen by some to be indefensible to ask monks and nuns to bear the whole weight of the community charge. Equally, I think that many will find it difficult to understand a solution which would bring them into means-tested benefits.

There are no provisions for a block application under the housing benefit scheme. Every monk and nun involved will have to decide whether to apply for benefit and the local authority will be required to make a full assessment of their needs and resources. In my view this solution presents us with difficulties at least as great as the problem you are seeking to overcome. I must ask you therefore to reconsider whether it would not be better to allow this group to qualify for full exemption or part exemption as is planned for students.

Copies of this letter go to John Major, Ian Lang and Wyn Roberts.

Yours ever,

Nick.

NICHOLAS SCOTT

PPS/TA?

SECRETARY OF STATE FOR THE ENVIRONMENT

CH/EXCHEQUER
REC. -6 AUG 1987 C/1.
ACTION CST
COPIES TO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: PMP
Your ref:

Tony Galsworthy Esq
Private Secretary to
The Rt Hon Sir Geoffrey Howe QC MP
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

4 August 1987

Dear Tony,

RATE REFORM: CROWN PROPERTY

My Secretary of State wrote to the Prime Minister and members of E(LF) on 30 July with proposals for the treatment of Crown property, and the residents of Crown property, under the new system of local government finance.

Copies should also have gone to the Foreign Secretary and the Secretary of State for Defence. I am therefore sending copies to you and to John Howe, with apologies for the oversight.

Copies of this minute go to David Norgrove, Mike Eland in the Lord President's office, Private Secretaries to members of E(LF) and Trevor Woolley in Sir Robert Armstrong's office.

Yours sincerely,

Robin Young

R U YOUNG
Private Secretary

[redacted]Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switsfwrdd)
01-233 0559 (Llinell Union)
Oddi wrth y Gweinidog Gwladol

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switchboard)
01-233 0559 (Direct Line)
From The Minister of State

CHIEF SECRETARY
REC. - 6 AUG 1987
ACTION Mr Potter
COPIES TO CX Sir Peter Middleton
Mr Butler Mr Anson
Mr Gilmore Mr Hawtin
Miss Peirson Mr Turnbull
Mr Fellgett Mr Cropper

CT/6107/87

10 August 1987

Dear Michael

COMMUNITY CHARGE: MEMBERS OF RELIGIOUS ORDERS

I have seen your letter of 20 July to Nicholas Scott suggesting that the housing benefit regulations should provide for monks and nuns to be eligible for community charge rebates. As these people have no income, it is clearly inequitable that they should be liable for the full community charge; but to exempt them altogether would reduce accountability, and lead to strong pressure to exempt not only Ministers of Religion but other deserving groups. I am convinced therefore that your proposal represents the best way forward, and I agree that an early announcement is desirable.

I am copying this letter to Nicholas Scott, John Major and Ian Lang.

Yours ever

Wyn.

WYN ROBERTS

Michael Howard Esq MP
Minister of State for Local Government
Department of the Environment
2 Marsham Street
London SW 1

1. MR F E R BUTLER

2. CHIEF SECRETARY

1 Alex
2 C.

FROM: B H POTTER

Date: 27 August 1987

cc Chancellor
Sir P Middleton
Mr Anson
Mr Gilmore
Mr Hawtin
Mrs Lomax
Miss Peirson
Mr Scholar
Mr Turnbull
Mrs R Butler
Mr Pratt
Mr Perfect o/r
Mr Tyrie

* esp sale-&-leaseback

Cl

I agree that this looks promising

AA

I agree. The key problem is 4(v)/5(i). This* is what sank the old (pre-1981) loan sanction control. 5(ii) is much less of a problem! So far as housing is concerned, council sales are demand led from the tenants. N.

LOCAL AUTHORITY CAPITAL CONTROLS

As you know, work has been underway for some months on a new system for controlling local authority capital expenditure. DOE's proposals are now beginning to take shape. It will still be several weeks however before firm proposals can be put to Ministers. But, not least because colleagues may refer during the bilaterals to the need to reform the capital control system, you will wish to be aware of the progress to date and the planned timetable for action.

POTTER → CST 27/8

Need for reform

2. The Government is committed to reforming the present local authority capital control system, first because it failed to stop massive overspending in the period 1983-84 to 1985-86 and second because the growth in spending power from accumulated receipts has reduced the scope for allocations. The overspending problem is now less serious - partly because of cuts in allocations but also because in-year receipts have recently been higher than expected. But the reductions in allocations mean the present system is not good at matching provision and hence resources to needs. Services which generate few receipts - Transport, Education and Personal Social Services, suffer as a result.

? (LAs can vire freely).

The point is (this is what the Chancellor hinted) that the County Councils have the expensive services to finance but the District Councils have the bulk of the receipts.

Paying for Local Government Proposals

3. The Green Paper included proposals for a control on gross local authority capital spending. The public reaction was overwhelmingly hostile and the Environment Secretary announced in October 1986 that he would not go ahead with the planned reform in the 1986-87 Session. Annex A describes these proposals in more detail and why they failed.

New proposals

4. Department of the Enviornment have reconsidered their proposals and have developed a new scheme which concentrates on controlling borrowing for capital purposes and the use of capital receipts. The scheme would leave local authorities free to finance extra capital spending from own current revenue (ie local taxes), subject to the same constraints they face on current spending. The main features of the proposals are:-

i) control over new capital borrowing;

ii) control over use of accumulated and in-year capital receipts; 50 per cent of all cash backed receipts to be paid into new debt redemption funds and used to reduce net indebtedness;

iii) only temporary borrowing for revenue purposes allowed as at present;

iv) local authorities allowed to draw on revenue balances as at present;

v) capital borrowing to be broadly defined to include creative financing deals that postpone costs into the future.

5. The scheme looks promising. In principle, it could achieve the main Treasury objectives for the LA capital control regime of controlling total capital expenditure and matching resources

more closely to needs. But we are exploring some detailed practical aspects with DOE officials such as:-

i) how can the scheme best be designed to block existing and likely future creative accounting devices;

ii) how can the incentive to sell assets and generate capital receipts be maintained at the same time as taking into account capital receipts when distributing borrowing permissions?

Once the proposals are further advanced, we will also need to consider how the new scheme would fit in with our own proposals for a new public expenditure planning total.

Timetable

6. Department of the Environment propose to revise their proposals in the light of comments we have made on the details and show them to the other service departments concerned. Their timetable is as follows:

i)	detailed proposals considered collectively	Sept/Dec 1987
ii)	revised proposals published	Nov/Dec 1987
iii)	comments received	March 1988
iv)	legislation drafted	March/Oct 1987
v)	legislation on statute book and basis of 1989 Survey agreed	July 1987
vi)	new control system introduced	April 1990

Treasury has a particular interest in ensuring the details of the new system are clear by July 1989, so that the basis of the 1989 Survey discussions is clear.

Line to take in Survey

7. If colleagues complain about the existing control system, particularly its failure to match resources to needs, you may wish to refer to the fact that work is being done to develop a new capital control system. But as the timetable indicates, we will have to work with the existing system in this and next year's Surveys. Whatever its microeconomic shortcomings, colleagues must live with it so that total LA capital spending remains under control.

Action

8. We will try to sort out as many details as we can at official level so you are presented with a choice between:-

i) a system that concentrates on capital borrowing, as now proposed; and

ii) continuing to refine the existing system, probably by stopping the "cascade" of accumulated receipts and taking spending power into account when distributing allocations.

Department of the Environment are likely to seek your views on (i) in the next month or so before going to colleagues. We will provide a full assessment at that stage.

Barry H. Potter

B H POTTER

Annex A

PAYING FOR LOCAL GOVERNMENT: LA CAPITAL PROPOSALS

Objectives

The Paying for Local Government Green Paper identified three objectives for any control of local authority capital:

i. it should provide effective Government influence over aggregate levels of local authority capital expenditure and borrowing;

ii. it should promote asset sales;

iii. it should provide a sound basis for local authorities to plan their capital programmes.

Two possible approaches were discussed.

1. External borrowing limits (EBLs)

2. The Green Paper reported that the Government had looked closely at introducing a control over local authorities' total net external borrowing, for revenue and capital purposes. But severe practical difficulties were identified in setting tailor-made annual EBLs for more than 405 local authorities. If they could be solved, some safety value would be needed to cover unforseen expenditure, or shortfall in income. Local authorities would then be able to use the safety value to avoid restraining spending. All of the local authority associations, CIPFA and the Audit Commission rejected an EBL system.

2. Gross expenditure control

3. The Government saw more merit in a gross expenditure control. This would be much the same as the existing net expenditure control. But the PES forecast of in-year receipts would be excluded from the cash limit. And it was proposed to tackle a number of problems with the existing control system.

(a) Spending power from receipts

4. The Government proposed to take account of spending power from receipts when distributing allocations. No proposals were made to reduce the overhang of cash-backed accumulated receipts, though it was proposed to end the cascade under which the non-prescribed proportion of receipts is added to the backlog of accumulated receipts and the spending power from non-cash backed receipts would be abolished.

(b) Revenue contributions to capital spending

5. It was proposed to allow local authorities limited freedom to increase capital spending by financing it from local income. The Government proposed to restrict this freedom so the new gross cash limit could be met. But the comments on the proposals questioned the need to restrict the use of local income for capital spending beyond the constraints for current spending.

(c) Leasing

6. Finance leasing was to be brought under control. This has since been achieved by secondary legislation.

(d) Other non-prescribed (uncontrolled) spending

7. Other non-prescribed spending was also to be brought under control although the need for some exemptions was recognised. Housing repairs financed either by capital receipts or by local income is the major element of this spending; it remains to be brought within the control system.

(e) Advance and deferred purchase schemes

8. These schemes were to be brought under control. This was achieved by the Local Government Act 1987.

Reasons why gross expenditure control failed

9. The proposals for gross expenditure were:

i. **not integrated** with the proposals on local authority revenue spending; partly because it was envisaged that the new capital control system would be introduced two years before the community charge system.

(ii) **Insufficiently radical on receipts**. By failing to tackle the backlog of accumulated cash backed receipts, little room was created for improving the match of resources with needs. Tackling this backlog is essential if resources are to be released to distribute to areas of high need. The proposal to remove spending power from non-cash backed receipts irritated many local authorities even though it would have little real effect.

(iii) **Not designed to tackle creative accounting.** By the time Ministers came to take decisions in September 1986 new creative accounting devices were coming to light that would not have been stopped by the gross expenditure control system. These included sale and leaseback deals and creative accounting deals backed by local authority guarantees.

The comments from CIPFA, the Audit Commission and the local authority associations were hostile. Rather than proceed, the Environment Secretary announced on 15 October 1986 that improvements would be made to the existing system but no major overhaul to the capital control system would be made in the 1986-87 session of Parliament. The statement said:-

> "There would be obvious advantages in introducing changes in the arrangements for current and capital together"; implying that a new capital system will be in place by 1 April 1990.

pwp

FROM: A C S ALLAN
DATE: 2 September 1987

PS/CHIEF SECRETARY

cc Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Gilmore
Mr Hawtin
Mrs Lomax
Miss Peirson
Mr Scholar
Mr Turnbull
Mrs R Butler
Mr Potter
Mr Pratt
Mr Perfect
Mr Tyrie

ACSA → PS/CST 2/9

LOCAL AUTHORITY CAPITAL CONTROLS

The Chancellor has seen Mr Potter's minute to the Chief Secretary of 27 August, and agrees that the scheme now proposed by Department of the Environment looks promising.

2. He feels the key problem is creative accounting (4(v) and 5(i) of Mr Potter's note). This (especially sale and leaseback) is what sank the old (pre-1981) loan sanction control. He feels that the problem of maintaining the incentive to sell assets and generate capital receipts is much less of a problem: so far as housing is concerned, sales are driven by the demand from the tenant.

ACSA

A C S ALLAN

10/2
papers
PSC

1. MR POTTER BHP 7/9

2. CHIEF SECRETARY

FROM: R FELLGETT

Date: 7 September 1987

cc: Chancellor
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Gilmore
Mr Turnbull
Mr C D Butler
Mr B Fox
Mr Instone
Mr L Watts o/r
Mr Michie
Mr Meadows
Mr Sargent
Mr Call
Mr Olney
(Treasury Valuer)
Mr A J Walker (I/R)

RATE REFORM: CROWN PROPERTY

Mr Ridley minuted the Prime Minister on 30 July. I am sorry that it proved difficult to check with other Treasury divisions and the Revenue and prepare advice on his proposals until after the August holiday season was over.

2. In brief, Mr Ridley proposes that:

(i) with limited exceptions (including the Sovereign and Prince of Wales), the personal community charge will apply to people living in Government property and on the Crown's domestic estates, just as it will to everyone else;

(ii) a system like the collective community charge will cover residents of high-turnover barracks etc, and premises where servicemen or other residents should not be registered individually for security reasons;

(iii) Government property will be exempt from the standard charge on empty residential accomodation; but departments will pay a contribution in lieu;

(iv) foreign servicemen and diplomats will be exempt from the personal community charge, in line with international agreements.

3. The Prime Minister, Mr Hurd, Mr Walker and Mr Newton have already accepted the proposals.

4. As Mr Ridley's covering note says, the DOE paper follows discussions between officials in the departments most concerned, and that included the Treasury. With one exception, the proposals follow closely analogies with the present treatment of Crown property and its residents, and analogies with liability to other personal taxes, particularly income tax. I recommend that you raise no objection to the vast majority of the proposals.

5. I suggest that you query just one point. The paper proposes that payments in lieu of rates by the Rating of Government Property Department should be paid direct into the National Non-Domestic Rate pool, and not, as at present, to individual local authorities. Although this would avoid Government money being paid to local authorities by separate routes, RGPD advise that there would be operational difficulties in changing from their present system. DOE officials, in parallel with Mr Ridley's minute, indicated sympathy for this point. Officials could discuss the point further and report back; I understand from DOE that it does not affect the drafting of the Rate Reform Bill.

6. You will have noted in Annex A to the DOE paper that the Treasury will take the lead in negotiations to ensure that UK authorities continue to benefit from the "beneficial proportion" of local government taxes currently contributed on behalf of foreign (mainly American) armed forces in this country. LG2 have this in hand.

7. There are three further points which you may also wish to note. First, the paper says nothing about the public expenditure consequences of these proposals. In particular, the proposal that departments occupying empty domestic accommodation should pay contributions in lieu of the standard community charge will add to their costs. At present, contributions in lieu of rates on such property are paid by RGPD, where there will be a saving. The amounts involved have yet to be estimated properly, but could amount to tens of millions of pounds a year. There is a outside chance that MOD (who would be most affected) could raise this in the current Survey, although a request by them for a transfer of public expenditure provision from RGPD in the 1988 Survey is much more likely. We have, of course, reserved your position on this.

8. Second, in one respect the proposed exemptions go beyond current exemptions from income tax. It is proposed to exempt some 31,000 dependents of American servicemen as well as a roughly equal number of the servicemen themselves. Dependents are spouses and children; many of the children will be under 18 and therefore exempt from the Community Charge anyway. If these dependents took jobs in this country they would be liable for income tax. However, it would be difficult to argue that an American serviceman's wife who came to this country simply to accompany her husband on NATO duty should be subject to British local authority taxation, when her husband is exempt. (In due course, it may be necessary to concede a similar exemption for diplomats' spouses. But no request for exemption has yet been made.) The Inland Revenue's preliminary advice is that the wider exemption from Community Charge is unlikely to create undue difficulties for them in maintaining the present narrower exemption from income tax liability. I therefore suggest that you accept this difference.

9. Thirdly, the DOE paper is over-condensed at one point. It says that Crown property will be exempt from the standard Community Charge (and the Government will pay contributions in lieu), but fails to add that the <u>domestic</u> estates of the Crown will <u>not</u> be exempt. So members of the Royal Family will pay a standard Community Charge on empty second homes, just as they pay rates on them at present.

Conclusion

10. I recommend that you agree with all of Mr Ridley's proposals, apart from the detailed point about handling RGPD payments which officials can discuss further. A draft letter is attached.

11. DM, Accounts, RGPD and LG2 agree. This advice has also been discussed with the Inland Revenue.

Robin Fellgett

R FELLGETT

DRAFT LETTER FOR THE CHIEF SECRETARY'S SIGNATURE TO THE SECRETARY OF STATE FOR THE ENVIRONMENT

Thank you for copying to me your minute of 30 July to the Prime Minister.

2. I am generally content with your proposals.

3. However, your proposal that RGPD should make payments directly into the National Non-Domestic Rate pool might create difficulties for them. I understand that officials are still discussing this point. I further understand that a decision is not needed for the drafting of the Rate Reform Bill, so I suggest officials should continue their discussions and report back to us when a conclusion has been reached.

4. I should also record that I am content with your proposal in Annex A that the Treasury should take the lead in negotiations to recover an amount equivalent to the "beneficial proportion" of rates currently paid to the United Kingdom on behalf of visiting forces.

5. I am copying this letter to the Prime Minister, to other members of E(LF) and to Sir Robert Armstrong.

[J.M]

KB

R8

From the Minister of State
for Local Government

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

PRIVATE SECRETARY
14 SEP 1987
Mr Potter
cx. Sir Peter Middleton
Mr Butler Mr Anson
Mr Gilmore Mr Hawtin
Mrs Lecarn Mr Turnbull
Mr Pellgett Mr Tyrie
Mr Call

My ref: H/PSO/15679/87
H/PSO/15983/87
H/PSO/16064/87

11 th September 1987

Dear Nick

You wrote to me on 3 August about our proposition that monks and nuns should be brought into the community charge rebate system. I have also had replies from John Major, Ian Lang and Wyn Roberts to my letter of 20 July.

I appreciate that bringing monks and nuns into the rebate system will create problems for DHSS - not least in having to assess the income of each member of a religious order in order to determine their eligibility. However, I believe that this is an inevitable consequence of the change from the present rate rebate system, where the entitlement to a rebate depends on claimant incurring housing costs, to the community charge system, where the charge is incurred by the individual, regardless of whether he pays for his housing or it is provided at no cost.

Despite the practical problems, I remain convinced that making this group eligible for rebates is preferable to granting them an exemption. I note that John Major, Ian Lang and Wyn Roberts share my view that to grant an exemption would make it extremely difficult to hold our position in relation to ministers of religion and is hard to defend insofar as monks and nuns vote in local elections and benefit from local services.

I have considered a partial exemption, on the lines we propose for students. But I fear that this too would lead to pressure for similar treatment for ministers of religion. Such a move would mean that many ministers who would otherwise not have been eligible, or whose income would have entitled them to a rebate of less than 80%, would receive the full rebate. Apart from anything else this would be a costly way to proceed.

In the light of what I have said, and of the strong support of colleagues for my proposal, I should be grateful if you would reconsider making this group eligible for community charge rebates.

/ I am copying this letter to John Major, Ian Lang and Wyn Roberts.

Yours ever

Michael

MICHAEL HOWARD

Nicholas Scott Esq MP

MP 1/71

CONFIDENTIAL

BF 18/9

FROM: A C S ALLAN
DATE: 11 September 1987

MR L WATTS

cc: Sir P Middleton
Mr F E R Butler
Mr Anson
Mr C D Butler
Mr Hawtin
Mr Potter
Mr Fellgett

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

The Chancellor was grateful for your minute of 31 July about the impact of the community charge on the Royal Household.

2. The Prime Minister had, some time ago, asked the Chancellor about this. The general principles have been the subject of correspondence between DoE and No.10. But the Chancellor feels that we should let the Prime Minister know the figures in your note; and say that the Keeper of the Privy Purse accepts that there will not be an increase in the Civil List to cover them.

3. I should be grateful if you could supply a draft.

Ch
This followed a phone call from Nigel Wicks.
AA

ACSA

A C S ALLAN

BF 1/10

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111

MO 10E

14th September 1987

CH/EXCHEQUER	
REC.	15 SEP 1987
ACTION	CST
COPIES TO	

Dear Nicholas,

RATE REFORM: CROWN PROPERTY

I have seen a copy of your minute of 30th July to the Prime Minister about the treatment of Crown property, and residents of Crown property, under the new system of local government finance. I agree in principle with the policy proposed, that Service personnel should be liable to pay a personal community charge, as other adults will be, in an appropriate form.

But I do, I am afraid, have some difficulty with the specific proposals as they affect Servicemen. At present, as you will be aware, Service personnel in Crown premises pay a standard accommodation charge, reviewed by the Armed Forces Pay Review Body (AFPRB), which includes an element to cover local authority rates. This element is an average of contributions in lieu of rates paid by the Rating of Government Property Department (RGPD) in England, Wales, Scotland and Northern Ireland and the charges for married and single accommodation are applied worldwide. It is not therefore directly sensitive to the rate set locally. An important reason for this arrangement is that Service personnel have little influence over their postings and it would be inequitable to charge them differing rates according to the location of their accommodation. Nor, since they generally do not reside in the constituencies where their votes are cast, can they influence local policy through the democratic process. The proposals that you put forward would in effect abandon

The Rt Hon Nicholas Ridley MP

the principle, which I believe remains soundly based, that Service personnel should make a uniform contribution regardless of where they are posted.

There would also be a number of practical difficulties with the scheme as proposed. The suggested arrangements for registration and payment of community charges place responsibility on individuals to enter their names on a register in an area in which they are resident and to remove themselves from it when they leave the area. The majority of Service personnel and families are necessarily highly mobile during their lives in or accompanying the armed forces. The introduction of a system which required those living in Service accommodation to register and re-register would present major administrative problems and impose further burdens on the local authorities involved in dealing with registration and the collection of charges. I note that in Annex B to the paper it is recognised that mobility would cause difficulty in some cases; my own view is that this problem applies more widely than the paper perhaps allows for. Similarly, I believe that the Annex may underestimate the scale of the security difficulties involved.

I should prefer to adopt a different approach to the payment of charges, whereby my Department would ensure that the personal community charges for Service personnel, as well as Service dependants residing in Crown property, are levied on a standardised basis by including in accommodation charges a standard averaged element to cover community charges. I suggest, too, that it might be most convenient for the RGPD to continue to make the payments in lieu to the local authorities (for both occupied and empty accommodation). On this basis, the legislation would need to provide for an exemption power for Servicemen and their dependants residing in Crown property. Service personnel living in their own property would be expected to make the appropriate arrangements for registration in their area of residence.

The proposals put forward to deal with the position of diplomats and visiting forces personnel in the United Kingdom suggest that either my Department or the Foreign and Commonwealth office, in conjunction with the Treasury, should negotiate, with other Governments, the arrangements for recovery of the 'beneficial proportion' of rates. I believe that these details would be better handled by the Treasury and the Foreign and Commonwealth Office rather than my Department, and assume that the Chancellor and the Foreign and Commonwealth Secretary will take these matters in hand.

I am sending copies of this letter to the Prime Minister, the Lord President, the Foreign and Commonwealth Secretary, other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

George

George Younger

PCU R
PS/
(Sir Alex)

COVERING CONFIDENTIAL

2610/036

[illegible]

FROM: L WATTS
DATE: 18 September 1987

CHANCELLOR

cc: Sir P Middleton
Mr F E R Butler
Mr Anson
Mr C D Butler
Mr Hawtin
Mr Potter
Mr Fellgett

BF next PEM material

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

I attach, as requested in Mr Allan's note of 11 September, a draft letter to No 10 showing the expected impact of the community charge on the Royal Household.

2. The Keeper of the Privy Purse would not be prepared to go quite so far as to say that he accepts that there would not be an increase in the Civil List. The draft letter to No 10 is therefore drafted to reflect this nuauce.

Ch
I discussed this with Nigel Wicks a few weeks ago. He had forgotten about this, but thought I should write.
Having seen this draft I wonder if we are not stirring things up unnecessarily? I could sit on it to see if Nigel remembers (unlikely)?
AA

L WATTS

2610/037

DRAFT LETTER TO:

Nigel Wicks Esq
Principal Private Secretary to the Prime Minister
No 10 Downing Street

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

You asked for information about
~~The Chancellor has asked me to write to deal with a point raised by the Prime Minister about~~ the effect the community charge would have on the Royal Household.
There has been some Ministerial correspondence about the general issue of Crown property & the community charge (Mr Ridley's minute of 30 July). This letter covers the specific impact on the Royal Household.

2. ~~The main question is the potential management difficulty in dealing with certain Household officers and staff (some low paid).~~ I attach a table showing the impact on those in the Household whose pay & conditions ~~pay etc~~ take account of free accommodation and who do not, at present, pay rates. These figures are based on the DoE exemplifications of the level of charge that would apply in 1987-88 if the reform had been implemented in full then. ~~They make no allowance for phasing or for~~ local education authorities ~~withdrawing from~~ opting out of ILEA (Costs ~~are expected to~~ should be significantly reduced when Westminster and Kensington ~~are allowed to withdraw~~ opt out).

They thus show what the position would be, on present spending levels, after the transition has been completed.

3. The Treasury has ~~made it clear~~ explained that, in keeping with ~~so far indicated~~ that, ~~consistent with its attitude not least in~~ the policy adopted throughout ~~as elsewhere in~~ the public sector,

The year-by-year pattern for the first four years would be affected by the phasing out of the safety net and - in inner London - by the phasing in of the community charge. ~~& the effect of~~
It would also be affected by

we do not accept that there should be an increase in

~~there can be no intention of increasing~~ the Civil List to cover any additional costs. ~~To do so would be to meet a direct tax.~~ The Keeper of the Privy Purse accepts that the Household staff will ~~be caught~~ have to pay the community charge if there are to be no exceptions ~~from~~ to the general rule though, naturally, he would prefer the Civil List people to receive special treatment.

if Her Majesty was minded to pay additional sums to these staff to meet the cost of the community charge.

4. As for the Royal Family itself, ~~you are aware that~~ the Queen and the Prince of Wales (as Duke of Cornwall) will be exempt from the personal community charge, as was indicated in the note attached to Mr Ridley's minute. All other Members will be subject to it and all Members (except for the Queen in respect of Balmoral) will be subject to the standard community charge on second homes. ~~Members of the Royal Family who get Civil List annuities will not be able to include the personal community charge as an allowable expense under Section 191 of ICTA 1970.~~

ACS Allan

2600/058

ANNEX A

IMPACT OF THE COMMUNITY CHARGE ON ROYAL HOUSEHOLD EMPLOYEES WHO DO NOT AT PRESENT PAY RATES

Living in:	Reimbursed at the flat rate of the Community Tax	
St James's Palace	19 @ £396	£ 7,524
Marlborough House Mews	4 "	1,584
Gladstone Court	24 "	9,504
Buckingham Palace	90 "	35,640
Royal Mews	113 "	44,748
Kensington Palace	7 @ £370	2,590
Hampton Court Palace	16 @ £233	3,728
Windsor	129 @ £164	21,156
		£126,474

2600/058

ANNEX B

IMPACT OF THE COMMUNITY CHARGE ON EMPLOYEES OF OTHER ROYAL HOUSEHOLDS WHO DO NOT AT PRESENT PAY RATES

Household of:	Number of Persons		Reimbursed at the flat rate of the Community Tax	
Queen Elizabeth The Queen Mother:				
Clarence House	20	@ £396	£7,920	
Royal Lodge, Windsor	8	@ £164	1,312	
				£9,232
The Princess Royal - Gatcombe Park	3	@ £192		576
The Princess Margaret, Kensington Palace	3	@ £370		1,110
Princess Alice of Gloucester and The Duke of Gloucester, Kensington Palace	4	@ £370		1,480
The Duke of Kent, St James's Palace	2	@ £396		792
Princess Alexandra, St James's Palace	1	@ £396	396	
Thatched House Lodge	1	@ £212	212	
				608
				13,798

CONFIDENTIAL

CHANCELLOR OF THE EXCHEQUER

FROM: A C S ALLAN

DATE: 21 September 1987

MR L WATTS

cc Sir P Middleton
Mr F E R Butler
Mr Anson
Mr C D Butler
Mr Hawtin
Mr Potter
Mr Fellgett

ROYAL HOUSEHOLD AND COMMUNITY CHARGE

The Chancellor was grateful for your minute of 18 September and the draft letter to No.10.

2. On reflection, he feels it is best not to write now, but to keep the annexes to hand should the subject arise.

ACSA

A C S ALLAN

PS: What will be position with ~~vicars etc~~ [illegible] public sector the churches, which — this will not be in the private sector — or are they? If they [illegible] is rather tricky, this [illegible] too [illegible] in the letter.

CX

Subject has arisen again. PM would like info before her audience tomorrow. OK for me to write as below?(*) (I strongly suspect PM will press for Civil List to be increased).

AA

OK (one or 2 drafting changes)

(*) subject to clearing with Lee Watts tomorrow on latest developments.

1 ~~Alex~~
2 C

CONFIDENTIAL

HOLGATE → PS/CH 2/10

1. MR POTTER RHP 2/10

2. PS/CHANCELLOR

FROM: N I HOLGATE
DATE: 02-Oct-87

cc: Mr Hawtin
Mr Fellgett

FAST TRACK SCHEME TO ABOLISH THE RATES: "THE TIMES" 2 OCTOBER

You sought advice on this article.

2. DoE officials advise us that it does not reflect discussions with Mr Ridley and that they are not currently planning to put forward a proposal along the lines suggested in the article.

3. Nevertheless DoE has argued in the past that there should be a de minimis limit for residual rates bills that would trigger their abolition in a particular local authority, avoid the absurdity of collecting very low bills and save administration costs. And apparently Conservative councillors in low-spending areas have complained about the transition to Mr Howard and Mr Chope, who have been touring the country to explain the advantages of the community charge.

4. It is therefore possible that Mr Ridley may wish to propose an amendment to the Rates Reform Bill in the coming months.

NHolgate

N I HOLGATE

1. Cathy

NFA

THE TIMES

Friday, October 2, 1987

Ridley plans fast track scheme to abolish rates

By Martin Fletcher, Political Reporter

New plans under which low-spending councils, most of them Conservative-controlled, could by-pass the phasing-in period for the community charge are being prepared by Mr Nicholas Ridley, Secretary of State for the Environment.

Mr Ridley, who in July fought a fierce but unsuccessful battle in Cabinet against the four-year phasing-in period, is examining a number of options that would allow some councils to side-step it. The frontrunner is a scheme under which authorities whose rate income fell below a certain level before the four years was up could scrap rates and switch straight to the community charge.

The higher the Government set the threshold, the sooner councils could switch over. The result would be a patchwork effect across the country with some high-spending councils operating the dual system while others had only the community charge.

Mr Ridley will need Cabinet agreement for his plans and stiff resistance is likely from the Treasury, which wants to prolong the rating system.

However he can count on substantial support from Conservative councillors in the regions who are resolutely opposed to the phasing-in period.

A principal reason for the phasing-in period was to avoid sudden huge increases for those in high-spending, predominantly Labour council areas. In Camden, north London, for example, each adult would pay a community charge of £782, and in Hackney, east London, £691.

Low-spending Tory councils argue that the phasing-in period will cause them substantial extra costs and work. Running a rating system and the community charge simultaneously would involve councils in sending out millions of extra bills and in taking on extra administrative staff.

A senior source within the Conservative-controlled Association of District Councils said last night: "The Government has got a mandate and therefore it is our job to help introduce the community charge. However we have to put down a very clear warning that the phasing system is most unsatisfactory and very expensive. Our view is that if we have to have a community charge then let's get the transition period over as quickly as possible."

The phasing-in period is due to begin in 1990 in England, though in Scotland and Wales the community charge is to be introduced in a single instalment. Legislation is expected to be presented to Parliament in November.

● Mr Michael Howard, Minister for Local Government, yesterday signalled the start of the next stage in the campaign to introduce the community charge by challenging Labour to say how it would replace rates.

At next week's Tory conference Mr Ridley will launch a scathing attack on Labour's apparent inability to produce a preferable alternative

Daily Mail

Break the law, urge poll tax militants

By NICK ASSINDER

THE spectre of Liverpool-style town hall militancy came back to haunt Neil Kinnock yesterday.

Delegates urged councils to break the law as part of their campaign against poll tax and refuse to implement the new system.

Although calls for law-breaking were overwhelmingly defeated, the scene was set for a repeat of the Liverpool crisis which saw 47 Labour councillors surcharged for flouting rates laws.

Afford

Poll tax will come into effect in Scotland in 1989. In England and Wales the Government plans to phase it in over four years, starting in 1990.

Glasgow delegate William Hamilton said the only way Mrs Thatcher's plan would be defeated was through protest action.

'Some of you may baulk at the legal implications,' he said. 'But if the only way to protect the interests of the low paid, pensioners and the unemployed is by breaking an unjust law, then so be it.'

Local Government spokesman John Cunningham dismissed calls for lawbreaking, saying: 'We cannot afford to make the same errors of past campaigns against the Rates Act.'

Cathy

Can you find out from LG what's afoot.

Alan

811

psl/7A CONFIDENTIAL

pmp

ACSA → HOLGATE 6/10

FROM: A C S ALLAN

DATE: 6 October 1987

MR HOLGATE

cc Mr Hawtin
Mr Potter
Mr Felgett

FAST TRACK SCHEME TO ABOLISH THE RATES

Thank you for your minute of 2 October. You may also like to see the attached article in the Independent on Saturday, 3 October.

ACSA

A C S ALLAN

Saturday, October 3, 1987

THE GUARDIAN

Tax credit 'should replace child benefit'

By Peter Hildrew, Social Services Correspondent

Child benefit should be turned into a mothers' tax credit to rescue it from annual ideological debate, a leading social security researcher argues in a paper published today.

Treating child benefit as an abatement of tax to help to meet normal family costs, rather than as a welfare handout, would more truely reflect its real purpose, says Mr Richard Berthoud, senior fellow at the Policy Studies Institute in London.

Under his scheme, working mothers would have an amount equivalent to child benefit allowed against their income tax liability through their pay-as-you-earn coding. Non-working mothers would receive a tax credit sum direct from the Inland Revenue.

Mr Berthoud says that many critics, fail to understand that child benefit is designed to increase the incentive to werk.

Welfare: mixing the sheep and the goats. From Policy Studies Institute, 100 Park Village East, London NW1 3SR.

THE INDEPENDENT

Councils get early poll tax pledge from Ridley

By Colin Hughes
Political Correspondent

A CABINET Minister has told some Conservative councils that they may be allowed to introduce the poll tax in 1990, rather than undergo a four-year transition period lasting well beyond the next election.

Nicholas Ridley, Secretary of State for the Environment, met Tory councillors at a private meeting in London to discuss their anxieties about the poll tax.

Their principal objection to the Government's plans was that the proposed transition period would be administratively complex, because the new system and the current domestic rating system would run in tandem for four years.

The councillors said inability to understand how their payments had been calculated could put voters off the reform, when one of its intended benefits is its comparative simplicity.

They also argued that it would be politically advantageous to implement the poll tax fully before the country again goes to the polls. Transition would mean having to forego the possibility of picking up extra votes from those who will gain from the Government's most controversial first session legislation.

Mr Ridley is examining a scheme which would enable some councils to switch over to the poll tax immediately. The proposal would release small, Tory-controlled, and rural district councils from the transition period.

Although Mr Ridley lost a Cabinet contest over transition, he believes he may still be able to persuade colleagues to agree a selective side-stepping of transition.

FINANCIAL TIMES

BA 'likely' to acquire more airlines

By Michael Donne, Aerospace Correspondent

PRIVATISED British Airways is likely to seek additional airline acquisitions beyond its proposed takeover of British Caledonian, which has been referred to the Monopolies and Mergers Commission.

This view was expressed by Mr Roy Watts, former deputy chairman and chief executive of BA, who is now chairman of Thames Water. He retains aviation interest as deputy chairman of Brymon Airways, the regional airline in which BA has a 40 per cent shareholding.

Mr Watts, writing in Airline Business magazine, said that BA had the necessary strength and aggressive attitude to pursue further acquisitions.

"It will exploit its new-found strength as a public limited company in a way and at a speed which will make government reel," declared Mr Watts.

He said that "the so-called global airline trend" was about acquiring route structure as other large airlines had done and were continuing to do.

"Such carriers are primarily private-sector carriers, not owned by government," he said.

FINANCIAL TIMES

Buy a stake in a hole

AND NOW for something completely different . . . investors are about to be presented with the opportunity of buying shares in something which does not even exist, nor seems likely to earn a penny of revenue until at least 1993.

It is, of course, the Channel tunnel — or more accurately Eurotunnel, as the joint Anglo-French venture has been dubbed — which this week launched the marketing campaign for its equity offering scheduled for November.

The Eurotunnel issue is not a privatisation. The project is already a wholly private sector venture being carried out by companies on both sides of the Channel at an estimated cost of £4.8bn.

To provide a safety margin above the likely construction costs, a total of £6bn is being raised. Most of that will come in the form of bank loans; only about £250m has been raised in equity finance through private placings so far. November's public share offering will raise a further £750m.

Of the shares to be issued, about £300m worth will be sold through simultaneous public offerings on each side of the Channel and the rest will be allocated to other international stock markets. That makes the UK public offering a tiddler next to BP's £7.5bn call this month.

This is therefore not going to be an issue to widen share ownership. Indeed, Eurotunnel made it clear on Thursday that it was looking for well under 1m shareholders in order to give people sensible allocations, and that in the event of a heavy oversubscription it would ballot ruthlessly to cut the numbers down.

Will this prove necessary? Opinions are divided. Memories are still fresh of last year's near-disastrous lack of response to the equity placing with institutional investors in the UK. But there is now much more confidence that the project is actually going to be completed; the revenue forecasts have become considerably more optimistic; and throwing the issue open to the public seems likely to generate a much higher degree of interest than last year's low-profile issue.

Whatever the odds, Eurotunnel is taking no chances. Yesterday it launched an intensive UK marketing campaign for the flotation featuring advertisements in newspapers and on television. Further, it revealed that private investors will be offered travel-related perks for as long as they hold on to their shares: details of these will emerge later this month.

Perhaps controversially, in the light of recent events, the company is also hedging its bets by declining to outlaw multiple applications. It argues that the likely nature of the allocation will discourage them because a single large application will probably stand a better chance than many small ones.

R.T II/1

MONDAY, OCTOBER 12, 1987 FINANCIAL TIMES

Pup

THE TIMES

Ridley renews poll tax battle with Treasury

By Phi[illegible]ebster, Chief Political Correspondent

Mr Nicholas Ridley, Secretary of State for the Environment, is heading for another battle with the Treasury after confirming yesterday that he intends to reopen the Cabinet argument over the new community charge.

He made clear in a television interview that he was considering not only whether the the poll tax should be phased, but whether it could be introduced at varying paces in different parts of the country.

The Cabinet agreed in July, against Mr Ridley's advice, to adopt a four-year phasing-in period when the community charge would run alongside the rates.

Mr Ridley would have preferred the poll tax to be introduced in one straight instalment. Until quite late in the debate he had the backing of the Prime Minister, but she eventually sided with the Treasury, who argued for a lengthy phasing in because it wanted to prolong the rates for as long as possible.

Strong backing for Mr Ridley's original position surfaced at the Conservative conference in Blackpool last week. It was enough for him to say that the issue would be looked at again.

But Treasury sources made plain yesterday that they would fight against Mr Ridley reopening the issue.

One said: "For all those speakers saying the charge should be introduced in one go you could have found others equally adamant that it must be phased. Just ask a few London MPs and ministers."

Who on earth is this? – ? Min or adviser (v much doubt it's IDT!)

It appeared last night that to have any hope of reopening the issue, Mr Ridley would first have to be certain of a substantial body of support on the Conservative backbenches.

On the London Weekend Television programme *Weekend World*, Mr Ridley said he would ask his colleagues to reconsider the phasing question. "We will do that and let the world know when we have decided."

But he said the charge could come in at a varied pace according to the gap between what people now paid and what they would be asked to pay. If that was small they could start straight away, but if there was a big change in prospect, more time was desirable.

The main reason for phasing was to avoid sudden huge increases for those in high-spending, predominantly Labour councils.

● The rates bills of many homeowners will nearly treble if the Government is forced to drop the poll tax proposal and called for a revaluation instead.

Hardest hit would be residents of terraced houses in northern towns, such as Sheffield and Newcastle, a study carried out by chartered surveyors Fuller Peisner has revealed.

Those in flats and detached houses should fare better with some seeing their rates cut by as much as to 50 per cent.

Domestic Rates: The Significance of No Change examines 131 homes in nine English and Welsh cities and finds wide variations in rental values since the last revaluation in 1973.

Mr Alick Davidson, head of research, said: "If, due to the criticism of the community charge proposals, the Government decides to retain the current domestic rating system, a revaluation would need to be undertaken to readjust the present imbalance.

"It seems likely that the reactions to a domestic revaluation, where many lower and middle income groups would face much higher rate bills, could be just as heated as that generated by the community charge proposals."

Ridley to seek ways of speeding poll tax 6

By John Hunt, Parliamentary Correspondent

WAYS of speeding the introduction of the community charge, the so-called poll tax, are to be examined after pressure at last week's Conservative Party Conference for earlier implementation, Mr Nicholas Ridley, Environment Secretary, confirmed yesterday.

Interviewed on London Weeekend Television's Weekend World, he indicated that it might be possible to phase in the tax at different speeds in different areas.

In an area where there was not likely to be much difference between the community charge and the present local authority rate, it would be possible to make the change quickly.

"But if there was a very big change in their area perhaps more time would be highly desirable," he said.

It was put to Mr Ridley that in effect that would mean that the poll tax would be introduced more quickly than the original four-year phasing-in period, but that it would not be done uniformly throughout the country.

"I will be looking at the whole of the transitional period and get my colleagues to see what they think," he replied.

The Secretary of State denied that the collection of tax would lead to large numbers of "snoopers" and an infringement of civil liberties. "We don't intend to go into draconian methods of collection," he said.

He was pressed to say whether collection would involve access to Department of Health and Social Security records to track down evaders. Mr Ridley replied that it was not the Government's intention to ask for such powers at the "first stage" of introducing the community charge.

AA

Messrs Cropper on Tyne deny all knowledge of this! I'm not inclined to pursue it further: as you say, it certainly wasn't an IDT leak.

RA

Daily Mail

Ridley may give ground on his poll tax 9

THE method of switching from rates to the controversial community charge could vary in different parts of the country.

The speed at which the system will be introduced may be geared to the financial impact it will have on ratepayers, Environment Secretary Nicholas Ridley indicated yesterday.

In areas where there is likely to be little cash difference between the rates and the new charge, the changeover could be 'at a stroke' in 1990.

But in areas like London, where the gap for many residents is expected to be far greater, a longer phasing-in period could be arranged, Mr Ridley said on ITV's Weekend World.

Swift

Last week's Tory conference in Blackpool signalled Mr Ridley that most grassroots party workers prefer a swift changeover instead of the four-year phasing-in planned by Whitehall.

Many senior Conservatives fear that a phased introduction in the early 1990s would coincide with the next General Election.

On the other hand, a once-and-for-all introduction nationally in 1990 could have a devastating impact on many families whose bill would double or even treble.

A leading Tory opponent of the Community Charge, former Environment Minister Sir George Young, said he will be seeking changes to the scheme when a Bill is presented to the Commons.

He will campaign to take the poor out of the Community Charge altogether. At present they are facing demands to pay at least 20 per cent.

9

1807/6

CONFIDENTIAL

Right: & another point to that proviso an option will ensure that it is grasped by those councils that wish to maximise political damage on HMG.

FROM: B H POTTER

DATE: 13 October 1987

CHANCELLOR

Ch

I think this must be the right line (but I don't understand 2c) AA

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Turnbull
Miss Peirson
Mr McIntyre
Mr Gieve
Mr Fellgett
Mr Call

TRANSITION TO THE COMMUNITY CHARGE

1. We understand that Mr Ridley intends to minute the Prime Minister within the next day or so noting the demands at the Party Conference for full introduction of the Community Charge (CC) in England in 1990, and undertaking to put revised proposals on the transition to the CC before E(LF) very soon. Cabinet Office believe the proposals could be discussed at the earliest at the next scheduled meeting of E(LF) in the week beginning 26 October.

2. Our understanding is that DOE officials are working on the following options:

a. an unrestricted right for local authorities to "opt out" early of domestic rates and move wholly over to the CC;

fashionable!

b. a restricted right to opt out, if the average residual rate bill in an LA fell below a given level; Mr Ridley is not attracted to this option because he believes low spending councils with high rateable values in the South would not be able to switch quickly to the CC;

?

??

c. a right to opt out if the Community Charge is below a certain level; this alternative form of b., again a selective approach, is preferred by Mr Ridley.

Other possibilities (rejected earlier) such as full introduction of the CC outside London and a phased approach within London, may also re-emerge. We have pressed DOE officials to give us an early sight of detailed proposals (still to be properly developed on "opting out").

Assessment

3. The arguments of substance for a four year phasing-in of the CC which you presented at E(LF) remain sound. They are based on the distributional consequences of full introduction of the CC in 1990 for middle income local taxpayers in low rated properties, for adults paying local taxes for the first time and for all local taxpayers in London and some parts of the North - and on their likely political response. These arguments should carry the same weight as before.

4. We have doubts about the practicality of opting out schemes (quite apart from the inevitable inequity of treatment between different parts of the country). If a county opted out but none of its constituent districts did, there would be extraordinary administrative complexity: indeed the costs of transition could turn out to be greater than under the 4-year phasing-in. And changes in political complexion, leaving an unwilling authority to administer a 'premature' CC, would also cause major difficulties. But we will need to consider the detailed schemes before offering further advice.

5. But, whatever the arguments of substance and practicality, Mr Ridley believes he has important support for more rapid introduction of the CC. He will adduce not only the reaction at the Party Conference but also the views expressed by Conservative Councillors and some businessmen to Mr Howard and Mr Chope at meetings organised around the country to generate

support for rates reform. The Association of District Councils is also about to come down against phased introduction of the CC. And our understanding from Cabinet Office is that the Prime Minister is also minded to support a faster introduction of the CC.

6. Mr Ridley clearly believes he detects important changes in the balance of opinion on the right transition of the CC. But he would do well to test wider political reactions before jumping in to alter the present transition proposals. These proposals were only announced in July: it would be very damaging politically to change tack now and make a further public announcement only to have to alter course for a third time (fourth including the Green Paper scheme) in response to backbench or House of Lords pressure.

7. Subject to clarification of DOE's new proposals, we would welcome confirmation that our starting point at E(LF) should be to argue for no change to the announced 4 year transition period to the CC in England.

Barry H. Potter

B H POTTER

4790

CHANCELLOR OF THE EXCHEQUER

I agree: PM knows my views. L.

PUP

Ch Phoned through

As expected. Question is whether you want to ~~put~~ write round before E(LF) (next Tuesday). Officials don't think this is necessary. I suspect it might help, but could be ill-advised (especially vis-a-vis PM).

But do need v good briefing

AA

Yes [illegible] NL.

ps2/32R CONFIDENTIAL

RD

FROM: CATHY RYDING

DATE: 14 October 1987

MR B POTTER

cc Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Turnbull
Miss Peirson
Mr McIntyre
Mr Gieve
Mr Fellgett
Mr Call

TRANSITION TO THE COMMUNITY CHARGE

The Chancellor was grateful for your minute of 13 October.

2. The Chancellor agrees with your recommendation that our starting point at E(LF) should be to argue for no change to the announced four year transition period to the Community Charge in England. Another point is that providing an option will ensure that it is grasped by those councils that wish to inflict maximum political damage on the Government.

CR

CATHY RYDING

CR → POTTER 14/10

ID5307N/JAN

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

RP

Mr Potter

CX Sir Peter Middleton

Mr Butler Mr Anson

Mr Gilmore Mr Hawtin Mr Fellgett

Mrs Person Mr Turnbull Mr Tyrie Mr Call

20 OCT 1987

Michael Howard Esq MP
Minister of State for Local Government
Department of the Environment
2 Marsham Street
London
SW1P 3EB

Dear Michael,

COMMUNITY CHARGE REBATES - MEMBERS OF RELIGIOUS ORDERS

Thank you for your letter of 11 September.

Anomolies will be created whichever way we decide that monks and nuns are to be treated. I accept that if they are to be totally exempted from community charge liability, we would be creating yet another exempted category from a charge which we have agreed should be universal. However if we are to require them to make payments, they will be unable to do so since they have no income of their own and, since they are ineligible for means-tested benefits, will receive no compensation towards their contributions; presumably their orders would have to pay and my understanding is that the orders would be under no legal obligation to do so. And if they are to be brought within the scope of means-tested benefits for the sole purpose of having their community charge liability rebated, it will be necessary for each monk and each nun to make an individual rebate application and have his or her income individually assessed; this would require us to make regulations indicating how the income of members of religious orders were to be calculated, and would open the way to them being made eligible for income support and housing benefit.

In my view the best solution to this difficult problem would be for members of reigious orders to be treated in the same way as full-time students; they would appear in the community charge register but would be exempted automatically from 80% of their liability. This would not get round the problem of requiring them to make payments from their non-existant incomes, but would at least show that we were requiring them to pay something. Presumably all members of religious orders would, if assessed, be eligible for the maximum 80% rebate in any event, but entitling them to an 80% exemption would have the enormous advantage of leaving them outside the scope of means-tested benefits. I should stress that the exemption would apply only to

E.R.

those members of reigious orders who are wholly maintained by their orders and who are therefore at present ineligible for means-tested benefits anyway. I do not accept your argument that this exemption would encourage ministers of religion to press for similar treatment; ministers of religion have clearly-defined personal incomes and are already within the scope of means-tested benefits.

I hope you will be able to agree this proposal. Pressure on behalf of members of religious orders appears to be mounting, and they seem likely to attract attention that is disproportionate to the numbers involved.

I am copying this to John Major, Ian Lang and Wyn Roberts.

Yours ever,

Nick.

NICHOLAS SCOTT

Papers P 32

POTTER → CST 22/10

FROM: B H POTTER
DATE: 22 October 1987

CHIEF SECRETARY

cc Chancellor
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Gilmore
Mr Hawtin
Mrs Lomax
Miss Peirson
Mr Scholar
Mr Turnbull
Mr Burr
Mr Instone
Mr Mowl
Mr Pratt
Mr Revolta
Mr Perfect
Mr Call

CST will lead @ E(LF) on this.

FUTURE OF LOCAL AUTHORITY CAPITAL CONTROLS

E(LF)(87)41 sets out the Secretary of State for the Environment's proposals for a new control on local authority capital borrowing. Mr Ridley is seeking colleagues' endorsement of the broad outline of the system and agreement that a consultation paper should be prepared.

2. The proposals were foreshadowed in my minute of 27 August and we recommend you accept Mr Ridley's proposals which fully reflect our comments. The Chancellor has commented that the scheme looks promising but the key problem is creative accounting (discussed in paragraph 11 below).

Background

2a. The Government needs to reform the present local authority capital control system, first because it failed to stop massive overspending in the past and second because the growth in spending power from accumulated receipts has reduced the scope for allocations. The overspending problem is now less serious - partly because allocations have been cut to reflect the growth in spending power from accumulated receipts but also because in-year receipts have recently been higher than expected. The latter has helped us to keep within the cash limit on net provision. But the reductions in allocations mean the present system is not good at matching provision and hence resources to needs. Services which generate few receipts - Transport, Education and Personal Social Services, suffer as a result.

3. Broadly two approaches were open (others floated earlier in the Green Paper and a Consultation Document have failed to attract support). The first was to improve the present system which aims to control expenditure:

- to stop the 'cascade' of receipts
- to allow Ministers to take account of access to capital receipts when distributing allocations; and
- to outlaw creative accounting etc.

But local authorities would not accept the further tightening of what is seen as an unfair control system, in order to achieve this. We have concluded, like DOE, that a new approach which can, inter alia, address these problems should be introduced.

The Proposed Scheme

4. The DOE proposals aim to control capital expenditure principally by controlling borrowing for capital purposes and the use of capital receipts. The scheme would leave local authorities free to finance extra capital spending on top of that from own current revenue (ie local taxes), subject to the same constraints they face on current spending. The proposals are set out in Annex A; in summary they are:

(i) control over new capital borrowing;

(ii) control over use of accumulated and in-year capital receipts; 50 per cent of all cash backed receipts to be paid into new debt redemption funds and used to reduce net indebtedness;

(iii) only temporary borrowing for revenue purposes allowed as at present;

(iv) local authorities allowed to draw on revenue balances as at present;

(v) capital borrowing to be broadly defined to include creative financing deals that postpone costs into the future.

Assessment

5. The Treasury's main objectives from the new capital control scheme are to control gross capital expenditure; to ensure better influence over the LABR; to achieve a closer match between resources and needs; to encourage asset sales (so as to reduce net provision); and to curtail as far as possible creative accounting.

(i) Control of capital spending

6. The proposals allow central government to constrain local authority spending financed by borrowing. Annual limits for such borrowing will be issued, and they are likely to be used in full. It should therefore be possible to forecast better the use of borrowing than the present use of allocations. Once the community charge is in place there will be no reason in principle to control local authority capital spending financed from local income more tightly than current spending financed the same way. So no separate control over locally financed capital spending is proposed; in practice, any substantial spending financed in this way would require significant increases in community charge.

7. We agree that restriction is needed on capital spending financed from the £10 billion accumulated receipts, so as to preserve some room within the expenditure plans for new borrowing permissions. But this is likely to be contentious and may well

lead the Local Authority Associations to contest the proposals. At present, the principle is that all capital receipts can be used eventually; under this scheme, some proportion (probably 50%) will be used to redeem debt. It will be difficult to get this accepted: but it is an essential feature, if the 'cascade' problem is to be overcome.

(ii) Control over LABR

8. The new proposals will affect the LABR in five ways:

(i) new capital borrowing will be annually controlled and the permissions issued by central government are likely to be used in full, so this element of the LABR will be predictable. If a local authority has a surplus on revenue account in one year it will be allowed to lend those revenue balances to its capital account provided this 'internal lending' scores against the borrowing limit.

(ii) repayment of outstanding loans. Local authorities are required to make provision for debt repayment from their revenue accounts, and those payments help reduce the LABR. The size of these provisions will now be regulated to stop creative accounting devices. This will help improve our ability to forecast these flows.

(iii) capital receipts will be controlled. We will need to forecast in-year receipts as at present. We will also have to forecast the likely use of capital receipts to increase spending; but this second source of error in the LABR forecast will become of less significance as the stock of accumulated receipts falls.

(iv) revenue balances. Local authorities will remain free to draw on revenue balances.

(v) temporary lending for revenue spending. Local authorities will retain some ability to borrow in lieu of revenues receivable in year but not received, though we are aiming to ensure this borrowing is repaid when the revenues are received.

9. The proposals should help improve understanding of the relationship between constraints on local authority spending and the LABR. We expect significant improvements on items (i) (ii) and (iii) above. Local authorities will retain flexibility on (iv) and (v). But if we removed that flexibility local authorities would end up sending all unexpected bills to central government.

(iii) Matching Resources and Needs

10. Ministers will be allowed to take account of spending power from receipts when distributing borrowing permissions. This will improve the match of needs to resources and should command support from Departments and local authorities. It will also help to resist pressures for higher spending eg as advanced by Mr Baker in the Survey.

(iv) Asset Sales

11. Any improved matching of resources to needs, however, means that local authorities will tend to have less incentive to generate receipts (it will lead to fewer borrowing permissions). But so far as housing is concerned, sales are in any case largely driven by tenant demand. Moreover, if only a proportion of receipts is taken into account, LAs will retain some incentive to sell assets. And other manipulations like taking account of potential rather than actual receipts could help sustain the incentive. But the biggest disincentive to sales is the intention to set aside around 50% of receipts for debt redemption. On balance, the new scheme must involve rather less incentive for the LA to generate asset sales.

(v) Creative Accounting

12. Creative accounting deals will score against the annual

borrowing limit or be banned. Officials are making good progress on a suitably wide definition that catches all such deals. This work needs to be completed so the results can be reflected in the proposed consultation paper.

Housing

13. It is intended that housing should be outside the scope of this system. DOE are revising their proposals for a separate local authority housing regime. For central government planning and control purposes it would be possible, if necessary, to split housing from other local authority capital spending and run the two regimes separately. But we shall need to look carefully at the implications of a separate ring fenced housing system. For example, if local authorities' freedom to vire housing receipts to other services were ended, this would increase pressure for more borrowing permissions for education and "other services".

Conclusion

14. We recommend that you endorse the broad outline of the scheme. The next step will be the preparation of a consultation paper. We will need to be involved at official level.

Barry H. Potter

B H POTTER

ANNEX A

THE PROPOSED SYSTEM

The details are set out at paragraphs 5-9 and Annex A to E(LF)(87)41.

Annual approvals for borrowing to finance capital spending

2. Local authorities will be given annual borrowing approvals. But if a local authority is running a surplus on revenue account it will remain free to lend that money to capital account, provided that 'internal lending' scores against the borrowing permission. If the revenue balance is run down in subsequent years, the authority will be able to externalise the lending - increasing the LABR. This basic approach is favoured by local authorities which generally accept the need for central government control on borrowing.

Creative accounting

3. Creative accounting deals will score against the annual borrowing limit or be banned. Officials are making some progress on a suitably wide definition that catches all such deals. This work needs to be completed so the results can be reflected in the proposed consultation paper.

Capital receipts

4. Spending power from capital receipts will be tackled in three ways:

(a) the notional spending power from non-cash backed receipts will be abolished - reducing the level of accumulated receipts by around 40 per cent. This spending power can only be used if cash is found from new in-year receipts or revenue account and both these sources of cash can be used to increase capital spending under these proposals.

(b) It is proposed that 50 per cent (or so) of all cash backed receipts will have to be set aside to repay debt; otherwise the receipts can be freely used for capital spending. This is a broadbrush way of ensuring that when assets are sold a proportion of the receipts are used to repay the loans incurred when the assets were created. It will also stop the cascade of accumulated receipts and ensure the backlog is quickly run down.

(c) Ministers will be allowed to take account of spending power from receipts when distributing borrowing permissions. This will help match needs to resources. The drawback is that it will reduce the incentive to generate new receipts. So far as housing is concerned sales are largely driven by demand from the tenant. And Ministers will be able to ensure that some incentive is retained by not reducing borrowing permissions by 100 per cent of spending power from receipts.

Debt redemption

5. Regulations will be introduced to ensure local authorities do make adequate provision for debt redemption from revenue account. A few local authorities have been manipulating the provision they are presently expected to make to reduce spending for RSG purposes.

Calculation of borrowing approvals (Paragraphs 10-11 of E(LF) paper).

6. Initial calculations suggest borrowing permissions under this system will be slightly higher than allocations would be, largely because the category of non-prescribed (uncontrolled) capital spending will be abolished. However, the growing spending power from receipts under the present system will probably squeeze the room for borrowing permissions in 1990 below current levels of allocations (unless provision is increased). Once the proposed system is in place, spending power from accumulated receipts

is likely to be used up more quickly than new spending power is generated. This will increase the level of new borrowing permissions consistent with a given level of provision, easing the Survey pressures on local authority capital.

7. Spending departments may be eager to discuss how the proposals will affect them. Officials have had a preliminary discussion of the Survey arrangements and no difficulties have emerged - however decisions are not needed until 1989. Three points are clear:

(i) the larger the percentage of receipts set aside to repay debt, the greater the room for borrowing permissions;

(ii) if 50 per cent of capital receipts have to be set aside for debt redemption as now assumed, the room for borrowing permissions will be higher than it would be for allocations (for a given level of provision and receipts);

(iii) It will be possible for departments to take account of a proportion of spending power from receipts. So each department could determine a gross needs figure that included an element of spending power from receipts, as well as new borrowing permissions. This will substantially increase the scope for matching needs to resources.

CONFIDENTIAL

CHANCELLOR

FROM: B H POTTER

Date: 22 October 1987

cc: Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Turnbull
Mr Gilmore
Mr Hawtin
Ms Peirson
Mr McIntyre
Mr Dickson

A mixed sub. We need to focus on the main ~~points~~ issues. (And [illegible] good Ex [illegible] (63)). [illegible] 2. This paper good if [illegible]. I would like advice [illegible] McIntyre ASAP.

Some good points in this AA

POTTER → CH/EX 22/10

E(LF): COMMUNITY CHARGE - TRANSITIONAL ARRANGEMENTS FOR ENGLAND

In E(LF)(87)42 Mr Ridley seeks agreement to an opting-out power, that would allow an individual local authority (LA) in England to introduce the Community Charge (CC) in full before 1994. Opting-out is presented as an addition to the transition arrangements for the CC agreed and announced in July.

2. The paper is vague on the proposal and its effects. Mr Ridley is probably only aiming to get agreement that a scheme be examined further. To defeat opting-out at this stage, you need to demonstrate that such a scheme is wrong in principle and cannot work in practice. The key arguments are set out below.

The case in principle

3. "Paying for Local Government" is a major change in the system of local government finance. Business is therefore to be allowed five years for the transition to the National Non-Domestic Rate (NNDR); and each local authority will have a four year safety net to adjust its finances to the new PLG regime. Now Mr Ridley is proposing that individual taxpayers would have no time to adjust, if their council opts out.

Allowing a local council to decide whether and when to impose a new tax burden - not directly related to its own expenditure levels - is of questionable propriety; it will be seen as iniquitious and unjust; and it will create scope for local councils to manipulate the system and embarrass the Government (see paragraph 8).

5. The CC is widely referred to as the poll tax; it involves major new tax burdens for adults paying local taxes for the first time; for middle-income local taxpayers in low-rated properties; and for most local taxpayers in inner London and some in certain parts of the North. But the effects on local taxpayers can be moderated significantly by the transition; and that was why Ministers agreed on a transition period in July. Opting out would impose larger burdens earlier - making the CC particularly unpopular in the sensitive early 1990s. Annex A gives examples of the size of the likely effects.

<u>The practical objections</u>

6. The proposed scheme will not in practice satisfy the demands from those councils, which, after transition, benefit from the CC and which wish to bring forward those benefits to 1990. As Mr Ridley notes the safety net (which phases in the new grant plus NNDR entitlement for each LA over the transition period) will have to be retained. As a result the full CC in such areas in 1990 is likely to be above the full CC in 1994, once safety net payments have been phased out. How many local councils will wish to impose high initial levels of CC in 1990, particularly on new taxpayers/electors, even if it does allow them to abolish rates? We doubt whether many sympathetic councils would in practice opt out; and their reluctance to introduce the CC would be politically awkward to explain. Annex B sets out the details.

7. There are also worrying public expenditure implications in Mr Ridley's proposed scheme. If such authorities did opt out, they would be able to disguise major increases in their spending. As safety net payments were phased out the CC ought to fall; but the council could instead maintain its CC (or moderate the reduction) in order to finance higher spending in a relatively painless way. Details are in Annex B.

8. Opting-out would lead to inequities between one area and another; invidious comparisons of local tax burdens between continguous areas would no doubt add to the political problems of introducing the CC. And there would be scope for local councils to embarrass the Government. An authority opposed to the CC but benefiting from the safety net could introduce it early - and blame all subsequent increases (to finance the phasing out and the safety net and higher spending) on the Community Charge.

9. Opting out would also add to pressures on income support compensation. So long as E(LF) accepts shortly the principle of basing compensation initially on a national average bill, opting out in an LA will automatically penalise many single and some couple claimants relative to those in other areas. This would lead to pressure for higher compensation and hence higher public expenditure. There would be political difficulties in defending patterns of compensation (and as noted earlier local tax payments) that varied across the country for reasons unrelated to a local authority's expenditure.

This has not been cleared with ST + there may be problem.

10. Finally, opting-out is likely to be administratively awkward and, at a local level, a likely source of political friction. We understand that individual districts will have the right to opt out on behalf of all the authorities for which they collect revenue. Therefore, within an individual county, there could be wide variations in the amount and type of charges that people will be paying. This will obscure accountability; and it will lead to unwelcome friction between counties or Joint Boards and some of their districts. Also changes in political complexion leaving an unwilling authority to collect CC "prematurely" would also create difficulties, not least in collection. All such complexities are likely to end up in calls for higher grant.

Resource implications

11. Because of the safety net, there will be little resource gain to the economy from greater local accountability and hence lower LA spending over the transition period. Mr Ridley believes there could be resource savings over this period, if opting out reduced 'dual-running' costs. However the administrative complexities within county areas will mean that a good part of this potential saving cannot be realised. And, in our view, the pressures for higher local authority expenditure opened up by opting-out (eg in areas where the CC ought to but does not fall and on income support) could more than outweigh these.

Timing of further review

12. Mr Ridley will make much of the Party Conference support for a rapid introduction of the CC. (It seems probable very few representatives were aware of the consequences for their CC, because of the need to retain the safety net). He will also refer to the favourable reactions to the CC around the country at meetings led by Messrs Chope and Howard. But the more recent rejection of the CC by the CBI and the National Association of Ratepayers would suggest there is some way to go in getting the message across in full.

13. If pressed to allow further investigation, you could suggest that the presumption should remain that there will be no opting out. It would be embarrassing if the right to opt out were now aired only to discover that opposition in Parliament (and the expected stronger opposition in the Lords will not be evident until next spring) means the Government has to reverse tack.

Conclusion

14. Having reluctantly accepted a four year transition from rates to the CC, Mr Ridley now wishes to give LAs the right to introduce the CC in full completely in 1990. In our view, the proposals are wrong in principle and would not work in practice.

Barry H. Potter

BARRY H POTTER

COMMUNITY CHARGE TRANSITION 1990 ANNEX A

Community charge a major change to the tax system: individuals, like business and LAs must have time to adjust.

Effects of Mr Ridley's proposal:

- for two child families, a full CC bill in 1990 (£224 per capita) would exceed the benefit they have obtained from income tax cuts since 1978-79 at all earnings levels up to about average earnings.

- the immediate increase in the charge over the previous rates bill could exceed the gains from a 3 pence cut in income tax for five million tax units.

- families could be asked to pay a high CC immediately of about £500 in outer London and the home counties. For those in modest housing, (80% average rateable value) this represents an increase of over 20% in many boroughs and nearly half the English counties.

- of this increase, at least half would be due entirely to the council's decision to opt out in 1990.

- for single people, who have never before paid local taxes, opting out would entail a charge of over £200. Someone on three quarters' average earnings would face the equivalent of a 4 pence rise in income tax.

Examples are given overleaf for a selection of boroughs and districts. For instance, a married couple with two children in a modest house in Barnet would face a 21% increase in their local tax bill if Barnet opted out in 1990. Two thirds of this increase would be due to the council's decision to opt out. Single people in the borough would face a charge of £317, well over the national average of £224.

ANX A TRANS 1990

COMMUNITY CHARGE TRANSITION 1990 ANNEX A

This table shows the increase in local tax bills which would result for a married couple in a house worth 80% of the average rateable value of the area if the CC was introduced in full in 1990. It also shows the single CC payable

	Increase in liability from full introduction of CC in 1990.				Single CC in 1990
	Rates 1989-90	CC 1990-91	Increase on 1989-90	of which due to opt out	
	(1)	(2)	(3) =(2)/(1)-1	(4)	(5)
Inner London					
Kensington and Chelsea	484	778	(61%)	45%	389
Westminster	649	1056	(63%)	51%	528
Outer London					
Barnet	524	634	(21%)	14%	317
Brent	541	652	(21%)	14%	326
Bromley	344	434	(26%)	14%	217
Croydon	348	436	(25%)	14%	218
Enfield	370	452	(22%)	12%	226
Kingston-upon Thames	397	504	(27%)	16%	252
Merton	334	444	(33%)	18%	222
Kingston-upon Thames	433	582	(34%)	23%	291
Metropolitan districts					
Birmingham	397	498	(26%)	15%	249
Counties (district)					
Beds (Mid Bedfordshire)	429	510	(19%)	12%	255
Berkshire (Wokingham)	434	498	(15%)	9%	249
Bucks (South Bucks)	660	794	(20%)	15%	397
Cambs (Huntingdon)	336	412	(23%)	12%	206
Cheshire (Congleton)	355	428	(20%)	11%	214
Dorset (Bournemouth)	346	428	(24%)	13%	214
E Sussex (Hove)	342	470	(37%)	21%	235
Essex (Basildon)	503	650	(29%)	20%	325
Hampshire (Winchester)	387	466	(20%)	12%	233
Hereford (Worcester)	321	412	(28%)	15%	206
Herts (St Albans)	502	592	(18%)	12%	296
Kent (Tunbridge Wells)	282	354	(25%)	11%	177
Leics (Blaby)	367	444	(21%)	11%	222
Norfolk (Norwich)	270	366	(36%)	16%	183
Northants (Kettering)	292	384	(32%)	15%	192
Oxford (Oxford)	449	470	(5%)	3%	235
Somerset (S Somerset)	297	372	(25%)	12%	186
Suffolk (Ipswich)	330	430	(30%)	16%	215
Surrey (Elmbridge)	569	732	(29%)	21%	366
Warwickshire (Rugby)	355	444	(25%)	14%	222
W Sussex (Horsham)	322	416	(29%)	15%	208

TRANSITION 1990-1994 ANNEX B

Councils that would wish to opt out in 1990 will set high community charges in that year because of the safety net. The charge in these areas should drop until 1994. Examples are shown overleaf of a number of representative areas.

The examples demonstrate:

- the unfair burden placed on many individuals in these areas if there is no transition period.

- that in the intended decrease in the CC there is considerable potential for overspending using part or all of the annual decrease.

- that over most of Southern England there is little incentive for councils to opt out unless they wish to conceal overspending.

- many charge payers in these LAs will not benefit financially from opting-out early.

ANX B TRANS 1990-1994

TRANSITION 1990-94 ANNEX B

This table shows the fall in household bills for a married couple if council spending did not change in real terms.

	Community charge 1990-91	Community charge 1994-95	Difference from 1990-91
Inner London			
Kensington and Chelsea	778	740	-5%
Westminster	1056	792	-25%
Outer London (16 out of 20 boroughs would have higher CC in 1990 than in 1994.)			
Examples:			
Barnet	634	444	-30%
Brent	652	566	-13%
Bromley	434	346	-20%
Croydon	436	316	-28%
Enfield	452	398	-12%
Kingston-upon Thames	504	424	-16%
Merton	444	346	-22%
Richmond-upon -Thames	582	466	-20%
Metropolitan districts (West Midlands is the only metropolitan area where a majority of districts end up with a lower CC in 1994.)			
Birmingham	498	372	-25%
Counties (district) (In 21 counties, all or all but one district will have a higher CC in 1990 than in 1994.)			
Beds (Mid Bedfordshire)	510	466	-9%
Berkshire (Wokingham)	498	298	-40%
Bucks (South Bucks)	794	412	-48%
Cambs (Huntingdon)	412	362	-12%
Cheshire (Congleton)	428	374	-13%
Dorset (Bournemouth)	428	330	-23%
E Sussex (Hove)	470	348	-26%
Essex (Basildon)	650	518	-20%
Hampshire (Winchester)	466	360	-23%
Hereford (Worcester)	412	300	-27%
Herts (St Albans)	592	408	-31%
Kent (Tunbridge Wells)	354	304	-14%
Leics (Blaby)	444	378	-15%
Norfolk (Norwich)	366	344	-6%
Northants (Kettering)	384	372	-3%
Oxford (Oxford)	470	440	-6%
Somerset (S Somerset)	372	356	-4%
Suffolk (Ipswich)	430	384	-11%
Surrey (Elmbridge)	732	478	-35%
Warwickshire (Rugby)	444	360	-19%
W Sussex (Horsham)	416	298	-28%

CC TRANSITION

The following is a summary of previous briefing lines on transition and the safety net for England:-

For phasing in of CC

- Absolute levels lower in 1990 followed by gradual rise.
- Rates bills will be seen to fall.
- Smoother pattern of charges - fewer ups and downs.
- Changes in total tax liablity less in absolute terms.
- Gives individuals time to adjust.

Against full introduction in 1990

- Eventual gainers in South would face higher initial charge.
- Some would face bills which rise one year and fall the next.
- Some households would have considerable increases in total tax burden.
- Eventual losers in North would be shielded but then face very high absolute increases.
- CC would be at its most unpopular in early 1990s.
- May face grant pressures to curb size of CC in South.
- Adults making first contribution to LA face high starting levels.

ANX
C
TRANS
SUMMARY

Defensive on dual running

- Time to improve collection procedures.

- Calculated on per capita basis.

- Scope for cost reductions.

- Smaller net additions to income suport.

- Less chance of CC evasion.

Retention of the safety net

- Necessary to moderate losses and gains in areas because of distribution changes in grant and NDR.

- Provides considerable support to London by cushioning its loss of NDR income.

- Gives high spending LAs time to adjust.

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From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CONFIDENTIAL

26 October 1987

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WALKER → LORD PRES. 26/10

R Willie

E(LF)(87)(41): FUTURE OF LOCAL AUTHORITY CAPITAL CONTROLS

I thought it might be helpful if I set out my comments on this paper in writing in advance of Tuesday's meeting.

I am somewhat unhappy that we are discussing the capital control system in isolation from new proposals on housing finance when, after all, housing and in particular housing receipts is the most significant single component in the local government capital package. Certainly by the time any consultation paper is issued to local government I think we need to be in a position to describe at least in general terms the linkages between the proposed capital control system and changes to housing finance.

That apart I am content for Nicholas Ridley to work up these proposals and to draft a consultation paper. Clearly though there are a number of points which will need to be explored more fully during that process; I see the following as amongst the more important:

Papar para 4; I am not sure that local authorities' judgements on community charge levels will necessarily lead to the level of capital expenditure which we want. I would prefer a more direct control on revenue contributions to capital expenditure;

Paper para 11; I would prefer to continue to issue approvals on the basis of service blocks ie "housing" and "non housing" in the case of Wales as well as being able to link specific elements with specific projects. I am therefore happier with the description at para 5 of the annex than with the rather ambivalent phrasing on para 11 of the main paper;

/...

The Rt Hon Viscount Whitelaw CH MC
The Lord President of the Council
Privy Council Office
68 Whitehall
LONDON

Annex para 20; The treatment of receipts will have to be looked at carefully. There must be some incentive to authorities to raise receipts, there may be a case for taking only a proportion of their receipts capacity into account when making borrowing approvals, or for allowing a 100% addition to their approval level. As at present I would need to have the power to set different proportions in Wales;

Annex para 25; I do not think that, politically, we can simply wipe out existing accumulated receipts which do not happen to be backed by cash. Local authorities, rightly or wrongly, would simply represent this as a seizure by central Government of their money.

Annex para 27; It seems to me that repair and maintenance should continue to be treated as capital expenditure. The 'wider consents' would need to be exercisable separately in Wales.

/ I am copying this letter to other members of E(LF) and to Sir Robert Armstrong.

RC6.47

CONFIDENTIAL

CR → TYRIE 26/10

FROM: CATHY RYDING

DATE: 26 October 1987

MR TYRIE

cc Mr Potter (w/a)

E(LF): COMMUNITY CHARGE - TRANSITIONAL ARRANGEMENTS FOR ENGLAND

... I attach papers on Community Charge - transitional arrangements for England for E(LF) tomorrow. The Chancellor would be grateful for your views as soon as possible.

CR

CATHY RYDING

CONFIDENTIAL

1. MR ~~FELLGETT~~ Robin Fellgett 20/10

2. CHANCELLOR

FROM: N I HOLGATE
DATE: 26-Oct-87

cc: Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Miss Peirson
Mr Potter o/r
Mr Tyrie

E(LF) 27 OCTOBER: COMMUNITY CHARGE TRANSITIONAL ARRANGEMENTS

You asked for particular examples of the effects of Mr Ridley's proposals in E(LF)(87)42.

2. Mr Ridley hopes that Conservative councils would choose to opt out of the four year transition. Because many of these authorities are in high rateable value areas, their Community Charge (CC) in 1990

- would be high in absolute terms (many over £200, some over £300) at 1987-88 prices for 1987-88 levels of spending;and

- higher than the eventual charge payable in 1994-95 when the safety net has been phased out.

Opting out thus creates a whole new class of losers in 1990.

Examples

3. All examples use a married couple in a property that is 80% of the average rateable value of their area and CC figures for 1987-88 that make no allowance for inflation, increases in real spending, the cost of collecting the CC or losses from evasion.

89/90 - 94/5

- South Buckinghamshire: if the council opted out, the household would face a 20% increase in the household rates bill from £660 to £794 in 1990-91. (This compares with a 5% increase in 1990-91 for a four year transition.) However the bill would then fall to £412 in 1994-95, a reduction of 48% from 1990-91. -38%

- Elmbridge: the household would face a 29% increase in the bill from £569 to £732 in 1990-91 (compared with a 3% increase for a four year transition). However the bill would then fall to £478 by 1994-95, a reduction of 35% from 1990-91. -16%

- Epping Forest: an increase of 28% from £457 to £586 compared with a 10% increase for a four year transition. However the bill would then fall to £368 by 1994-95, a reduction of 37% from 1990-91. -19%

- Hove: an increase of 37% from £342 to £470, compared with a 16% increase for a four year transition. However the bill would then fall to £348 by 1994-95, a reduction of 26% from 1990-91. +2%

- Barnet: a 21% increase from £524 to £634 in 1990-91, compared with a 7% increase for a four year transition. The bill would then fall to £444 -15%

in 1994-95, a reduction from 1990-91 of 30%.

4. These councils are extreme examples but many that may wish to opt out will produce this pattern of household bills. I attach a list of local authorities whose opted out CC in 1990-91 would be greater than their 1994-95 CC and which would therefore produce many artificial losers in 1990-91 if they chose to opt out. (Further examples are in Annexes A and B of Mr Potter's submission of 22 October.

5. Losses will be more marked for individuals, the lower the rateable value of their property. According to the 1985 Family Expenditure Survey, two million two adult households (or 20% of all two adult households) live in property that is less than 75% of national average rateable value.

NHolgate

N I HOLGATE

DISTRICTS WITH A HIGHER COMMUNITY CHARGE IN 1990-91 THAN IN 1994-95 (IF OPTING OUT SELECTED)

Inner London:
Kensington and Chelsea
Westminster

Outer London

Barnet	Havering
Brent	Hillingdon
Bromley	Hounslow
Croydon	Kingston-upon-Thames
Ealing	Merton
Enfield	Redbridge
Haringey	Richmond-upon-Thames
Harrow	Sutton

Metropolitan districts

Bury	Stockport
Trafford	Sefton
Wirral	Birmingham
Coventry	Dudley
Sandwell	Solihull
Walsall	Wolverhampton

Counties (* marks counties where a majority of districts would charge more in 1990-91 than in 1994-95.)

Avon	4	out of 6 districts	*
Bedfordshire	4	4	*
Berkshire	6	6	*
Buckinghamshire	5	5	*
Cambridge	5	6	*
Cheshire	8	8	*
Cleveland	0	4	
Cornwall	3	6	
Cumbria	0	6	
Derbyshire	3	9	
Devon	6	10	*
Dorset	8	8	*
Durham	0	8	
East Sussex	7	7	*
Essex	14	14	*
Gloucestershire	4	6	*
Hampshire	12	13	*
Hereford & Worcester	9	9	*
Hertfordshire	10	10	*
Humberside	1	9	
Isle of Wight	0	2	
Kent	13	14	*
Lancs	3	14	
Leicestershire	8	9	*
Lincolnshire	3	7	
Norfolk	7	7	*
Northampton	7	7	*
Northumberland	0	6	

PTO

North Yorkshire	0	8	
Nottinghamshire	2	8	
Oxfordshire	5	5	*
Shropshire	3	6	
Somerset	5	5	*
Staffordshire	7	9	*
Suffolk	6	7	*
Surrey	11	11	*
Warwickshire	5	5	*
West Sussex	6	7	*
Wiltshire	2	5	

PW

CONFIDENTIAL

FROM: A G TYRIE
DATE: 26 OCTOBER 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr F E R Butler
Mr J Anson
Mr B Potter
Mr N Holgate
Mr Cropper
Mr Call

E(LF) COMMUNITY CHARGE - TRANSITIONAL ARRANGEMENTS

Political Aspects

Mr Ridley's plans look politically even more suicidal than obligatory implementation in 1990-1. We would be leaving the decision on where the charge would hit hardest to our opponents.

Mr Potter's note deals with several key points. Mr Ridley has provided no analysis of winners and losers, public expenditure implications are barely touched upon, he seems untroubled by the inequities between areas his scheme would generate. Two political points might be persuasive with your colleagues:

i. Mr Ridley's proposals surrender political choice and initiative to Labour councils:

- Labour councils would be able to decide whether an increase in the charge would suit their electoral purposes. Clearly Labour would take advantage of this in inner London to recover their position after the last election. Mr Ridley dismisses this problem by saying: 'we would have no difficulty in showing that the decision lay entirely with the authority' (para. 8). But Labour's defence on the ground would be straightforward and difficult to contradict. They would argue that they are protecting their residents from having to cope with two taxes; better to take the Tory medicine all in one go.

also RSG & Lab authorities

- Nor would Labour councils take the flack if there were practical problems of implementation, indeed Labour might choose to inspire some problems. For example, if Labour local authorities did not take adequate steps to collect the new community charge the Joint Boards could find themselves short of cash in ex-Metropolitan counties. Labour would claim that such problems were the inevitable consequence of the new Tory tax. Mr Ridley's counter-claim that it was the local authorities' decision to opt for immediate implementation and therefore not the Government's responsibility, would look pretty frail. What is he going to say? He surely cannot argue that Labour authorities were precipitate in implementing the Government's own policy.

The Government would be faced with an invidious choice: <u>either</u> to be seen to be washing their hands of the problems generated by their new tax, <u>or</u> to be forced into throwing money at them to avoid the acute political embarrassment.

ii. Mr Ridley ignores the absurdities that are created by 1990-1 implementation while retaining the safety net. Mr Holgate's paper (26 October) shows the absurdities. For example, Epping Forest would see an increase of 28 percent in 1990-91, followed by a reduction of 37 percent by 1994-1995. So many local authorities would be able (or would find themselves) raising the community charge during the election period and then lowering it afterwards!

No doubt Messrs Chope and Howard have won some support for instant implementation around the country from our own supporters but that is because our troops have not understood it.

<u>Second Order Points</u>

i. <u>Ending phasing in Year 2</u>. Mr Ridley's paper does not address the question of whether councils should retain the right to switch to immediate implementation after 1990. There are London borough elections in that year. Would a newly elected local authority be permitted to opt for implementation in <u>1991-2</u>?

If he believed his own line on accountability in paragraph 8 Mr Ridley should argue that the choice should rest with local authorities and that they could opt, after one year of phasing, to miss out the other 3. But I understand Mr Ridley will argue against permitting this. In doing so he will be admitting that, during an election, the Government would be seen as accountable, not local authorities.

ii. A Last Resort. I understand that Mr Ridley will not be proposing to keep a veto on whether a council may opt for immediate implementation. He is aware that this would blow a hole in his accountability argument. Apparently he has looked carefully at and rejected several ways of targeting the choice. These include targeting by class of authority, for example by excluding London, or allowing local authorities to opt out only if their rate bills and be less than a given amount. But I expect your colleagues will recognise that there is a special problem for London.

If you lose the main argument as a fall back you could ask Mr Ridley to work up a specific proposal (with winners and losers) which deals with the London problem, making agreement to Mr Ridley's plan conditional on finding something suitable. He wouldn't find this easy and my bet is that we would be able to knock down any specific proposals. But this would be very much a last resort.

RC Johnson

pp **A G TYRIE**

I have just learnt that the Cabinet Office line is:

- Don't announce a change of policy now. It would look weak. If necessary, respond to 'representations' at Committee stage.

- The Government may be trading short term political gain now for a big price in 1990-91.

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R Fellgett Esq
HM Treasury
Parliament Street
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3 November 1987

Dear ~~Robin~~ RF.

COMMUNITY CHARGE: TRANSITION

1. We have spoken on the telephone several times in the last few days about progress with the further E(LF) paper on this subject.

2. I now enclose a draft. This reflects the latest views of DOE Ministers, but has not so far been seen by them. Obviously, therefore, it should be treated as an indication of the options they wish to see put forward, and to recommend, rather than being word-for-word in the terms they will finally wish to see used.

3. At E(LF) last time, the Chancellor was, I gather, particularly interested in seeing sample household effects. Annex C is a first stab at these: the figures need some revision, but I thought it sensible to consult you about the basic format before worrying about that.

4. It might be helpful if, once you have had a chance to consider the paper, we were to meet to discuss matters. That will give me the chance (for example) to explain DOE Ministers' thinking in more detail.

5. I am copying this letter, and the draft paper, to Peter Stredder in the No 10 Policy Unit - who has expressed his interest in this subject and may wish to be involved in any discussions we have - and, for information, to Andrew Wells (Cabinet Office).

Yours

John

J ADAMS
Finance Local Taxation Division B

SECRET

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3 NOVEMBER
ADAMS
TO FELLGETT

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DRAFT E(LF) PAPER

COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS

Background

1. At E(LF) on 27 October we discussed my proposal to allow each district and borough council the option not to have 'dual running' of domestic rates and the community charge between 1990 and 1994; instead they could choose to move straight to the full - safety-netted - community charge.

2. It may be helpful to remind colleagues that, in July, we agreed two separate transitional arrangements.

(i) The safety net prevents changes in the burden of domestic taxation between areas, that would arise under our new arrangements, from taking place in 1990. The safety net would be phased out, in equal steps, between 1991/92 and 1994/95. The shifts that would then be allowed to take place mainly represent the effect under the present system of variations in rateable value, and the special London arrangements that exist. So, as the safety net is phased out, bills would tend to go up in low RV areas in the North, and in parts of inner London.

(ii) Dual running slows down the shift in the burden of domestic taxation within each area - from ratepayers to community charge payers. Obviously, if an area levies a domestic rate as well as a community charge, non- householders

SECRET

(who will be paying the community charge but have not been paying rates) will see their bills rise less rapidly, and householders (who are paying rates and the community charge) will see their bills fall more slowly than would occur if the authority abolished domestic rates overnight.

3. This paper describes a range of options for the transition, including the possibility of redefining the safety net, and sets out [illegible] conclusions, against the background of the pressure, from the [illegible] and others, that dual running should be eliminated if at all possible.

SECRET

No dual running, no safety net, but special grant to prevent community charges above £300

no

@ whose expense? (on slide)

4. The possibility of a scheme along these lines was raised at E(LF) on 27 October. It would mean not having a safety net as so far proposed, but instead paying a special grant to all areas where community charges would otherwise be above £300, to keep them down to that figure. This would, obviously, make the community charge much easier to introduce in full everywhere in 1990 – in inner London, as well as parts of the South East that would otherwise be contributing substantially to the safety net. The resulting charges in 1990 are shown in column 3 of Annex A. With such a scheme the special grant could be phased out over 4 years to produce full charges in 1994/95.

regardless of spending?

1

4 years

SECRET

5. In considering such a scheme, the following issues arise.

relative to no safety net at all?

(i) It would cost £530m – an addition of £15 on community charges everywhere.

(ii) It allows all the changes to flow through immediately in areas where community charge bills would be under £300. Many low RV authorities in the north would see substantial percentage increases in bills in 1990, for example Hyndburn (Accrington) £137 to £212 (+55%). Colleagues in such areas placed great emphasis on the safety net during the election. Nonetheless absolute bills would not exceed £300 anywhere, a level comparable with the position when the community charge is introduced in Scotland in 1989.

(iii) It means providing a subsidy from community charge payers elsewhere to high spending authorities in inner London. In Camden, for example, a £300 ceiling would, on present figures, mean a <u>reduction</u> of £154 per adult compared with existing rate bills; and a subsidy of £482 per adult compared with the full, unsafety netted community charge.

(iv) The Green Paper promised a full safety net; we confirmed that decision in July (at least as far as 1990 is concerned). It would be difficult to go back on those undertakings now.

6. I recommended a course of action rather like this in our earlier discussions, but in view of the concern of colleagues about the position of low RV authorities and what we said in July about the safety net, I now recommend that it should not be pursued further.

<u>No 'dual running', full safety net</u>

7 ~~6~~. Choosing this option in England would mean adopting the same policy as is already agreed for Scotland in 1989 and Wales in 1990. The community charge in each area would be the figure in column 4 ?? of Annex A. It has obvious attractions 1?

- it eliminates the cost and difficulty of dual running;

- it ensures that domestic rates are abolished everywhere in Britain before the next Election;

- the safety net prevents shifts in bills between areas in the first year, and then gives time to adjust as it is phased out.

8. It has two major drawbacks -

- the Government is obliging all areas to abandon domestic rates entirely in 1990, even where the resulting community charge bills would be high. Our opponents in areas like inner London would encourage people in their areas to blame the Government for the bills they faced. Partly because of ILEA overspending, bills would be high in Westminster and Kensington and Chelsea, as well as Camden and Hackney;

- having a full safety net in 1990 means that community charges reflect variations in rateable value as well as spending; for example £397 in South Bucks - spending £28/adult above GRE - but only £142 in Burnley - spending £51/adult above GRE.

9. This suggests that it would be worth considering alternative ways of specifying the safety net, to avoid the "South Bucks" problem.

No dual running; maximum safety net contribution set at £75 in 1990/91

10. This approach would allow some of the gains to come through to those areas that would otherwise be making the biggest contributions to the safety net. The areas benefiting, assuming a £75 maximum contribution, are set out in ~~Table 2~~ Annex B. It would make full introduction of the community charge in 1990 much easier in places like South Bucks, where the safety netted charge would be £281 rather than £397 in the first year.

11. Although this concession makes a big difference to community charges in a few authorities, the cost is limited to £75m because only 39 areas would be affected. This would mean an across-the-board rise of around £2 in the community charge everywhere.

12. This scheme seems well worth pursuing, given the advantages it brings for areas with high RVs, at very little cost to residents in the rest of the country.

Areas required to have dual running

13. At E(LF) on 27 October, colleagues expressed concern at the scope for political gamesmanship if some very high-spending councils did not have dual running, and could seek to blame the Government for the high community charges in their areas. With this in mind, I have been looking at possible criteria for determining those areas that might be required to have dual running.

14. Colleagues' concern was about areas with high unsafety-netted charges. Because of the way the new system will be structured, that is the same as saying areas that are presently spending well above GRE. Annex ~~B~~ C shows (in column 1) those areas overspending most in 1987/88, on the basis of 1987/88 budgeted total expenditure (in £s per head) compared with 1987/88 GREs. Column 2 shows the safety netted community charges in those areas; and column 3 the unsafety netted figures (in both cases, in £s per adult). The relationship between columns 1 and 3 can be seen clearly; column 2 is influenced by the size of the safety net in each area, which in turn reflects variations in domestic rateable values.

15. One possibility would be to limit the requirement to have dual running to those areas in the first group (those overspending by more than £200 per head in 1987/88, and with unsafety netted community charges in excess of £450). Such an approach would mean that only the nine highest spending inner London boroughs are caught (plus the City, which has only a very small number of domestic properties). It would also enable us to announce the criteria now, on the basis of published 1987/88 GREs and budgets.

£450

16. Alternatively, it would be possible to lower the threshold to £100 or £80 overspending (the bottom two groups). But, as well as catching Waltham Forest and Haringey, this risks bringing in Conservative-controlled Wandsworth, Kensington and Chelsea, and Westminster (who would be caught because of the effect of ILEA overspending). All three authorities are planning to opt out of ILEA and so should be able to reduce costs substantially in the early 1990s. The presentational problem is at its most acute in the case of Wandsworth, where the safety netted community charge in

in 1990 would only be £211. Brentwood, an authority particularly enthusiastic about the community charge, have artificially increased their 1987/88 expenditure in order to attract extra block grant, and so also appear in this list.

~~16~~ 17. If a threshold lower than £200 were chosen, one approach would be to base it, not on 1987/88 figures, but on budgets for 1988/89. This would allow Brentwood to escape (they could reverse the policy they have adopted for 1987/88) but

- it would also give an incentive to other authorities to go in for creative accounting, and would mean that the decision as to where dual running applied was, to some extent, out of our hands;

- it would almost certainly not let Wandsworth out: their fate would be determined largely by ILEA's own budget;

- some areas would not know until next spring whether they were to have dual running or not.

18. My own preference is to limit dual running to areas overspending by more than £200, on the basis of 1987/88 figures.

'Opting', or Government-imposed decisions

19. My earlier paper (E(LF)(87)42) suggested that authorities might be given the option whether or not to have dual running. If we are now proposing a threshold, then it is difficult to see a role for opting, unless

- either we were prepared to see some authorities above the threshold opt out of dual running (which would negate the purpose of such a scheme);
- or we wanted to give the opportunity for areas below the threshold to keep rates after 1990.

20 ~~19~~. Reaction within the Party since the last discussion has shown a large majority against 'opting'. I recommend, therefore, that we do not pursue this approach: those above the threshold would be required to have dual running; those below it would be required to move straight to the full community charge in 1990/91.

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Conclusions

21 ~~20~~. I believe there are three considerations we must have in mind.

(i) In the light of the concern expressed by the Party about "dual running" we must allow as many areas as possible to go straight to the community charge in 1990. We cannot simply stick with the decisions we took in July.

(ii) We need to avoid the problem of relatively low-spending areas - like South Bucks - having very high community charges in 1990 simply because of the safety net.

misleading

(iii) There are some high-spending councils where the risk of allowing the full community charge to be introduced in 1990 is simply too great.

SECRET

22. With these considerations in mind, I recommend a package with the following elements

(i) a safety net, of the kind we have already announced, but with the maximum contribution limited ~~– probably~~ to £75 per adult, the cost being met by community charge payers everywhere;

(ii) all areas moving straight to the (safety netted) community charge in 1990; except

(iii) the retention of dual running for those nine inner London boroughs (plus the City) where spending is more than £200 per head above GRE in 1987/88.

23. Community charges in 1990/91 on this basis would be as at column 2 of Table A (assuming 1987/88 spending), with the 1994/95 community charges (assuming unchanged spending) as shown in column 4. Annex D gives examples of the effect on sample households in different areas.

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ANNEX A

Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net No dual running	Limited safety net (1990/91) The package	No s.net £300 maximum CC	No safety net No dual running
	Col 1	Col 2	Col 3	Col 4
GREATER LONDON				
Camden	£ 456	£ 100	£ 300	£ 782
Greenwich	£ 260	£ 100	£ 300	£ 608
Hackney	£ 412	£ 100	£ 300	£ 691
Hammersmith and Fulham	£ 225	£ 100	£ 300	£ 465
Islington	£ 289	£ 100	£ 300	£ 483
Kensington and Chelsea	£ 389	£ 391	£ 300	£ 270
Lambeth	£ 302	£ 100	£ 300	£ 547
Lewisham	£ 369	£ 100	£ 300	£ 677
Southwark	£ 288	£ 100	£ 300	£ 570
Tower Hamlets	£ 307	£ 100	£ 300	£ 639
Wandsworth	£ 211	£ 213	£ 300	£ 435
Westminster	£ 528	£ 471	£ 300	£ 396
Barking and Dagenham	£ 208	£ 210	£ 206	£ 221
Barnet	£ 317	£ 297	£ 237	£ 222
Bexley	£ 207	£ 209	£ 206	£ 211
Brent	£ 326	£ 328	£ 297	£ 283
Bromley	£ 217	£ 219	£ 187	£ 173
Croydon	£ 218	£ 221	£ 172	£ 150
Ealing	£ 301	£ 303	£ 215	£ 178
Enfield	£ 226	£ 229	£ 213	£ 199
Haringey	£ 340	£ 343	£ 300	£ 320
Harrow	£ 271	£ 273	£ 238	£ 222
Havering	£ 208	£ 210	£ 204	£ 189
Hillingdon	£ 239	£ 241	£ 226	£ 221
Hounslow	£ 205	£ 208	£ 195	£ 170
Kingston-upon-Thames	£ 252	£ 254	£ 227	£ 212
Merton	£ 222	£ 224	£ 188	£ 173
Newham	£ 304	£ 306	£ 300	£ 204
Redbridge	£ 208	£ 211	£ 185	£ 171
Richmond-upon-Thames	£ 291	£ 293	£ 248	£ 233
Sutton	£ 262	£ 265	£ 238	£ 224
Waltham Forest	£ 351	£ 353	£ 300	£ 365

1990 figure.

SECRET

Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge: Full safety net (Col 1)	Community Charge: Limited safety net (1990/91) (Col 2)	Community Charge: No s.net £300 maximum CC (Col 3)	Community Charge: No safety net (Col 4)
GREATER MANCHESTER				
Bolton	£ 197	£ 199	£ 217	£ 202
Bury	£ 254	£ 257	£ 259	£ 244
Manchester	£ 255	£ 258	£ 287	£ 272
Oldham	£ 178	£ 181	£ 216	£ 201
Rochdale	£ 193	£ 196	£ 251	£ 236
Salford	£ 232	£ 235	£ 257	£ 243
Stockport	£ 238	£ 240	£ 198	£ 183
Tameside	£ 197	£ 200	£ 248	£ 233
Trafford	£ 218	£ 220	£ 171	£ 156
Wigan	£ [illegible]	£ [illegible]	£ 255	£ 245
MERSEYSIDE				
Knowsley	£ 251	£ 253	£ 281	£ 267
Liverpool	£ 258	£ 260	£ 300	£ 301
St Helens	£ 220	£ 222	£ 258	£ 24[illegible]
Sefton	£ 242	£ 244	£ 225	£ 210
Wirral	£ 280	£ 282	£ 261	£ 246
SOUTH YORKSHIRE				
Barnsley	£ 168	£ 170	£ 279	£ 264
Doncaster	£ 204	£ 207	£ 295	£ 280
Rotherham	£ 194	£ 196	£ 267	£ [illegible]
Sheffield	£ 190	£ 192	£ 262	£ 248
TYNE AND WEAR				
Gateshead	£ 192	£ 194	£ 278	£ 263
Newcastle upon Tyne	£ 253	£ 256	£ 300	£ 292
North Tyneside	£ 234	£ 236	£ 280	£ 265
South Tyneside	£ 183	£ 185	£ 269	£ 254
Sunderland	£ 195	£ 197	£ 277	£ 262
WEST MIDLANDS				
Birmingham	£ 249	£ 252	£ 201	£ 186
Coventry	£ 239	£ 241	£ 234	£ 219
Dudley	£ 248	£ 251	£ 217	£ 203
Sandwell	£ 200	£ 202	£ 190	£ 175
Solihull	£ 260	£ 238	£ 179	[illegible]
Walsall	£ 222	£ 224	£ 206	[illegible]
Wolverhampton	£ 254	£ 256	£ 219	£ [illegible]
WEST YORKSHIRE				
Bradford	£ 191	£ 192	£ 252	£ 238
Calderdale	£ 171	£ 173	£ 274	£ 259
Kirklees	£ 167	£ 169	£ 261	£ 245
Leeds	£ 177	£ 179	£ 219	£ 204
Wakefield	£ 190	£ 192	£ 268	£ 254

Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge: Full safety net (Col 1)	Community Charge: Limited safety net (1990/91) (Col 2)	Community Charge: No s.net £300 maximum CC (Col 3)	Community Charge: No safety net (Col 4)
AVON				
Bath	£ 204	£ 206	£ 239	£ 224
Bristol	£ 222	£ 224	£ 252	£ 237
Kingswood	£ 209	£ 211	£ 220	£ 206
Northavon	£ 223	£ 226	£ 235	£ 221
Wansdyke	£ 217	£ 219	£ 218	£ 204
Woodspring	£ 243	£ 246	£ 234	£ 219
BEDFORDSHIRE				
North Bedfordshire	£ 262	£ 264	£ 255	£ 241
Luton	£ 293	£ 295	£ 252	[illegible]
Mid Bedfordshire	£ 255	£ 257	£ 248	£ 232
South Bedfordshire	£ 292	£ 294	£ 251	£ 236
BERKSHIRE				
Bracknell	£ 228	£ 219	£ 159	£ 144
Newbury	£ 198	£ 226	£ 164	£ 151
Reading	£ 214	£ 213	£ 152	£ 166
Slough	£ 209	£ 211	£ 163	£ 149
Windsor and Maidenhead	£ 270	£ 239	£ 175	£ 164
Wokingham	£ 249	£ 224	£ 162	£ 149
BUCKINGHAMSHIRE				
Aylesbury Vale	£ 250	£ 253	£ 205	£ 191
South Bucks	£ 397	£ 281	£ 221	£ 206
Chiltern	£ 393	£ 286	£ 226	£ 211
Milton Keynes	£ 266	£ 269	£ 236	£ 221
Wycombe	£ 320	£ 276	£ 216	£ 201
CAMBRIDGESHIRE				
Cambridge	£ 263	£ 265	£ 204	£ 190
East Cambridgeshire	£ 191	£ 193	£ 196	£ 182
Fenland	£ 181	£ 184	£ 200	£ 185
Huntingdon	£ 206	£ 208	£ 196	£ 181
Peterborough	£ 231	£ 233	£ 229	£ 214
South Cambridgeshire	£ 251	£ 242	£ 181	£ 167
CHESHIRE				
Chester	£ 230	£ 232	£ 209	[illegible]
Congleton	£ 214	£ 216	£ 202	[illegible]
Crewe and Nantwich	£ 214	£ 217	£ 207	£ 19[illegible]
Ellesmere Port and Neston	£ 239	£ 241	£ 231	£ 216
Halton	£ 197	£ 199	£ 208	£ 194
Macclesfield	£ 265	£ 258	£ 198	£ 183
Vale Royal	£ 208	£ 211	£ 204	£ 189
Warrington	£ 204	£ 206	£ 207	£ 192

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Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge: Full safety net (Col 1)	Limited safety net (1990/91) (Col 2)	No s.net £300 maximum CC (Col 3)	No safety net (Col 4)
CLEVELAND				
Hartlepool	£ 210	£ 212	£ 283	£ 268
Langbaurgh	£ 247	£ 249	£ 285	£ 270
Middlesbrough	£ 247	£ 250	£ 251	£ 277
Stockton-on-Tees	£ 245	£ 247	£ 264	£ 250
CORNWALL				
Caradon	£ 163	£ 165	£ 172	£ 158
Carrick	£ 170	£ 173	£ 181	£ 166
Kerrier	£ 148	£ 151	£ 177	£ 162
North Cornwall	£ 168	£ 170	[illegible]	[illegible]
Penwith	£ 164	[illegible]	£ 179	£ 164
Restormel	£ 160	£ 162	£ 176	£ 161
CUMBRIA				
Allerdale	£ 174	£ 177	£ 267	£ 252
Barrow in Furness	£ 159	£ 161	£ 272	£ 257
Carlisle	£ 196	£ 198	£ 279	£ 264
Copeland	£ 162	[illegible]	£ 272	£ 258
Eden	£ 174	[illegible]	£ 258	£ 242
South Lakeland	£ 221	£ 223	[illegible]	[illegible]
DERBYSHIRE				
Amber Valley	[illegible]	£ 222	£ 252	£ 237
Bolsover	£ 200	£ 202	£ 281	£ 261
Chesterfield	£ 222	£ 224	£ 261	£ 246
Derby	£ 203	£ 205	£ 252	£ 227
Erewash	£ 228	[illegible]	£ 252	£ 237
High Peak	£ 213	£ 216	£ 259	£ 245
North East Derbyshire	£ 234	£ 237	£ 266	£ 252
South Derbyshire	£ 236	£ 239	£ 247	£ 232
West Derbyshire	£ 247	£ 249	£ 251	£ 236
DEVON				
East Devon	£ 193	£ 196	[illegible]	£ 167
Exeter	£ 164	£ 167	£ 174	£ 159
North Devon	£ 147	£ 149	£ 190	£ 175
Plymouth	£ 174	£ 176	£ 190	[illegible]
South Hams	£ 201	£ 203	£ 193	[illegible]
Teignbridge	£ 178	£ 180	[illegible]	[illegible]
Mid Devon	£ 152	£ 154	£ 188	£ 173
Torbay	£ 205	£ 207	£ 192	£ 177
Torridge	£ 134	£ 136	£ 195	£ 180
West Devon	£ 157	£ 160	£ 183	£ 168

Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net	Limited safety net (1990/91)	No s.net £300 maximum CC	No safety net
	Col 1	Col 2	Col 3	Col 4
DORSET				
Bournemouth	£ 214	£ 216	£ 180	£ 165
Christchurch	£ 242	£ 241	£ 180	£ 166
North Dorset	£ 176	£ 178	£ 171	£ 156
Poole	£ 244	£ 237	£ 177	£ 162
Purbeck	£ 187	£ 189	£ 168	£ 154
West Dorset	£ 176	£ 178	£ 172	£ 157
Weymouth and Portland	£ 170	£ 172	£ 180	£ 165
Wimborne	£ 252	£ 248	£ 187	£ 173
DURHAM				
Chester-le-Street	£ 179	£ 181	£ 229	£ 214
Darlington	£ 230	£ 232	£ 260	£ 245
Derwentside	£ 176	£ 178	£ 279	£ 264
Durham	£ 171	£ 173	£ 238	£ 224
Easington	£ 143	£ 145	£ 213	£ 198
Sedgefield	£ 169	£ 17[illegible]	£ 267	£ 253
Teesdale	£ 12[illegible]	£ [illegible]	£ 209	£ 194
Wear Valley	£ 140	£ 152	£ 261	£ 24[illegible]
EAST SUSSEX				
Brighton	£ 226	£ 228	£ 190	£ 176
Eastbourne	£ [illegible]	£ 248	£ 182	£ 173
Hastings	£ 204	£ 207	£ 184	£ 169
Hove	£ 235	£ 237	£ 189	£ 174
Lewes	£ 247	£ 247	£ 187	£ 172
Rother	£ 250	£ 251	£ 190	£ 175
Wealden	£ 224	£ 22[illegible]	£ 190	£ 17[illegible]
ESSEX				
Basildon	£ 325	£ 327	£ 274	£ 259
Braintree	£ 219	£ 221	£ 192	£ 177
Brentwood	£ 355	£ 357	£ 300	£ 339
Castle Point	£ 257	£ 261	£ 200	£ 186
Chelmsford	269	£ 256	£ 195	£ 181
Colchester	£ 211	£ 214	£ 183	£ 168
Epping Forest	£ 293	£ 259	£ 199	£ 184
Harlow	£ 321	£ 323	£ 300	[illegible]
Maldon	£ 256	£ 254	£ 194	[illegible]
Rochford	£ 269	£ 252	£ 192	£ 17[illegible]
Southend-on-Sea	£ 275	£ 259	£ 199	£ 18[illegible]
Tendring	£ 240	£ 242	£ 199	£ 184
Thurrock	£ 274	£ 276	£ 257	£ 242
Uttlesford	£ 264	£ 258	£ 198	£ 183

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Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net	Limited safety net (1990/91)	No s.net £300 maximum CC	No safety net
	Col 1	Col 2	Col 3	Col 4
GLOUCESTERSHIRE				
Cheltenham	£ 231	£ 233	£ 194	£ 180
Cotswold	£ 230	£ 232	£ 194	£ 180
Forest of Dean	£ 162	£ 164	£ 206	£ 191
Gloucester	£ 182	£ 184	£ 197	£ 183
Stroud	£ 204	£ 206	£ 207	£ 192
Tewkesbury	£ 215	£ 217	£ 187	£ 173
HAMPSHIRE				
Basingstoke and Deane	£ 208	£ 211	£ 179	£ 163
East Hampshire	£ 238	£ 241	£ 196	[illegible]
Eastleigh	£ 221	£ 222	£ 191	£ 176
Fareham	£ 237	£ 240	£ 194	£ 179
Gosport	£ 206	£ 208	£ 184	£ 169
Hart	£ 259	£ 260	£ 199	£ 185
Havant	£ 219	£ 221	£ 182	£ 168
New Forest	£ 219	£ 221	£ 196	£ 181
Portsmouth	£ 175	£ 178	£ 201	£ 187
Rushmoor	£ 194	£ 196	£ 196	£ 182
Southampton	£ 182	£ 184	£ 190	£ 176
Test Valley	£ 207	£ 210	£ 185	£ 171
Winchester	£ 233	£ 235	£ 195	£ 180
HEREFORD AND WORCESTER				
Bromsgrove	£ 209	£ 210	£ 150	£ 135
Hereford	£ 157	£ 159	£ 164	£ 149
Leominster	£ 149	£ 151	£ 160	£ 146
Malvern Hills	£ 207	£ 209	£ 165	£ 150
Redditch	£ 210	£ 212	£ 168	£ 153
South Herefordshire	£ 147	£ 149	£ 148	£ 133
Worcester	£ 206	£ 208	£ 164	£ 150
Wychavon	£ 223	£ 225	£ 165	£ 150
Wyre Forest	£ 200	£ 202	£ 181	£ 166
HERTFORDSHIRE				
Broxbourne	£ 250	£ 252	£ 205	£ 194
Dacorum	£ 287	£ 273	£ 213	[illegible]
East Hertfordshire	£ 257	£ 259	£ 211	[illegible]
Hertsmere	£ 306	£ 287	£ 227	[illegible]
North Hertfordshire	£ 275	£ 272	£ 212	[illegible]
St Albans	£ 296	£ 279	£ 219	£ 204
Stevenage	£ 227	£ 269	£ 247	£ 233
Three Rivers	£ 212	£ 230	£ 219	£ 205
Watford	£ 263	£ 266	£ 221	£ 206
Welwyn Hatfield	£ 299	£ 300	£ 239	£ 225

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Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net	Limited safety net (1990/91)	No s.net £300 maximum CC	No safety net
	Col 1	Col 2	Col 3	Col 4
HUMBERSIDE				
Beverley	£ 240	£ 243	£ 234	£ 219
Boothferry	£ 164	£ 167	£ 238	£ 224
Cleethorpes	£ 196	£ 198	£ 244	£ 229
Glanford	£ 191	£ 192	£ 234	£ 219
Great Grimsby	£ 182	£ 185	£ 234	£ 219
Holderness	£ 194	£ 196	£ 230	£ 215
Kingston upon Hull	£ 181	£ 184	£ 263	£ 248
East Yorkshire	£ 180	£ 183	£ 244	£ 230
Scunthorpe	£ 208	[illegible]	£ 276	[illegible]
ISLE OF WIGHT				
Medina	£ 196	£ 198	£ 222	£ 209
South Wight	£ 211	£ 212	£ 230	£ 215
KENT				
Ashford	£ 178	£ 180	£ 163	£ 148
Canterbury	£ 170	£ 172	£ 167	£ 152
Dartford	£ 151	£ 153	£ 163	£ 149
Dover	£ 151	£ 152	£ 159	£ 144
Gillingham	[illegible]	£ 158	£ 165	£ 150
Gravesham	£ 177	£ 180	£ 167	£ 152
Maidstone	£ 170	£ 172	£ 162	[illegible]
Rochester upon Medway	[illegible]	£ 159	£ 145	£ 131
Sevenoaks	£ 189	£ 191	£ 166	£ 151
Shepway	£ 201	£ 204	£ 175	£ 160
Swale	£ 147	£ 149	£ 167	£ 153
Thanet	£ 182	£ 184	£ 169	£ 154
Tonbridge and Malling	£ 166	£ 168	£ 167	£ 152
Tunbridge Wells	£ 177	£ 179	£ 167	£ 152
LANCASHIRE				
Blackburn	£ 144	£ 146	£ 320	£ 306
Blackpool	£ 188	£ 190	£ 208	£ 194
Burnley	£ 142	£ 144	£ 254	£ 239
Chorley	£ 180	£ 182	£ 205	£ 190
Fylde	£ 209	£ 211	£ 203	[illegible]
Hyndburn	£ 137	£ 139	£ 227	[illegible]
Lancaster	£ 162	£ 164	£ 205	[illegible]
Pendle	£ 132	£ 134	£ 227	[illegible]
Preston	£ 173	£ 175	£ 215	£ 201
Ribble Valley	£ 171	£ 173	£ 213	£ 199
Rossendale	£ 158	£ 161	£ 242	£ 228
South Ribble	£ 175	£ 177	£ 204	£ 189
West Lancashire	£ 215	£ 218	£ 205	£ 190
Wyre	£ 190	£ 192	£ 204	£ 189

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Community Charge with varying safety nets - 1989/90 spending levels

	Community Charge: Full safety net Col 1	Community Charge: Limited safety net (1990/91) Col 2	Community Charge: No s.net £300 maximum CC Col 3	Community Charge: No safety net Col 4
LEICESTERSHIRE				
Blaby	£ 222	£ 224	£ 204	£ 189
Charnwood	£ 231	£ 233	£ 210	£ 195
Harborough	£ 239	£ 241	£ 211	£ 196
Hinckley and Bosworth	£ 210	£ 213	£ 200	£ 185
Leicester	£ 184	£ 186	£ 235	£ 220
Melton	£ 224	£ 226	£ 219	£ 204
North West Leicestershire	£ 213	£ 215	£ 224	£ 210
Oadby and Wigston	£ 232	£ 234	£ 209	£ 194
Rutland	£ 208	£ 210	£ 210	£ 195
LINCOLNSHIRE				
Boston	£ 158	£ 160	£ 167	£ 152
East Lindsey	£ 158	£ 160	£ 171	£ 157
Lincoln	£ 152	£ 154	£ 173	£ 158
North Kesteven	£ 154	£ 157	£ 169	£ 155
South Holland	£ 152	£ 155	£ 170	£ 155
South Kesteven	£ 169	£ 172	£ 169	£ 154
West Lindsey	£ 155	£ 158	£ 180	£ 166
NORFOLK				
Breckland	£ 165	£ 168	£ [illegible]	£ 147
Broadland	£ 187	£ 190	£ 166	£ 152
Great Yarmouth	£ 175	£ 177	£ 161	£ [illegible]
North Norfolk	£ 170	£ 173	£ 167	£ 152
Norwich	£ 193	£ 195	£ 187	£ 172
South Norfolk	£ 186	£ 188	£ 164	£ 149
King's Lynn and West Norfolk	£ 154	£ 157	£ 168	£ 154
NORTHAMPTONSHIRE				
Corby	£ 202	£ 204	£ 204	£ 189
Daventry	£ 265	£ 267	£ 246	£ 232
East Northamptonshire	£ 177	£ 179	£ 173	£ 159
Kettering	£ 192	£ 194	£ 201	£ 186
Northampton	£ 224	£ 226	£ 203	£ 188
South Northamptonshire	£ 228	£ 230	£ 186	£ 171
Wellingborough	£ 195	£ 197	£ 195	£ 180
NORTHUMBERLAND				
Alnwick	£ 172	£ 175	£ 230	£ [illegible]
Berwick-upon-Tweed	£ 173	£ 175	£ 221	£ 20[illegible]
Blyth Valley	£ 207	£ 210	£ 267	£ 252
Castle Morpeth	£ 314	£ 316	£ 330	£ 315
Tynedale	£ 191	£ 193	£ 232	£ 217
Wansbeck	£ 175	£ 177	£ 265	£ 251

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Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net	Limited safety net (1990/91)	No s.net £300 maximum CC	No safety net
	Col 1	Col 2	Col 3	Col 4
NORTH YORKSHIRE				
Craven	£ 154	£ 156	£ 199	£ 184
Hambleton	£ 177	£ 180	£ 194	£ 179
Harrogate	£ 202	£ 204	£ 221	£ 206
Richmondshire	£ 149	£ 152	£ 192	£ 184
Ryedale	£ 159	£ 161	£ 196	£ 181
Scarborough	£ 165	£ 167	£ 207	£ 192
Selby	£ 159	£ 162	£ 215	£ 200
York	£ 136	£ 138	£ 188	£ 172
NOTTINGHAMSHIRE				
Ashfield	£ [illegible]	£ [illegible]	£ 224	£ 209
Bassetlaw	£ 183	£ [illegible]	£ 252	£ 268
Broxtowe	£ 198	£ 200	£ 217	£ 202
Gedling	£ 206	£ 208	£ 212	£ 201
Mansfield	£ 196	£ [illegible]	£ 251	£ 237
Newark	£ 186	£ 188	£ 220	£ 209
Nottingham	£ 190	£ 192	£ 222	£ 207
Rushcliffe	£ 229	£ 231	£ 220	£ 205
OXFORDSHIRE				
Cherwell	£ [illegible]	£ [illegible]	£ 215	£ 201
Oxford	£ [illegible]	£ [illegible]	£ 235	£ [illegible]
South Oxfordshire	£ 254	£ 256	£ [illegible]	£ [illegible]
Vale of White Horse	£ 243	£ 245	£ 207	£ 193
West Oxfordshire	£ 227	£ [illegible]	£ [illegible]	£ 205
SHROPSHIRE				
Bridgnorth	£ 192	£ 194	£ 187	£ 172
North Shropshire	£ 170	£ 172	£ 191	£ 177
Oswestry	£ 165	£ 167	£ 197	£ 183
Shrewsbury and Atcham	£ 205	£ 207	£ 202	£ 188
South Shropshire	£ 163	£ 165	£ 191	£ 176
The Wrekin	£ [illegible]	£ 212	£ 217	£ 203
SOMERSET				
Mendip	£ 188	£ 190	£ 192	£ 178
Sedgemoor	£ 198	£ 200	£ 205	£ [illegible]
Taunton Deane	£ 197	£ 189	£ 195	£ [illegible]
West Somerset	£ 203	£ 205	£ 196	£ [illegible]
South Somerset	£ 156	£ 189	£ 193	£ 179

Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge: Full safety net (Col 1)	Limited safety net (1990/91) (Col 2)	No s.net £300 maximum CC (Col 3)	No safety net (Col 4)
STAFFORDSHIRE				
Cannock Chase	£ 192	£ 194	£ 201	£ 186
East Staffordshire	£ 184	£ 186	£ 192	£ 177
Lichfield	£ 222	£ 234	£ 189	£ 174
Newcastle-under-Lyme	£ 189	£ 191	£ 201	£ 186
South Staffordshire	£ 234	£ 236	£ 187	£ 172
Stafford	£ 203	£ 205	£ 192	£ 177
Staffordshire Moorlands	£ 184	£ 186	£ 199	£ 184
Stoke-on-Trent	£ 168	£ 170	£ 202	£ 187
Tamworth	£ 211	£ 213	£ 198	£ 183
SUFFOLK				
Babergh	£ 202	£ 204	£ 187	£ 173
Forest Heath	£ 167	£ 169	£ 184	£ 169
Ipswich	£ [illegible]	£ 217	£ 207	£ 192
Mid Suffolk	£ 187	£ 189	£ 192	£ 177
St Edmundsbury	£ 191	£ [illegible]	£ 176	£ 161
Suffolk Coastal	£ [illegible]	£ [illegible]	£ 193	£ 178
Waveney	£ 189	£ 191	£ 190	£ 175
SURREY				
Elmbridge	£ [illegible]	£ 314	£ 253	£ [illegible]
Epsom and Ewell	£ [illegible]	£ [illegible]	£ 197	£ 182
Guildford	£ [illegible]	£ [illegible]	£ [illegible]	£ [illegible]
Mole Valley	£ 252	£ 244	£ 184	£ 169
Reigate and Banstead	£ 257	£ 258	£ 197	£ 193
Runnymede	£ 311	£ 213	£ 165	£ 151
Spelthorne	£ 221	£ 224	£ 193	£ 179
Surrey Heath	£ 241	£ 215	£ 155	£ 140
Tandridge	£ 229	£ 230	£ 188	£ 172
Waverley	£ 273	£ 249	£ 189	£ 174
Woking	£ 234	£ 215	£ 155	£ 140
WARWICKSHIRE				
North Warwickshire	£ 217	£ 219	£ 223	£ 208
Nuneaton and Bedworth	£ 219	£ 221	£ 215	£ 200
Rugby	£ 222	£ 224	£ 195	£ 180
Stratford on Avon	£ 264	£ 249	£ 189	
Warwick	£ 257	£ 251	£ 191	

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Community Charge with varying safety nets - 1987/88 spending levels

	Community Charge			
	Full safety net	Limited safety net (1990/91)	No s.net £300 maximum CC	No safety net
	Col 1	Col 2	Col 3	Col 4
WEST SUSSEX				
Adur	£ 223	£ 226	£ 195	£ 180
Arun	£ 219	£ 221	£ 174	£ 159
Chichester	£ 207	£ 210	£ 166	£ 152
Crawley	£ 202	£ 205	£ 234	£ 219
Horsham	£ 208	£ 210	£ 164	£ 149
Mid Sussex	£ 230	£ 233	£ 176	£ 162
Worthing	£ 212	£ 214	£ 170	£ 155
WILTSHIRE				
Kennet	£ 192	£ 194	£ 204	£ 190
North Wiltshire	£ 178	£ 179	£ 216	£ 201
Salisbury	£ 206	£ 208	£ 195	£ 184
Thamesdown	£ 206	£ 209	£ 252	£ 238
West Wiltshire	£ 183	£ 185	£ 200	£ 186
Isles of Scilly	£ 168	£ 168	£ 107	£ [illegible]

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Beneficiaries from £75 max

ANNEX B

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Community charge with £75 per adult maximum safety net contribution

community charge with £75 per adult maximum safety net contribution.

	Full community charge Col 1	CC full safety net Col 2	CC limited safety net Col 3	Full safety net value Col 4	Revised safety net value Col 5	Safety net change £/adult Col 6	Safety net change £m Col 7
South Bucks	£ 206	£ 297	£ 281	£-191	£-75	£ 116	£ 6
Chiltern	£ 211	£ 298	£ 284	£-182	£ 75	£ 107	£ 9
Westminster	£ 305	£ 509	£ 471	£-132	£-75	£ 57	£ [illegible]
Elmbridge	£ 229	£ 366	£ 314	£-126	£-75	£ 50	£ 5
Wycombe	£ 201	£ 322	£ 276	£-121	£-75	£ 46	£ 5
Epsom and Ewell	£ 182	£ 300	£ 257	£-118	£-75	£ 43	£ 2
Epping Forest	£ 184	£ 293	£ 259	£-108	£-75	£ 33	£ 3
Three Rivers	£ 205	£ 313	£ 280	£-108	£-75	£ 33	£ 2
Windsor and Maidenhead	£ 181	£ 270	£ 239	£-106	£-75	£ 31	£ 2
Surrey Heath	£ 140	£ 241	£ 215	£-101	£-75	£ 26	£ 2
Wokingham	£ 149	£ 249	£ 224	£-100	£-75	£ 25	£ 3
Waverley	£ 174	£ 273	£ 249	£-99	£-75	£ 24	£ 2
Solihull	£ [illegible]	£ [illegible]	£ 288	[illegible]	£-75	£ 21	£ [illegible]
Barnet	£ [illegible]	£ [illegible]	£ [illegible]	£-95	£-75	£ 20	£ 5
Hertsmere	£ 212	£ 306	£ [illegible]	£-94	£-75	£ [illegible]	£ 1
Woking	£ 140	£ 234	£ 21[illegible]	£-94	£-75	£ 19	£ [illegible]
Rochford	£ 177	£ 269	£ 252	£-92	£-75	£ 17	£ 1
St Albans	£ 204	£ 291	£ 279	£-92	£-75	£ 17	£ 2
Southend-on-Sea	£ [illegible]	£ 275	£ 259	£-91	£-75	£ 16	£ [illegible]
Stratford on Avon	£ 176	£ [illegible]	£ [illegible]	£-90	£-75	£ [illegible]	£ 1
[illegible]	£ 172	£ 268	£ [illegible]	£-89	£-75	£ 14	£ 1
Chelmsford	£ 161	£ 239	£ 25[illegible]	[illegible]	£-75	£ [illegible]	£ 1
Eastbourne	£ 17[illegible]	£ [illegible]	£ 241	£-86	£-75	£ 11	£ 1
Bracknell	£ 14[illegible]	£ 22[illegible]	£ [illegible]	£-84	£-75	£ 9	£ [illegible]
[illegible]	£ 1[illegible]	£ [illegible]	£ 26[illegible]	£-84	£-75	£ [illegible]	£ [illegible]
Reigate and Banstead	£ [illegible]	£ 257	£ 17[illegible]	£-8[illegible]	£-75	£ [illegible]	£ 1
Mole Valley	£ 169	£ 252	£ 244	£-83	£-75	£ 8	£ 0
Macclesfield	£ [illegible]	£ 265	£ [illegible]	£-83	[illegible]	£ 7	£ 1
Poole	£ 162	£ 244	£ 237	[illegible]	£-75	£ 7	£ 1
Rother	£ 179	£ 258	£ 251	£-82	£-75	£ 7	£ 0
Uttlesford	£ 183	£ 264	£ 258	£-81	£-75	£ 6	£ 0
Guildford	£ 160	£ 241	£ [illegible]	£-81	£-75	£ 6	£ [illegible]
Warwick	£ 176	£ 257	£ 251	£-81	£-75	£ 6	£ 1
[illegible]bourne	£ 173	£ 253	£ 24[illegible]	£-80	£-75	£ 5	£ 0
North Hertfordshire	£ [illegible]	£ 270	£ 27[illegible]	£-7[illegible]	£-75	£ [illegible]	£ [illegible]
Newbury	£ [illegible]	£ 238	£ [illegible]	£-77	£-75	£ 2	£ 0
Christchurch	£ 166	£ 24[illegible]	£ [illegible]	£-77	£-75	£ 2	£ 0
Maldon	£ 179	£ 256	£ 254	£-77	£-75	£ 2	£ 0
Castle Point	£ 186	£ 262	£ 261	£-76	[illegible]	£ 1	£ 0
Lewes	£ 172	£ 247	£ 247	£-75	[illegible]	£-0	£-0
Isles of Scilly	£ 93	£ 168	£ [illegible]	£-75	[illegible]	£ 0	£ [illegible]
Cambridge	£ 190	£ 263	£ 265	£-74	£-7[illegible]	£-1	£-0
Hart	£ 185	£ 259	£ 260	£-74	£-75	[illegible]	£-0
[illegible]	£ [illegible]	£ 209	£ 210	£-74	£-75	[illegible]	£-0
Welwyn Hatfield	£ [illegible]	£ [illegible]	£ 300	£-74	£-75	[illegible]	£ [illegible]
[illegible]	£ 150	£ 223	£ 225	£-7[illegible]	£-75	[illegible]	£-0
Mid Sussex	£ 162	£ 230	£ 232	£-69	£-7[illegible]	£-[illegible]	£-0
Basildon	£ 259	£ 325	£ 327	£-65	£-68	£-2	£-0
Birmingham	£ 186	£ 349	£ 352	£-63	£-65	£-2	£-2
South Staffordshire	£ 172	£ 234	£ 236	£-61	£-64	£-2	£-0
Trafford	£ 156	£ 218	£ 220	£-62	£-64	£-2	£-0
Hove	£ 174	£ 235	£ 237	£-61	£-62	£-2	£-0
Havant	£ [illegible]	£ 229	£ 232	£-61	£-62	£-2	£-0
East Hertfordshire	£ 196	£ 257	£ 259	£-60	£-62	£-2	£-0
Croydon	£ 158	£ 218	£ 221	£-60	£-62	£-2	£-1
Slough	£ 145	£ 20[illegible]	£ [illegible]	£-60	£-62	£-2	£-0

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ANNEX C

OVERSPENDING AND COMMUNITY CHARGES

	1987/88 overspend on GRE (£ per head)	Safety netted community charge	Unsafety netted community charge
City of London	7630	479	487
Camden	481	458	782
Hackney	382	414	691
Lewsham	378	372	677
Tower Hamlets	344	310	639
Greenwich	321	263	608
Southwark	301	290	570
Lambeth	278	304	547
Islington	229	291	483
Hammersmith	215	227	465
Wandsworth	190	213	435
Westminster	158	471	396
Waltham Forest	142	353	365
Kensington	137	391	370
Brentwood	125	357	339
Haringey	117	343	329
Harlow	102	323	315
Manchester	95	258	272
Newham	94	306	304
Liverpool	93	260	301
Newcastle	87	256	292
Brent	80	328	283

SECRET – NO COPIES TO BE TAKEN ANNEX D

CAMDEN

High spender
High rateable values.
Now lots of ND, no grant

ONE ADULT HOUSEHOLD (70% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	590	-	-	-	-	-
COMMUNITY CHARGE	0	439	525	611	696	782
HOUSEHOLD TOTAL	590	439	525	611	696	782

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	590	461	345	230	115	0
COMMUNITY CHARGE	0	100	271	441	612	782
HOUSEHOLD TOTAL	590	561	616	671	727	782

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TWO ADULT HOUSEHOLD (100% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	843	-	-	-	-	-
COMMUNITY CHARGE	0	878	1050	1222	1392	1564
HOUSEHOLD TOTAL	843	878	1050	1222	1392	1564

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	843	658	494	329	165	0
COMMUNITY CHARGE	0	200	541	882	1223	1564
HOUSEHOLD TOTAL	843	858	1035	1211	1388	1564

THREE ADULT HOUSEHOLD (130% average RV)

SECRET

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	1096	-	-	-	-	-
COMMUNITY CHARGE	0	1317	1575	1833	2088	2346
HOUSEHOLD TOTAL	1096	1317	1575	1833	2088	2346

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	1096	855	642	428	214	0
COMMUNITY CHARGE	0	300	812	1323	1835	2346
HOUSEHOLD TOTAL	1096	1155	1453	1751	2048	2346

Highish RV, Spend bit above average.

BARNET

ONE ADULT HOUSEHOLD (70% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	459	-	-	-	-	-
COMMUNITY CHARGE	0	297	278	260	241	222
HOUSEHOLD TOTAL	459	297	278	260	241	222

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	459	314	236	157	79	0
COMMUNITY CHARGE	0	100	131	161	192	222
HOUSEHOLD TOTAL	459	414	366	318	270	222

SECRET

TWO ADULT HOUSEHOLD (100% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	655	-	-	-	-	-
COMMUNITY CHARGE	0	594	556	520	482	444
HOUSEHOLD TOTAL	655	594	556	520	482	444

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	655	449	337	225	112	0
COMMUNITY CHARGE	0	200	261	322	383	444
HOUSEHOLD TOTAL	655	649	598	547	495	444

THREE ADULT HOUSEHOLD (130% average RV)

SECRET

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	851	-	-	-	-	-
COMMUNITY CHARGE	0	891	834	780	723	666
HOUSEHOLD TOTAL	851	891	834	780	723	666

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	851	584	438	292	146	0
COMMUNITY CHARGE	0	300	392	483	575	666
HOUSEHOLD TOTAL	851	884	829	775	720	666

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ELMBRIDGE

ONE ADULT HOUSEHOLD (70% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	498	-	-	-	-	-
COMMUNITY CHARGE	0	314	295	277	258	239
HOUSEHOLD TOTAL	498	314	295	277	258	239

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	498	362	271	181	90	0
COMMUNITY CHARGE	0	100	135	170	204	239
HOUSEHOLD TOTAL	498	462	406	350	295	239

SECRET

TWO ADULT HOUSEHOLD (100% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	711	-	-	-	-	-
COMMUNITY CHARGE	0	628	590	554	516	478
HOUSEHOLD TOTAL	711	628	590	554	516	478

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	711	517	388	259	129	0
COMMUNITY CHARGE	0	200	270	339	409	478
HOUSEHOLD TOTAL	711	717	657	598	538	478

SECRET

THREE ADULT HOUSEHOLD (130% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	924	-	-	-	-	-
COMMUNITY CHARGE	0	942	885	831	774	717
HOUSEHOLD TOTAL	924	942	885	831	774	717

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	924	672	504	336	168	0
COMMUNITY CHARGE	0	300	404	509	613	717
HOUSEHOLD TOTAL	924	972	908	845	781	717

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Low rate
[illegible]

BARNSLEY

ONE ADULT HOUSEHOLD (70% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	230	-	-	-	-	-
COMMUNITY CHARGE	0	168	192	216	240	264
HOUSEHOLD TOTAL	230	168	192	216	240	264

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	230	92	69	46	23	0
COMMUNITY CHARGE	0	100	141	182	223	264
HOUSEHOLD TOTAL	230	192	210	228	246	264

TWO ADULT HOUSEHOLD (100% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	328	-	-	-	-	-
COMMUNITY CHARGE	0	336	384	432	480	528
HOUSEHOLD TOTAL	328	336	384	432	480	528

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	328	132	99	66	33	0
COMMUNITY CHARGE	0	200	282	364	446	528
HOUSEHOLD TOTAL	328	332	381	430	479	528

THREE ADULT HOUSEHOLD (130% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	[illegible]	94/95
RATE BILL	426	-	-	-	-	-
COMMUNITY CHARGE	0	504	576	648	72[illegible]	792
HOUSEHOLD TOTAL	426	504	576	648	720	792

DUAL RUNNING - INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	426	172	129	86	43	0
COMMUNITY CHARGE	0	300	423	546	669	792
HOUSEHOLD TOTAL	426	472	552	632	712	792

SECRET

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Low RV

Low Spendy.

CRAVEN

ONE ADULT HOUSEHOLD (70% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	202	–	–	–	–	–
COMMUNITY CHARGE	0	154	162	169	177	184
HOUSEHOLD TOTAL	202	154	162	169	177	184

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	202	71	53	35	18	0
COMMUNITY CHARGE	0	100	121	142	163	184
HOUSEHOLD TOTAL	202	171	174	177	181	184

TWO ADULT HOUSEHOLD (100% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	288	–	–	–	–	–
COMMUNITY CHARGE	0	308	324	338	354	368
HOUSEHOLD TOTAL	288	308	324	338	354	368

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	288	101	76	51	25	0
COMMUNITY CHARGE	0	200	242	284	326	368
HOUSEHOLD TOTAL	288	301	318	335	351	368

THREE ADULT HOUSEHOLD (130% average RV)

FULL INTRODUCTION OF SAFETY NETTED COMMUNITY CHARGE IN 1990/91

	1987/88	90/91	91/92	92/93	[illegible]	94/95
RATE BILL	374	–	–	–	[illegible]	–
COMMUNITY CHARGE	0	462	486	507	53[illegible]	552
HOUSEHOLD TOTAL	374	462	486	507	531	552

DUAL RUNNING – INITIAL COMMUNITY CHARGE £100

	1987/88	90/91	91/92	92/93	93/94	94/95
RATE BILL	374	131	98	66	33	0
COMMUNITY CHARGE	0	300	363	426	489	552
HOUSEHOLD TOTAL	374	431	461	492	522	552

SECRET

Nigel

Thanks. Noted.

FROM: P J CROPPER
DATE: 4 November 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Tyrie
Mr Call

COMMUNITY CHARGE

Katharine Ramsay, with Mr Ridley's approval, has sent me a copy of her note of last week's meeting of the Backbench Environment Committee.

P J CROPPER

Notes on points made by MPs on 29 October 1987 at

Meeting of Backbench Environment Committee on Community Charge

Tim Janman	Against transition: looks as if we're not convinced. Labour afraid of political effects on them of full community charge.
Michael Stern	Against transition: especially dual running. Transition would help Labour - controlled Bristol.
Anthony Nelson	Angered that the Government seemed to have taken no notice of clear conclusion at last backbench meeting that there should be no transition. Against giving local authorities discretion to opt.
Philip Goodhart	Whole thing an administrative nightmare - even worse with transition. (Only advantage is it gives us an option to go back to rates if it is a disaster!)
John Browne	Anti dual running - administrative nightmare. Go ahead as soon as possible - no discretion for local authorities.
George Gardiner	Anti transition - also anti safety net - unfair on constituents in areas which stand to gain from the Community Charge.
Bill Shelton	Pro transition for London. Political disaster: on average people in Lambeth would be paying twice their present rate bill. We'd lose 12 inner London seats.

Even with safety net it is political dynamite. So must have both elements of transition.

David Heathcoat-Amory	Not keen on new system but should go ahead quickly. Transition makes for more confusion.
James Pawsey	No transition - too much scope for Labour party to create mischief. No discretion to local authorities. Asked about "banded community charge"
David Madel	Against dual running. Against local authority discretion - would hand a propaganda weapon to the Liberals in many areas. UBR needs more explanation.
Peter Emery	Against dual running. Opposition would have a field day.
Iain Mills	No transition. No local authority discretion - Conservative authorities would make a mess of it as well. Concerned about the position of occupational pensioners just above benefit levels. Asked for a transition period for UBR.
Patrick Cormack	Anti transition - wants to see it work in Scotland for 2 years.
Jeremy Hayes	Anti transition. No local authority discretion - concerned about unfairness of the safety net in Essex.

Nicholas Bennett	Concerned about the position of monks and nuns.
Patrick McLoughlin	Pro allowing authorties to opt out. This puts the opposition in a difficult position.
Roger Sims	Against dual running - too costly to administer.
Robert Adley	Against the whole system - asked about penalties for non payers.
Hugo Simmerson	Pro transition for Waltham Forest. Community charges unacceptably high.
Paul Marland	Anti Transition but worried about old people who have bought low rated properties <u>because</u> they are low rated - who will have to pay more.
R. Knapman	Anti transition: wanted low community charge for all pensioners.
TOTAL	17 against transition of which 5 were against allowing local authority discretion and one in favour of allowing opting out. 2 in favour of transition (both London MPs)

1807/37

I wd be grateful for a 15-min slot for discussion with CST & Mr Tyrie. NL

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FROM: R FELLGETT

DATE: 4 November 1987

1. MR POTTER BHP 4/11

2. CHANCELLOR

Ch/ Do you want to minute the PM on the lines proposed? 25 4/11

cc Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Scholar
Mr Tyric

COMMUNITY CHARGE: TRANSITION

I attach a draft of Mr Ridley's paper for E(LF) next Wednesday. DOE officials say it is an indication of the options that Mr Ridley is pursuing, rather than a final draft of the paper he plans to put to colleagues. The conclusions are much as predicted in The Times yesterday morning, although the paper did not reach us until late yesterday afternoon.

2. According to the paper, Mr Ridley will propose:

(i) to drop the idea in his previous paper that English authorities can choose whether to opt out of domestic rates early;

(ii) instead to require immediate transition from domestic rates to Community Charge in April 1990, with the exception of 10 London authorities who would have a phased transition over 4 years;

(iii) to cap the safety net. This will bring forward to 1990-91 the first £75 million of the benefit of the new regime to high rateable value areas like Buckinghamshire, Surrey and Barnet, with an earlier small loss elsewhere.

3. The revised proposals are a modified version of a scheme put forward to E(LF) in July - and rejected. The main new features

4-NOVEMBER FELLGETT TO CH/EX

are the modified safety net which has the effect of moderating the initial CC in parts of the South; and a distinction within London, based on expenditure above GRE, to determine which local authorities taxpayers are allowed to retain domestic rates. This criterion has been chosen by Mr Ridley to include the areas with potentially the highest Community Charge while excluding the current Conservative boroughs apart from the City.

4. You will wish to oppose the proposal that an orderly transition from rates to Community Charge should be confined to a few high-spending authorities in London and ask colleagues to confirm the decision in July that there should be a phased transition throughout England.

5. We intend to propose some factual changes to the DOE paper to officials and to suggest some further exemplifications which we think would be helpful.

6. I doubt if it is worthwhile putting your own paragraphs in the DOE paper. You could reserve your comments for the meeting. However, the latest package may prove superficially attractive. You may wish to minute the Prime Minister setting out your views, so that she and colleagues can read them before the meeting. A first very rough draft of such a minute is attached. It aims to make three points:

(i) If local authorities and business ratepayers need time to adjust, so do people. You warn colleagues again that the redistribution of local taxes which they are contemplating will place significant new burdens on individuals and families; the size and timing of the extra burdens, as well as their distribution across the country, pose political problems.

(ii) Mr Ridley's latest proposals are a minor variation on options colleagues considered collectively and rejected in July; and

(iii) there is no reason to change the July decisions, because the pressure from the Party and others is based on misconceptions about what they might gain.

7. We should be grateful to know whether you agree with this approach. If you do, we will submit to you a polished version of the minute to the Prime Minister, and prepare detailed briefing for the meeting.

Robin Fellgett

R FELLGETT

1807/38

SECRET

DRAFT MINUTE TO THE PRIME MINISTER

COMMUNITY CHARGE: TRANSITION

I am minuting you to set out my views on Nicholas Ridley's latest proposals for the transition to the Community Charge from 1990.

2. In the Green Paper we suggested that the Community Charge would be phased-in in steps of no more than £50 a year, to give people a chance to adjust. We also proposed a safety net fixed in cash terms, to provide indefinite help, albeit reducing in real terms if inflation should continue, to authorities in those geographical areas who stood to lose from the change. In July, we all agreed to shorten the two linked types of transition to just four years, even though this is one year less than we will allow business ratepayers to adjust to the NNDR.

3. Two weeks ago, Nicholas proposed that individual councils should have the right to opt out of the agreed transition and introduce the CC in full in 1990. I am glad that Nicholas now agrees with me that "opting out" would give a weapon to our political opponents, and has dropped this idea. But his latest proposals in E(LF)(87) are close to a scheme we rejected in July: they mean that individual local taxpayers in much of England would have no time to adjust to the new system, notwithstanding our common view that both business ratepayers and local authorities deserve just such an adjustment period.

4. I think we need to consider carefully the size of the additional tax burdens which no transition would impose on new local taxpayers and on families; the timing of these new burdens; and the likely political response. The changes now proposed in E(LF)(87) imply:

[illegible]

- immediate increases over the previous rates bill which could exceed the gains from a 3p cut in income tax for 5 million tax units;

- a single person on three-quarters average earnings who previously paid no local taxes would face the equivalent of a 4p increase.

[Examples to be considered further.]

5. The perverse pattern of changes in tax bills for different families in different parts of the country, which the Chief Secretary outlined in his paper (E(LF)(87)32) of 13 July are very broadly the same in the latest variant of these proposals. I attach [not yet] examples illustrating this point. The Government will be blamed by all the losers, and by a good many people who have been persuaded that they are losers, whether that is true or not.

6. We were concerned about the political response to ~~these~~ such a redistribution when it was proposed in July: there is no reason to be less concerned

now. I know that some in the Party have called on us to modify the announced policy. I understand that, as major gainers, many councils in the South want the new system as early as possible. But I have to doubt whether they understand all the implications.

7. The examples attached show that, unlike Scotland and Wales, the range of existing rate bills means the benefits of the new policy cannot all be available immediately. Even local authority Treasurers and other experts do not really understand the complicated interaction between the safety net and the transition which is illustrated there. The answer to those in the Party who have asked for a change is therefore to explain fully and effectively the reasons for our policy. If we change our minds now it may produce short-term popularity in some quarters, but the problems and complaints will come home to roost in 1990 and 1991.

8. I am copying this minute to Willie Whitelaw, Nicholas Ridley, and to other colleagues on E(LF).

[N.L]

RJ5.37

UNCLASSIFIED

FROM: A A DIGHT
DATE: 5 November 1987

MR P J CROPPER

COMMUNITY CHARGE

The Chancellor has seen and was grateful for your minute of 4 November.

A A Dight

A A DIGHT

ps2/10R

CONFIDENTIAL

FROM: CATHY RYDING
DATE: 5 November 1987

PS/CHIEF SECRETARY

cc Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Scholar
Mr Potter
Mr Fellgett
Mr Tyrie

COMMUNITY CHARGE: TRANSITION

The Chancellor has seen Mr Fellgett's minute of 4 November. He would be grateful, by close of play tonight, for considered views from the Chief Secretary and Mr Tyrie.

CR

CATHY RYDING

010/3291

CONFIDENTIAL

FROM: **CHIEF SECRETARY**
DATE: **5 November 1987**

CHANCELLOR OF THE EXCHEQUER

cc:
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Scholar
Mr Potter
Mr Tyrie

COMMUNITY CHARGE: TRANSITION

You asked for my views about Nicholas Ridley's revised proposals on the transition to the Community Charge contained in his draft paper for E(LF).

2 I have no doubts that many of our colleagues will be attracted by Nicholas's new proposals, since the Party view at present is in favour of early introduction and no dual running. This does mean that even if we were to win the argument at E(LF) we would have to face up to very difficult handling problems in getting a package with this transition scheme through the House of Commons. This problem is heightened because I strongly suspect that in their briefings around the country Nicholas Ridley, Michael Howard and Christopher Chope have given a very sympathetic hearing to those putting the case for rapid introduction.

3 In essence Nicholas Ridley's proposals, subject to the comments made below on London simply introduce a qualified safety net that retains the bizarre pattern of Community Charge contributions that we saw when he put his original proposals to E(LF) in July but which does smoothe the pattern considerably. I don't like it much but I don't think we should underestimate the attraction it will have for others. Moreover it might well prove possible to smoothe the path even more.

5 NOVEMBER
CGT — CH/EX

4 What I do not think are credible are his proposals for London. He acknowledges that immediate introduction of the Community Charge is not a possibility in the high spending London Boroughs. He rightly rejects the idea of maximum Community Charge in London because that would mean other local taxpayers or the national taxpayer directly subsidising the highest spenders. The scheme he now proposes for dual running in 10 authorities produces indefensible anomalies in personal tax bills between different parts of inner London and between Inner London and the rest of the country - and the sums involved could be considerable. Take for example the lodger in Earls Court who would face a personal bill of £391 in 1990-91 whereas in Hammersmith with dual running his bill would only be £100. A family with 3 grown-up children would face an additional Community Charge bill for those children of £1,413 in year one in Pimlico, but only £300 in Islington. I just don't see how we could defend those results. And in addition they would further undermine what is likely to be one of most vulnerable areas of the Community Charge - the enforceability of the Community Charge among the very mobile population of Inner London. I think that were we to go ahead with a scheme which incorporated these features we would in time be faced with demands that the Exchequer find more money to iron out these problems.

5 At E(LF) on Wednesday we can start by arguing that the scheme that E(LF) endorsed in July should prevail. But I think it would only be realistic to recognise that we may well not win that argument. In that case I think we have to change tack and say that any scheme of more rapid transition has to have decent and acceptable London arrangements. The present proposals are not sensible, saleable or sustainable. Therefore we cannot make a decision on the scheme now. If Nicholas Ridley wishes to produce another variation which does have sensible arrangements in London, then we will consider that. But we cannot endorse the latest set of proposals.

John

JOHN MAJOR