PO-CH/NL/0463 PT C

Part . C .

SECRET

(Circulate under cover and notify REGISTRY of movement)

begins : 1/9/89.
Ends : 27/9/89.

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO | CH | NL | 0463.
PT. C.

Chancellor's (Lawson) Papers:
The Community Charge Safety Net.

PO / CH / NL / 0463.
PT. C.

DR's: 25 Years
[illegible]
14/2/96.

lg.ph/AE/366

[NB The safety net is a Pol. Prob., but also a public Prob. The CC is.]

CONFIDENTIAL

CHANCELLOR

[NB also lack of symmetry & UBR]

FROM : A J C EDWARDS (LG)
x4480
1 September 1989

Ch/ Absolutely no need to look at this over weekend unless you wish to give some early thought to the Safety Net. Otherwise send it back + we'll show it to you again on Tues evening with any indications received of DOE's likely position.
DIS

return for mtg folder

ACJE TO CHEX 1/9

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips o/r
Mrs Lomax
Mr McIntyre o/r
Mr Potter o/r
Mr Hudson o/r
Mr Rutnam
Mrs Chaplin

COMMUNITY CHARGE SAFETY NET :
ANNOTATED AGENDA FOR BRIEFING MEETING ON 6 SEPTEMBER

At Sir Peter Middleton's suggestion, you are holding a briefing meeting on 6 September with most recipients of this note in preparation for the meeting between you, the Chief Secretary and Mr Patten on 7 September.

2. We do not yet know what Mr Patten will propose. DOE officials are due to see him on Tuesday morning and have promised to brief us thereafter. We will send you a supplementary note on Tuesday afternoon.

3. In the meantime, you may find it helpful to have the attached annotated agenda for your briefing meeting. In preparing this I have been much helped by Mr Rutnam and by some notes bequeathed by Mr Hudson. Also relevant are Mr Potter's note of 4 August and Mr Sparkes' of 7 August.

4. Since the earlier notes by Mr Potter and Mr Sparkes, we have as you requested examined some of the options further. The results are reflected in the attached annotated agenda.

5. DOE have also told us, rather pointedly, that their Minister has received a quite abnormal number of representations this year about the proposed grant settlement, especially from Conservative Party sources, to the effect that the whole principle that gainers should contribute to the safety net is unacceptable, not just the amounts. There is considerable concern about the London borough elections of May 1990.

lg.ph/AE/366

CONFIDENTIAL

6. We have the impression that DOE officials may press Mr Patten to argue for a substantial extra injection of funds and for a new approach whereby, formally at least, gainer authorities would no longer be required to contribute to the safety net (though in this zero-sum-game world the reality might not be so different). What Mr Patten will make of all this, I do not know. We have made some guesses in the attached annotated agenda. We will, as I say, report further on Tuesday afternoon.

7. I have suggested separately that you might take the opportunity to talk to Mr Patten about two local authority issues on which Mr Ridley was so intransigent during the earlier months of this year - holdings of financial assets and the massive overspend on capital this year. If you are content, we will brief you separately on these matters early next week.

AJCE

A J C EDWARDS

Lawson note

Boyson model assumes country divided into 2, good districts & bad districts. Objects in principle to good districts 'helping' bad. [illegible] [illegible] [illegible] [illegible]. But [illegible] = taxpayers, who live in good districts or bad. Suppose transfer £100, [illegible] in good districts or bad. Then this is £50 [illegible] from good districts & bad. [illegible], no difference in principle, transfer from 'good' to 'bad'; no difference in principle, just smaller amount. Only way of meeting objections in principle would be to have no safety net 'recognised'.

lg.ph/AE/366

CONFIDENTIAL

NB North/South divide

COMMUNITY CHARGE SAFETY NET:

ANNOTATED AGENDA FOR CHANCELLOR'S MEETING, 6 SEPTEMBER

1. What are the problems?

1.1 Important to consider where main problems lie and how serious they are.

i. Gainer authorities. Government backbenchers vociferously dislike contributing to safety net (that is, not receiving all gains at once). Mr Patten has promised to look carefully at points made.

Year 2: special grant financed by HMT. No other safety net @ all

ii. Loser authorities. Former Chief Secretary saw this as main problem. Hence special grant for low rateable value areas (especially in North and including many marginals). Announced grant proposal gives complete protection to these areas in first year.

iii. Individuals who lose. Some reference to this in debates. With demise of dual running, safety net will operate at level of LA, not individual chargepayer. Hard cases at individual level (eg people living in modest council housing, and paying little rates, in LAs which are contributors to safety net). But too late to change.

iv. Timing. All attention so far on 1990-91. But 1991-92 will likewise be politically sensitive year. Legislation requires that Government publish provision for safety net in each transitional year. What desiderata for April 1991?

v. Obtaining Parliament's approval. Sir R Boyson has said he will vote against settlement unless the Treasury finances the safety net. How serious is this problem?

Problem i. has attracted all the attention so far. Related problem at v. How serious are these pressures on the Government? Problems ii. to iv. are arguably more important in substance. Problem ii. argues against swift phasing out of safety net. Too late to solve problem iii., though may be pressures on community charge benefit. Need to consider problem iv.

CONFIDENTIAL

not [illegible] how specified in legislation, anyway

2. Government and Treasury objectives

2.1 Government will need to formulate viable policy for whole of transitional period (legislation requires that Government make safety net, though not specific grant, provision for each transitional year) and obtain Parliament's approval for grant settlement (timetable at Annex 1).

2.2 Main Treasury objectives:

- i. no increase in grant;
- ii. firm signal for local authority and teacher pay settlements.

2.3 General constraint: difficult to make particular groups (eg losers) significantly worse off than under Mr Ridley's 19 July proposals.

3. Broad strategy

3.1 Government has anyway to reach view on later years of transitional period. For year 1, three broad choices:

- i. no change: stand fast by Ridley announcement but present it better;
- ii. minimum change: some tinkering adjustments;
- iii. major changes, with or without extra money.

3.2 Treasury Ministers were broadly happy with outcome of grant settlement and form of safety net. Major change must increase risk of additional expenditure. No change or minimum change look therefore to be in Treasury's interest. Is this agreed?

3.3 Better presentation essential anyway. Basic problem has been language of 'contributing to safety net' rather than 'phasing-in of gains'.

4. Tinkering

4.1 One change with merit in its own right: adapt treatment of ILEA successor authorities so as to avoid making some of them better off than with continuation of existing system. Would save

CONFIDENTIAL

£70 million if losses limited to £25 and £40 million if losses limited to zero. These proceeds could be used to increase percentage of gains available generally to gainers. Highly desirable but not essential? [illegible]

4.2 Other possibilities look more difficult:

i. Raise limit on losses to more than £25 so as to accommodate gainers.

ii. Restructure gains on self-financing basis eg

- reduce maximum contribution below £75, or

- allow gains in full up to £20, with compensating increase in percentage of gains contributed to safety net.

Such changes leave many authorities worse off than under Ridley proposals. Would anything be gained?

5. <u>Major structural changes (grant-neutral)</u>

5.1 Some possibilities:

i. <u>Top slicing</u>. Within existing AEF total, part of RSG would be earmarked (or a further special grant added) to reduce contribution required from gainers. Problem is that, however this was done, many LAs would lose compared with Ridley proposals. Zero sum game. Would be criticised as disingenuous. [Chancellor has noted that Mr Ridley's rather similar £26 across the board levy can be dropped.]

ii. <u>Link safety net to spending needs</u> as against actual spending. Have looked into this as Chancellor asked. Exemplifications show that it would lead to impossibly high community charges in Inner London, more than offsetting benefits from ILEA specific grant. Would anyway fail to address the problem, which consists in abruptness of transition from one set of actual (not imaginary) tax bills to another.

A great shame.

[illegible]

[illegible]

CONFIDENTIAL

iii. Abandon safety net. Looks impossible unless replaced by something which dealt with problem of big losers. Big losses for loser authorities would all be concentrated on next year. Very high community charges. Inconsistent with repeated Government assurances about smoothing the transition. Would stoke demands for extra help generally.

How would lot in br in yr 2?

iv. Specific grant to finance losers, offset by reduced NNDR. New specific grant of some £600 million would replace gainers' contributions to safety net. NNDR distributable amount would be reduced correspondingly, to keep same AEF. NNDR poundage would not be changed but higher percentage of NNDR gains would be allowed to come through. Same practical consequences as top-slicing, while temporarily reducing NNDR yield. Ingenious synthetic solution to several problems. But would mean that smaller gainers and smaller losers would be worse off than under Ridley proposals.

5.2 Agreed that grant-neutral changes on these lines have little promise (though better than extra money options)?

6. **More money options**

6.1 Mr Patten may well argue for more money to buy off the backbenchers (see covering minute). He may see attraction in getting rid of the whole concept of a contributory safety net. Possible approaches:

Do this in year 2?

i. Replace safety net and gainers' contributions to it by special grant to losers (equivalent to their reliefs under present safety net). Would cost some £600 million.

ii. Special grant for losers, as in i., partly financed by 'top-slicing' RSG (or one of other devices in section 5) as well as by new money.

iii. Retain safety net as now but partially compensate either losers or contributors through special grant.

The extra grant of £600 million (or such lesser amounts as were decided under ii. and iii.) would go partly (perhaps largely) into additional public expenditure, partly into reduced community charges.

lg.ph/AE/366

CONFIDENTIAL

6.2 This looks a bad use of money when public expenditure position is so tight and given delicate state of LA/teacher pay negotiations (arguments at Annex 3).

6.3 Extra £600 million clearly out of question. More limited additions might arguably do more harm than good in political terms?

7. Later years The key

7.1 1991-92, and changes to take effect in April 1991, will be no less critical than 1990-91. Legislation commits Government to stating its intentions for all four years of safety net.

Job 1?

7.2 Would be considerable gesture to Boyson backbenchers to shorten transitional period from present four years to three or two years. Gainers would then receive gains sooner, though losers would bear losses sooner. Latter would involve considerable difficulties, especially as Ridley announcement gives low rateable value authorities and most Inner London authorities complete protection next year. Would probably be necessary to extend and re-shape specific grants to accompany accelerated phasing out of safety net.

7.3 Where does balance of advantage lie between faster and slower phasing out? Agreed that officials should report on options, for Ministers to consider?

8. Possible conclusions

8.1 Some conclusions which might be drawn:

i. best way ahead is to stand up to Boyson faction and stick to existing proposals for year 1;

ii. tinkering and restructuring existing proposals generally unattractive: however meritorious in themselves, such changes would leave some authorities worse off than under Ridley announcement, with added pressures for more money;

iii. within tinkering possibilities, ILEA adjustment would seem desirable in its own right, though DOE will resist;

CONFIDENTIAL

iv. top-slicing and specific grant/reduced NNDR options look difficult to sell within existing grant total. Rebasing safety net on needs probably a non-starter;

v. any of these tinkering/restructuring options better from Treasury point of view, however, than extra money;

vi. extra money/re-opening AEF settlement highly undesirable. If Ministers felt obliged to inject something extra, best method might be a small additional specific grant payable to losers. But small injection may be politically worse than no change. Mr Patten may go for restructuring along with some extra money.

? More Help for poorest payers?

vii. Need anyway to reach (and announce) a view on later years, in particular rate at which safety net is phased out and what can be contemplated for April 1991.

9. Handling

9.1 Ministers need to resolve the issues discussed in this note well before the end of this month in order that DOE may prepare the necessary reports and other documentation for the autumn.

9.2 We understand that all decisions on local authority current this autumn will be taken in a new committee, E(LG), chaired by the Prime Minister. This is similar to the old E(LF), with a rather wider remit and some change of personnel. E(LA) is still in being, with Sir Geoffrey Howe as chairman, but will have no role this autumn.

!

9.3 As in June/July, it will doubtless be useful for the Prime Minister, Treasury Ministers and Mr Patten to reach agreement if possible before options are put to the new E(LG). Before the trilateral meeting, it will clearly be helpful if there can be as much agreement as possible between Treasury Ministers and Mr Patten at least on the options worth considering.

9.4 Hence suggested objectives for your meeting with Mr Patten:

a. to bring home the real difficulty in putting in any extra money, given the public expenditure and pay contexts;

CONFIDENTIAL

b. to commend the case for sticking to the Ridley package for next year, with change for ILEA authorities discussed above; and

c. to agree on the options to be exhibited for the Prime Minister, which must clearly include nil-cost options;

d. to discuss options for the later years and commission work as necessary.

CONFIDENTIAL

ANNEX 1

ANNEX 1

LOCAL AUTHORITY CURRENT TIMETABLE, 1989

September/Early October	Discussions with local authority associations
28 September	Consultative Council
10-13 October	Party Conference: Mr Patten will come under pressure to say something about the settlement
9 October	House of Lords resumes: Government tables amendments to LG and Housing Bill, eg for ILEA and low-RV grants
17 October	House of Commons resumes
31 October	Draft RSG report and safety net exemplifications published, probably with Statement by Mr Patten, followed by formal consultation period with local authorities
?10 November	Royal assent for LG & Housing Bill
Mid-November	Autumn Statement
Week beginning 3 December	Decision on NNDR multiplier
21 December	Final drafts of RSG and safety net reports signed
9 January	Final reports laid
	Then Debates

CONFIDENTIAL

ANNEX 2

Annex 2

COMMUNITY CHARGE SAFETY NET:

BRIEF HISTORY, INCLUDING MR RIDLEY'S JULY ANNOUNCEMENT

The January 1986 Green Paper "Paying for Local Government" envisaged transitional arrangements comprising two complementary elements -

i. 'dual running' of the community charge and domestic rates, on the basis that the rates element would be gradually phased out over ten years and additions to expenditure at the margin would be financed from extra community charge, and

ii. a safety-net designed to keep the total take from the community charge in each local authority to the same level as the total domestic rate bill in the first year of the new system.

The safety net would have totally overridden in the first year the distributional effects between authorities of the community charge system. It was due to wither away or be phased out gradually over an unspecified period.

2. In July 1987, the Government confirmed this approach but added that the safety net would be phased out over four years, 1994-95 being the first year without any safety net.

3. In November 1987, the Government announced that local authorities contributing to the safety net would have to pay no more than £75 per head. That is, gainer authorities would retain all but £75 of their gains in the first year. This was to be financed by a small adjustment of £3 per head on the part of losers.

4. In the spring of 1988, during passage of the Local Government Finance Bill, the Government announced that dual running would be dropped except for the Inner London authorities: this was later extended to Inner London, too. Dual running was described as perpetuating an unfair rating system and as creating major

administrative problems. The safety net at local authority level, was retained without any accompanying provisions at the level of the individual.

5. The grant settlement proposals announced by Mr Ridley at the end of July 1989 provided for less protection for loser authorities and earlier receipt of gains by gainer authorities than previously envisaged. Loser authorities are (mostly) to bear up to £25 of losses in the first year of the new system, thus enabling gainers to obtain between 40 and 50 per cent of their gains straight away and the whole of any gain in excess of £75 per chargepayer. Mr Ridley also announced two specific grants, of £100 million each -

i. a grant for the Inner London boroughs to help with the transition from ILEA, which will actually make most boroughs better off next year than they would have been under the present system, and

ii. a special grant for areas of low rateable values, mostly in the North, which will mean that many authorities in these areas will have complete protection against losses in the first year.

6. Apart from the safety net, the main elements in Mr Ridley's announced settlement were:

i. aggregate exchequer finance of £23.1 billion next (a cash increase of £1.8 billion, or 8½ per cent, on the current year);

ii. total standard spending of £32.8 billion (a cash increase of 10½ per cent on the current year); and

iii. a community charge for standard spending of £275.

ANNEX 3

ARGUMENTS AGAINST PUTTING IN EXTRA GRANT

1. Settlement already a generous one. AEF up £1.8 billion, or 8.5 per cent, on 1989-90. No criticism at all from Tory side of level of grant settlement.

2. Public expenditure position extremely tight. Cabinet agreed vital to keep tight control. No secret that bids will need to be severely cut back in all areas including DoE programme, with offsetting savings to pay for unavoidable increases.

3. Against this background, extremely hard to persuade colleagues of case for priority for more grant, some of it to the richest local authorities in the country. Simply means less money for hospitals and roads. (£600 million buys 12 hospitals).

4. Moreover, Government gets direct credit for extra money for the NHS. Whereas, no control over extra for LAs: no guarantee that even Tory LAs will use extra grant to reduce Community Charge - a lot of it will simply add to spending.

5. NALGO pay award makes it very difficult to put in any extra money. As David Hunt said at the time, consequences will have to be met by chargepayer. If Community Charge cannot bear this, would be seen to fall at first hurdle. And would seriously undermine general line on wage increases: consistently made clear will not bail out private sector employers through eg exchange rate depreciation; cannot be seen to act differently in public sector.

6. The Scots get no extra help for their safety net.

7. Bad practice to announce a decision in July, and change it in October. Bad for public expenditure control, wrong signal to markets about Survey; not how this Government does business.

8. And politics not all one way. Opposition ready to criticise any concession as Government running scared and bailing out Community Charge.

Annex 3

TENTATIVE EXEMPLIFICATION OF PACKAGE
ANNOUNCED BY MR RIDLEY.

ANNEX 4

DATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn. of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	Safety net contribution (+)/ entitlement (-) ((Col 3 - Col 2) *
GREATER LONDON					
City of London	541	325	421	2	+75 *
Camden	446	442	425	12	-17
Greenwich	285	579	246	13	-333
Hackney	351	239	263	15	+ 24
Hammersmith and Fulham	373	563	348	14	- 215
Islington	446	425	416	14	- 9
Kensington and Chelsea	393	205	282	9	+ 75 *
Lambeth	309	334	277	14	- 57
Lewisham	275	423	241	12	-182
Southwark	281	439	247	15	-192
Tower Hamlets	282	397	240	16	-157
Wandsworth	202	350	175	11	-175
(a) Westminster	587	341	449	13	+ 75 *
Barking and Dagenham	244	365	269	9	-96
(a) Barnet	361	246	307	7	+61
Bexley	247	294	272	7	-22
Brent	491	461	477	13	+16
Bromley	255	260	260	6	0
Croydon	267	164	219	7	+55
Ealing	321	312	317	10	+ 5
Enfield	316	274	296	8	+ 22
Haringey	532	566	557	14	- 9
Harrow	327	264	298	8	+34
Havering	257	298	282	7	-16
Hillingdon	328	402	353	9	-49
Hounslow	373	351	362	10	+ 11
Kingston-upon-Thames	324	328	328	8	0
Merton	285	304	304	8	0
Newham	356	319	339	14	+20
Redbridge	231	242	242	7	0
Richmond-upon-Thames	357	305	332	6	+27
Sutton	309	307	308	[illegible]	+ 1
Waltham Forest	325	275	302	10	+27

* adjusted for decision to cap contributions at £75

(a) Shown as £75 contribution in DoE 1988-89 exemplifications

TE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
GREATER MANCHESTER					
Bolton	242	243	243	9	0
Bury	308	308	308	8	0
Manchester	322	288	306	11	+18
Oldham	237	259	255	10	-4
Rochdale	262	343	277	10	-66
Salford	286	283	285	9	+2
Stockport	313	269	292	8	+23
Tameside	253	304	274	9	-30
Trafford	287	235	263	8	+28
Wigan	269	343	294	9	-49
MERSEYSIDE					
Knowsley	300	247	275	11	+28
Liverpool	302	276	290	11	+14
St Helens	262	313	287	9	-26
Sefton	288	270	279	8	+9
Wirral	381	350	366	10	+16
SOUTH YORKSHIRE					
Barnsley	221	367	221	8	-146
Doncaster	258	372	270	9	-102
Rotherham	249	349	255	9	-94
Sheffield	278	384	287	9	-97
TYNE AND WEAR					
Gateshead	248	324	255	9	-69
Newcastle upon Tyne	279	335	304	10	-31
North Tyneside	313	345	338	9	-7
South Tyneside	236	301	251	9	-50
Sunderland	217	275	225	9	-50
WEST MIDLANDS					
Birmingham	281	193	240	10	+47
Coventry	311	281	297	10	+16
Dudley	302	250	277	8	+27
Sandwell	279	211	247	9	+76
(a) Solihull	318	208	257	7	+59
Walsall	305	255	282	9	+27
Wolverhampton	306	196	255	10	+59
WEST YORKSHIRE					
Bradford	218	277	218	10	-59
Calderdale	236	379	236	10	-143
Kirklees	217	327	217	9	-110
Leeds	223	254	244	8	-10
Wakefield	237	345	242	8	-103

E 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
AVON					
Bath	255	298	280	7	−18
Bristol	298	345	323	8	−22
Kingswood	263	264	264	7	0
Northavon	299	276	288	7	+12
Wansdyke	278	288	288	7	0
Woodspring	305	285	296	7	+11
BEDFORDSHIRE					
North Bedfordshire	310	238	276	8	+38
Luton	361	233	301	8	+68
Mid Bedfordshire	316	245	282	8	+37
South Bedfordshire	364	273	322	8	+49
BERKSHIRE					
(a) Bracknell	305	239	274	7	+35
(a) Newbury	299	178	242	7	+64
Reading	274	225	251	8	+26
Slough	265	150	211	7	+61
(a) Windsor and Maidenhead	349	241	298	7	+57
(a) Wokingham	340	202	276	7	+74
BUCKINGHAMSHIRE					
Aylesbury Vale	288	186	240	7	+54
(a) South Bucks	458	213	344	7	+75 *
(a) Chiltern	463	231	354	7	+75 *
Milton Keynes	331	217	278	8	+61
(a) Wycombe	386	223	310	7	+75 *
CAMBRIDGESHIRE					
(a) Cambridge	323	249	288	7	+39
East Cambridgeshire	235	212	224	7	+12
Fenland	223	230	230	7	0
Huntingdonshire	250	208	230	7	+22
Peterborough	274	256	265	7	+9
(a) South Cambridgeshire	297	192	248	6	+56
CHESHIRE					
Chester	303	258	282	7	+24
Congleton	280	256	269	7	+13
Crewe and Nantwich	308	276	293	8	+17
Ellesmere Port and Neston	292	267	281	8	+14
Halton	259	267	267	8	0
(a) Macclesfield	357	252	308	7	+56
Vale Royal	267	253	260	7	+7
Warrington	266	270	270	8	0

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution(+)/ entitlement(-)
CLEVELAND					
Hartlepool	247	301	263	10	-38
Langbaurgh-on-Tees	308	337	333	10	-4
Middlesbrough	275	330	300	10	-30
Stockton-on-Tees	298	302	302	10	0
CORNWALL					
Caradon	220	218	219	7	+1
Carrick	229	228	229	7	+1
Kerrier	194	219	215	7	-4
North Cornwall	220	215	218	7	+3
Penwith	205	219	217	7	-2
Restormel	205	217	217	7	0
CUMBRIA					
Allerdale	197	282	197	8	-85
Barrow in Furness	198	321	198	8	-123
Carlisle	227	282	238	8	-42
Copeland	191	293	191	8	-102
Eden	208	256	208	7	-48
South Lakeland	249	280	274	8	-6
DERBYSHIRE					
Amber Valley	249	316	274	8	-42
Bolsover	225	342	226	8	-116
Chesterfield	257	342	282	8	-60
Derby	311	311	311	8	0
Erewash	265	325	290	8	-35
High Peak	254	328	279	8	-49
North East Derbyshire	277	347	302	8	-45
South Derbyshire	281	309	306	8	-3
Derbyshire Dales	297	315	315	8	0
DEVON					
East Devon	241	224	233	7	+9
Exeter	216	238	238	7	0
North Devon	185	220	205	7	-15
Plymouth	217	223	223	7	0
South Hams	257	229	244	7	+15
Teignbridge	225	229	229	7	0
Mid Devon	193	220	218	7	-2
Torbay	258	293	283	7	-10
Torridge	169	216	169	7	-47
West Devon	205	212	212	7	0

DATE: 5-JUL-89

[redacted]

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.9bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
	DORSET					
	Bournemouth	254	251	253	7	+2
(a)	Christchurch	305	248	278	6	+30
	North Dorset	216	193	205	6	+12
(a)	Poole	292	235	265	6	+30
	Purbeck	227	197	213	6	+16
	West Dorset	222	203	214	6	+11
	Weymouth and Portland	203	233	228	6	-5
(a)	East Dorset	317	235	279	6	+44
	DURHAM					
	Chester-le-Street	237	281	261	8	-20
	Darlington	248	285	273	8	-12
	Derwentside	209	301	209	8	-92
	Durham	227	280	252	8	-28
	Easington	200	288	200	8	-86
	Sedgefield	225	325	225	8	-100
	Teesdale	183	224	183	7	-41
	Wear Valley	205	313	205	8	-108
	EAST SUSSEX					
	Brighton	335	348	348	8	0
(a)	Eastbourne	343	269	308	7	+39
	Hastings	269	238	255	7	+17
	Hove	290	223	259	7	+36
	Lewes	309	228	271	6	+43
(a)	Rother	325	221	276	6	+55
	Wealden	289	224	259	6	+35
	ESSEX					
(a)	Basildon	434	353	396	8	+43
	Braintree	302	229	268	7	+39
	Brentwood	408	386	397	8	+11
(a)	Castle Point	339	234	290	7	+56
(a)	Chelmsford	371	229	304	7	+75
	Colchester	291	230	263	7	+33
(a)	Epping Forest	414	267	346	7	+75 *
	Harlow	425	417	422	9	+5
(a)	Maldon	327	224	279	7	+55
(a)	Rochford	363	242	307	7	+65
(a)	Southend-on-Sea	357	254	309	7	+55
	Tendring	310	246	280	7	+34
	Thurrock	365	313	341	8	+28
(a)	Uttlesford	363	226	299	7	+73

[redacted] DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
GLOUCESTERSHIRE					
Cheltenham	280	255	268	7	+13
Cotswold	282	223	254	7	+33
Forest of Dean	201	228	226	7	-2
Gloucester	231	232	232	7	0
Stroud	251	241	246	7	+5
Tewkesbury	270	215	244	6	+29
HAMPSHIRE					
Basingstoke and Deane	249	162	208	6	+46
East Hampshire	287	173	234	6	+61
Eastleigh	282	187	238	6	+51
Fareham	287	182	238	6	+56
Gosport	245	189	219	7	+30
(a) Hart	314	191	256	6	+65
Havant	280	175	231	7	+56
New Forest	264	190	229	6	+39
Portsmouth	205	219	219	7	0
Rushmoor	231	174	205	7	+31
Southampton	221	190	206	7	+16
Test Valley	262	164	216	6	+52
Winchester	293	176	239	6	+63
HEREFORD AND WORCESTER					
(a) Bromsgrove	264	175	222	6	+47
Hereford	185	173	179	6	+6
Leominster	176	147	163	6	+16
Malvern Hills	258	185	224	6	+39
Redditch	270	214	244	7	+30
South Herefordshire	189	148	170	6	+22
Worcester	259	216	239	7	+23
(a) Wychavon	280	191	238	6	+47
Wyre Forest	242	215	229	7	+14
HERTFORDSHIRE					
Broxbourne	326	264	297	7	+33
(a) Dacorum	375	253	318	-	+65
East Hertfordshire	336	274	307	-	+33
(a) Hertsmere	405	298	355	-	+57
(a) North Hertfordshire	374	265	323	7	+58
(a) St Albans	389	259	328	-	+69
Stevenage	386	332	361	3	+29
(a) Three Rivers	406	277	345	7	+68
Watford	340	283	313	8	+30
(a) Welwyn Hatfield	417	337	380	8	+43

ATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32 8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SW contribution (+)/ entitlement (-)
HUMBERSIDE					
Beverley	317	302	310	8	+8
Boothferry	220	309	226	9	-83
Cleethorpes	264	332	289	9	-63
Glanford	259	286	284	8	-2
Great Grimsby	251	322	276	9	-46
Holderness	262	288	287	8	-1
Kingston upon Hull	233	330	233	9	-97
East Yorkshire	242	318	255	9	+63
Scunthorpe	284	372	309	9	+63
ISLE OF WIGHT					
Medina	245	250	250	7	0
South Wight	269	265	267	7	+2
KENT					
Ashford	239	198	220	7	+22
Canterbury	224	199	212	7	+13
Dartford	218	235	235	7	0
Dover	198	188	193	7	+5
Gillingham	211	187	199	7	+12
Gravesham	232	193	214	7	+21
Maidstone	231	180	207	7	+27
Rochester upon Medway	205	163	186	7	+23
Sevenoaks	257	192	227	7	+35
Shepway	278	229	255	7	+26
Swale	198	203	203	7	0
Thanet	234	209	222	7	+13
Tonbridge and Malling	229	224	227	7	+3
Tunbridge Wells	245	190	219	7	+29
LANCASHIRE					
Blackburn	183	235	183	8	-52
Blackpool	239	290	264	8	-26
Burnley	176	260	176	8	-84
Chorley	228	239	239	8	0
Fylde	272	250	262	8	+12
Hyndburn	176	257	176	8	-81
Lancaster	211	254	236	8	-18
Pendle	169	270	169	8	-101
Preston	233	221	227	8	+6
Ribble Valley	215	246	240	8	-6
Rossendale	199	277	199	8	-78
South Ribble	228	249	249	8	0
West Lancashire	275	239	258	8	+21
Wyre	239	249	249	8	0

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
LEICESTERSHIRE					
Blaby	266	226	247	7	+21
Charnwood	265	213	241	7	+28
Harborough	307	244	278	7	+34
Hinckley and Bosworth	257	233	245	7	+12
Leicester	232	289	257	9	-32
Melton	258	231	246	7	+15
North West Leicestershire	258	249	254	8	+5
Oadby and Wigston	281	244	263	7	+19
Rutland	243	212	229	7	+17
LINCOLNSHIRE					
Boston	208	225	225	7	0
East Lindsey	204	207	207	7	0
Lincoln	199	225	222	7	-3
North Kesteven	205	203	204	7	+1
South Holland	204	224	224	7	0
South Kesteven	222	211	217	7	+6
West Lindsey	200	203	203	7	0
NORFOLK					
Breckland	223	214	219	7	+5
Broadland	253	218	237	6	+19
Great Yarmouth	222	243	243	7	0
North Norfolk	228	215	222	7	+7
Norwich	256	261	261	7	0
South Norfolk	251	233	243	7	+10
King's Lynn and West Norfolk	203	220	220	7	0
NORTHAMPTONSHIRE					
Corby	274	248	262	8	+14
Daventry	303	248	277	8	+29
East Northamptonshire	233	215	224	7	+9
Kettering	246	244	245	8	+1
Northampton	296	282	290	8	+8
South Northamptonshire	293	209	254	7	+45
Wellingborough	242	231	237	8	+6
NORTHUMBERLAND					
Alnwick	242	296	267	8	-29
Berwick-upon-Tweed	231	295	238	8	-57
Blyth Valley	271	345	296	8	-49
Castle Morpeth	303	288	296	8	+8
Tynedale	257	288	282	8	-6
Wansbeck	238	348	240	8	-108

[redacted] DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
NORTH YORKSHIRE					
Craven	197	239	211	7	-28
Hambleton	226	236	236	7	0
Harrogate	260	273	273	7	0
Richmondshire	187	231	212	7	-19
Ryedale	211	248	236	7	-12
Scarborough	204	269	221	7	-48
Selby	205	263	230	7	-33
York	187	248	193	7	-55
NOTTINGHAMSHIRE					
Ashfield	206	257	215	7	-42
Bassetlaw	228	260	253	8	-7
Broxtowe	258	260	260	7	0
Gedling	274	254	265	7	+9
Mansfield	225	279	248	8	-29
Newark and Sherwood	249	250	250	7	0
Nottingham	234	250	250	8	0
Rushcliffe	289	249	270	7	+21
OXFORDSHIRE					
Cherwell	269	232	252	6	+20
Oxford	294	220	259	6	+39
South Oxfordshire	321	230	278	6	+48
Vale of White Horse	302	220	264	6	+44
West Oxfordshire	272	220	248	6	+28
SHROPSHIRE					
Bridgnorth	228	187	209	7	+22
North Shropshire	200	201	201	7	0
Oswestry	202	222	222	7	0
Shrewsbury and Atcham	251	223	238	7	+15
South Shropshire	208	188	199	7	+11
Wrekin	267	256	262	8	+6
SOMERSET					
Mendip	250	249	250	7	+1
Sedgemoor	259	268	268	7	0
Taunton Deane	255	264	264	7	0
West Somerset	271	264	268	7	+4
South Somerset	259	264	264	7	0

DATE 5-JUL-89

[redacted]

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
	STAFFORDSHIRE					
	Cannock Chase	244	255	255	7	0
	East Staffordshire	230	229	229	7	0
	Lichfield	294	230	264	7	+34
	Newcastle-under-Lyme	238	254	254	7	0
	South Staffordshire	291	224	260	7	+36
	Stafford	252	226	240	7	+14
	Staffordshire Moorlands	233	242	242	7	0
	Stoke-on-Trent	210	255	235	7	-20
	Tamworth	264	244	255	7	-11
	SUFFOLK					
	Babergh	253	249	251	7	+2
	Forest Heath	226	229	229	6	0
	Ipswich	283	287	287	7	0
	Mid Suffolk	241	228	235	7	+7
	St Edmundsbury	230	214	222	6	+8
	Suffolk Coastal	287	238	264	7	+26
	Waveney	231	244	244	7	0
	SURREY					
(a)	Elmbridge	445	304	379	7	+75
(a)	Epsom and Ewell	398	323	363	7	+40
	Guildford	334	224	282	6	+58
(a)	Mole Valley	336	262	301	7	+39
(a)	Reigate and Banstead	358	276	319	6	+42
(a)	Runnymede	294	247	272	6	+25
	Spelthorne	293	234	266	6	+32
(a)	Surrey Heath	352	241	300	6	+59
	Tandridge	302	280	292	7	+12
(a)	Waverley	362	240	305	6	+65
(a)	Woking	368	288	331	7	+43
	WARWICKSHIRE					
	North Warwickshire	307	306	307	7	+1
	Nuneaton and Bedworth	308	317	317	8	0
	Rugby	313	281	298	7	+17
(a)	Stratford on Avon	369	268	322	7	+54
(a)	Warwick	361	283	325	7	+42

DATE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
WEST SUSSEX					
Adur	281	238	261	6	+23
Arun	270	209	241	6	+32
Chichester	262	192	229	6	+37
Crawley	269	270	270	7	0
Horsham	261	179	223	6	+44
Mid Sussex	287	209	251	6	+42
Worthing	248	217	234	6	+17
WILTSHIRE					
Kennet	241	227	235	7	+8
North Wiltshire	226	256	251	7	-5
Salisbury	262	224	244	7	+20
Thamesdown	253	302	278	7	-24
West Wiltshire	232	260	257	7	-3
ALL PURPOSE AUTHORITY					
Isles of Scilly	214	505	239	11	-266

DATE: 5-JUL-89

ANNEX B

AREAS BENEFITTING FROM SPECIFIC GRANT

Burnley
Pendle
Wear Valley
Hyndburn
Barrow in Furness
Calderdale
Teesdale
Easington
Kirklees
Barnsley
Copeland
Blackburn
Rossendale
Derwentside
Kingston upon Hull
Bradford
Torridge
Sedgefield
Allerdale
Eden
Bolsover
Wansbeck
Wakefield
York
Boothferry
Rotherham
Berwick-upon-Tweed
Gateshead
Sunderland
Ashfield
Sheffield
Carlisle
Doncaster
East Yorkshire
Craven
Rochdale
South Tyneside
Hartlepool
Scarborough
North Devon
Oldham
Tameside
Penwith
Leeds
Kerrier
Lincoln
Mansfield
High Peak
Chester-le-Street
Bassetlaw

Chancellor
CST

Anson
A. Edwards
Potter
AT O'D

Press Association
UK File on 01-09-89 at 04:33

POLITICS Tax Lawson

(Overnight rewrite)

LAWSON EXPECTED TO CUSHION POLL TAX'S IMPACT

By Chris Moncrieff, Press Association Chief Political Correspondent

Tory backbenchers now believe Chancellor Nigel Lawson is ready to provide more cash to cushion the impact of the community charge.

Some believe that unless he does act, the so-called poll tax will have disastrous effects on the Tories at the next local authority and general elections.

7+ More 4 Headlines 6← 00↑ < >

WF spoke. Source is RB. [redacted] Chan

Press Association
UK File on 01-09-89 at 04:33

Sir Rhodes Boyson, MP for Brent North and a former local government minister, has been sounding warnings to the Treasury since the House rose for the summer recess.

He believes that the so-called "safety net" arrangements, providing for a transfer of resources from richer to poorer local authorities, will alarmingly increase the community charge bills of voters in many Conservative areas.

Sir Rhodes and his colleagues have bluntly told the Treasury in a series

7+ More 4 Headlines 6← 00↑ <7 >

Press Association
UK File on 01-09-89 at 04:33

of speeches that the Tories will face heavy losses in next year's local council elections and that the parliamentary majorities of at least 25 Conservative MPs could be at risk unless action is taken.

Many Tory MPs now believe that the Chancellor will look sympathetically at their fears and more money will be made available to reduce the impact on Conservative voters.

end jp

lg1.va/potter/minutes/cc.sn.6.9

CONFIDENTIAL

PCSPS

[see notes on paper below: NB timing of commission]

POTTER TO CHEX 5/9

CHANCELLOR

FROM: B H POTTER (LG1)
X4790
DATE: 5 September 1989

cc: Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips o/r
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr McIntyre (ST)
Mr Hudson (LG1) o/r
Mr Rutnam (LG1)
Mrs Chaplin

COMMUNITY CHARGE SAFETY NET: MEETING ON 6 SEPTEMBER

You already have an annotated agenda for the meeting between you, the Chief Secretary and the Environment Secretary on 7 September from Mr Edwards (minute of 1 September). This note provides an update on DOE's thinking and sketches out a possible Treasury line for the meeting .

DOE Proposals

2. I understand that Mr Patten spoke to the Prime Minister yesterday morning about a range of DOE issues. Inter alia he outlined some thoughts on the local authority current settlement.

3. We understand that the Prime Minister showed only limited sympathy with Mr Patten's view that, in the light of backbench response to his predecessor's plans, more money was needed for the settlement. The Prime Minister reminded Mr Patten of the dangers that more grant would lead to higher expenditure; at the same time, more money was apparently not ruled out.

4. A meeting has now been arranged for Wednesday 13 September (Treasury Ministers, the Prime Minister and Environment Secretary) ? Tomorrow Mr Patten will circulate new proposals for the LA current settlement to us. Following the discussion on 7 September, Mr Patten will then send a minute to the Prime Minister.

DOE Note

5. The DOE note to the Prime Minister will be in three parts.

(A) Mr Patten will argue that the basic concept of safety net contributions is unacceptable to backbenchers and must be be dropped. His main proposal will therefore be to abolish paying for the protection of chargepayers in "losing" areas by contributions from gainers to the cost of the safety net. It follows that the taxpayer must bear the cost of phasing in the losses. This is now estimated at £660 million for 1990-91. Mr Patten will seek all this amount as an addition to the agreed and announced AEG of £23.1b.

(B) The note will also flag up growing DOE concerns about the community charge rebate scheme. Like us, DOE officials take the view that political pressure will build up over the next few months on individual community charges and hence on rebates, rather than the esoteric matter of average community charges in different areas. It is not yet clear whether Mr Patten will put forward specific proposals in the note: if so, they will be on the details ie capital limits for pensioners, earnings limits and the slope of the taper. DOE officials have (thankfully) now convinced Mr Patten that a centrally run system of individual safety nets, whereby rebates would be related to increases in local tax bills, is simply unworkable.

(C) The note will also offer something on community charge capping (partly, I suspect, because the Prime Minister raised this yesterday). Presumably this is intended to meet the criticism that extra grant for local authorities will not keep down community charges but merely increase local authority spending. However, any such capping is not likely to be very effective: it has to be remembered that most of the extra grant proposed by DOE would go to rich authorities, which spend close to their needs assessment. Even if they boosted their spending a little above needs assessment, they would not be caught by feasible criteria for community charge capping a modest number of authorities.

Treasury line

6. Our main concern on Thursday must be A above. (The attached note from ST covers B). The flaws in the argument at (A) above are clear and set out in Annex 3 to Mr Edwards' minute. But the appeal to backbencher criticism of doing away with safety net contributions is clear. DOE and No.10 have been lobbied hard by MPs, individuals LAs and the ADC inter alia. Mrs Chaplin has confirmed that the political pressure, no matter how ill-informed,on the safety net is intense. There is also a long standing desire within DOE to have the safety net abolished.

7. One Treasury strategy might be to accommodate this concern: accept that the safety net contribution concept should be dropped; but seek to avoid the full extra £660 million addition to AEG. Part or all of this sum could be found from within AEG, either by top-slicing RSG or by reducing NNDR income (as explained in my minute of 4 August).

8. LG recommend you should not pursue this approach. The main problems are as follows:

i) Anything close to a splitting the difference solution next week cannot be afforded. Giving rich local authorities in the South-East an extra £300m (when they do not face elections) is both very bad value for money and not a priority for scarce Exchequer resources. It will leak into higher public expenditure.

ii) Any half-way house solution in unappealing. Either the Government would have to retain a reduced safety-net contribution (thus still leaving a target for further bids) at say £300m; or the safety net could be dropped and contributions paid for by top-slicing the remaining £300m from RSG. But the latter step would push up standard comunity charges and make some LAs perhaps worse off than under Mr Ridley's proposals. And it would quickly be perceived that the Government was being "shifty".

iii) Either way, the pressure for more money to buy out the residual safety net or reduced RSG would remain;

iv) As attention shifts from areas to individuals, pressure will mount on rebates; Mr Patten should recognise an extra £300m or £600m would not buy out the political problems.

9. The alternative strategy must be to retain the concept of a safety net (retitled) and go for a minimum change package (in terms of public expenditure cost) that can be sold politically.

10. Any such package is going to have to be much improved in presentational terms. The key elements are:-.

- dropping the term safety net altogether;

- talking in terms not of safety net contributions but of phasing in gains;

- separating the concept of phasing in gains from transitional protection ie the two specific grants.

11. Our starting position could indicate no change (apart from the presentational ones). But realistically some concessions need to be made. The trick is finding a low cost package that will attract support. Some ideas are as follows.

What are the arguments against?

a) Bringing the ILEA specific grant back inside the safety net would reduce the cost of the safety net by £70 million. This is just sufficient to allow through exactly 50% of all gains in the first year or to reduce the maximum contribution to the safety net from £75 to £50.

600
470

b) If all remaining 50% of gains were allowed through in the second year (thus completing the phasing in in two years), a package of half now, the rest next year might be attractive.

c) There would still be political concerns about losing authorities. But the worst of this could be met by continuing transitional protection ie the specific grants for the north and London.

What wd that do? What would it cost?

d) The means of allowing gains through could be switched eg to a flat rate amount per adult for everyone.

Treasury tactics

12. All of the above have nil extra cost. Going further, the possibilities are genuinely limited and subject to the political difficulties outlined in paragraph 8 above.

e) Any addition to AEF/RSG would reduce changes across the board.

Explain

f) An extra specific grant could be created to allow a £x per adult Exchequer contribution to the safety net (better targetted than extra RSG but with no logic whatever). This reduces the 'cost' to be met by postponing gains.

13. You may judge that most of paragraph 11 above plus a small amount under 12(f) is the best buy. Depending on the outcome of Thursday's meeting, a further minute to the Prime Minister before next Wednesday may well be advisable.

BHP

BARRY H POTTER

stl.vh/JPMc/attach

Note from ST.

CONFIDENTIAL

COMMUNITY CHARGE: HELP FOR PEOPLE ON LOW INCOMES

Mr Patten might argue for more generous benefits as a means of dealing with pressure on the community charge. If this is raised, you can draw on the following points in resisting concessions:

(i) a more generous rebate system is already planned for the community charge (and operating in Scotland) than has applied for rates. The income taper will be 15 per cent instead of 20 per cent, costing over £100 million and helping an extra one million people. Although this has already been announced (in April last year, to see off Mr Mates), further credit can be taken for it;

(ii) because of the cut in the taper and the fact that more people will be liable for community charge, rebate expenditure is already expected to be much higher than on rate rebates: In England and Wales, about £1¾ billion, instead of £1¼ billion. And over ten million chargepayers (1 in 4) in England and Wales will get a rebate, compared with six million ratepayers. So a very large minority of the population will already get help, without any further concessions (and rather contrary to the Government's policy of reducing dependence on benefits);

(iii) in addition to the rebate scheme, income support levels have been increased to provide help towards the minimum 20 per cent payments. This costs over £½ billion a year;

(iv) pensioners are set to gain from measures already in the pipeline: abolition of earnings rule, extra income support for over-75s/disabled (each effective from October and costing total of £575 million in full year), and independent taxation. The extra income support will feed through directly into community charge benefit, by raising the threshold above which the income taper operates (by £2.50 for singles, £3.50 for couples). The Chief Secretary's minute to the Prime Minister of 10 August, copied to Mr Patten, detailed these measures.

CONFIDENTIAL

BACKGROUND

Comparison of community charge benefit with rate rebate scheme

2. The following examples show how community charge rebates will be more generous than rate rebates without any further concessions:

(i) Pensioner couple aged 60-74, with basic State pension and occupational pension giving total net income of £100 per week, paying average rates/community charge*:

1989-90 rates bill: £7.59 per week
1990-91 CC bill: £5.80 per week (ie combined bills);

(ii) Family with two children, aged 10 and 13, paying average rates/community charge*:

1989-90: maximum rate rebate payable at £90.40 per week (net income)
1990-91: maximum CC rebate payable at £94.95 per week (net)

1989-90: minimum (50p) rate rebate payable at £127.15 per week (net)
1990-91: minimum (50p) CC rebate payable at £148.02 per week (net).

DSS further work

3. A No.10 letter of 24 July to Mr Newton conveyed the PM's request that DSS "assess the possibility of setting the capital limit on eligibility for community charge rebates at £16,000 - ie double the normal limit, just for pensioner couples." The PM also wanted to know the costs and implications for this "including the impact of the introduction of independent taxation for husband and wife in April 1990". I understand that the Policy Unit was behind this.

by no means the whole costs

4. Mr Newton's minute of 8 August said the proposal had "clear attractions" but that further work was needed. The cost could be £15-30 million. The PM (No.10 letter of 9 August) commented that this could not be taken in isolation from the safety net and other community charge proposals; that any proposal would need to be considered in the Economic Committee; and that the number of people dependent on benefits would be substantially increased. The CST (minute of 11 August) pointed to the measures already announced for pensioners and argued that, against the general Survey background, we would need to think very hard before giving still more help through the benefit system, directed to those with over £8,000 of free capital. We expect to see a draft DSS paper soon.

---

* Average rate bill per household in 1989-90 is £510 (£9.80 per week. Average CC bill per person in 1990-91 (based on LAs' need to spend) projected at £275 (£5.28 per week). Even if the average CC bill in 1990-91 were assumed to be £300, the pensioner couple would still only pay £5.99, well below their rates bill this year.

lg1.va/potter/minutes/cc.m.6.9

CONFIDENTIAL

CHANCELLOR

FROM: B H POTTER (LG1)
X4790
Date: 6 September 1989

cc: Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr McIntyre (ST)
Mr Hudson (LG1) o/r
Mr Rutnam (LG1)
Mrs Chaplin

Brief from Paul McIntyre will be up by lunch.
You will no doubt wish to write to the PM before you go to Antibes (she asked for Patten's paper for the weekend). We will need to get your views on the social security side before you see Patten so that we can put a draft in your box tomorrow night
JC

POTTER → CHEX 6/9

COMMUNITY CHARGE: MEETING ON 7 SEPTEMBER

I attach a brief for tomorrow's meeting with the Environment Secretary.

2. Mr Patten's minute is much as expected: but the attached paper gives more detail, particularly on community charge rebates. Mr McIntyre (ST) will brief separately on this.

3. The brief is set out as follows:

A. The DOE proposals.

B. Criticisms of DOE proposals on the safety net.

C. Treasury line on the safety net.

D. Other issues.

4. You should be aware that Mr Patten has already discussed some of the ideas on community charge rebates and transitional relief with Mr Newton. Both Ministers see the latter as formidable but potentially politically attractive.

Barry H. Potter

BARRY H POTTER

A

A. DOE Proposals

Mr Patten's note is attached. (It is broadly as set out in my minute of yesterday) It covers four areas.

i) The basic concept of safety net contributions is unacceptable and must be dropped; instead

- protection of chargepayers in losing areas should be paid for by taxpayer, not contributions from gaining areas;

- estimated cost £660m for 1990-91; to be an addition to the announced AEG of £23.1b.

ii) Even with extra grant, there will need to be community charge capping to prevent very high levels of charge. The note recommends capping up to 20 authorities.

iii) There is growing DOE (and DSS) concern about individual community charges and the community charge rebates scheme: the accompanying paper discusses possible improvements in the rebate scheme. It also considers a targetted household relief scheme. (Separate brief from Mr McIntyre to follow.)

iv) The note considers but rejects an increase in the announced Total Standard Spending for 1990-91.

B

B. Criticism of DOE proposals on the safety net

1. The main points against the new DOE proposals on the safety net are as follows:

(a) The public expenditure position is extremely tight. Vital to keep tight control. £660m is a huge bid (and Scots and Welsh would seek consequentials taking cost to £750b). Extremely hard to persuade colleagues of priority for more grant: most of it for the richest local authorities in the country. (And paper acknowledges a half-way house solution would be unattractive.)

(b) No guarantee that even Tory LAs would use extra grant to reduce community charge: there will be high leakage into additional public expenditure.

(c) The recent NALGO pay award to non-manuals would make it look like the Government was increasing grant to bail out the cost of the pay award. A disastrous signal, particularly with the non-manuals and teachers about to negotiate.

(d) The Scots got no extra help for their safety net.

(e) Safety net is an esoteric issue understood by almost no one: extra money now would not be effective in improving the case for the community charge nor in preventing criticism of the charge as the introduction draws nearer.

(f) The AEF settlement is already generous: more grant would be a waste of money.

2. <u>Moreover</u> the concept of the gainers compensating the losers was a feature of the proposals from publication of the Green Paper. <u>Cannot go back on that now</u>.

3. Retreat from that principle would make it very difficult to defend the position on business rates, (where again gainers also compensate losers). Can be no question of the Exchequer paying for those losses: the bill would be astronomical (£1.7b).

C

C. Treasury line

Understand there is strong, vociferous but misguided backbench and local authority pressure. But see no justification for putting extra Exchequer money into the safety net for 1990-91. The need is for much improved presentation - a reconstructed package that can be successfully sold.

2. The presentation needs to be radically different: the key elements are

- dropping the term "safety net"

- talking in terms not of safety net contributions but of phasing in gains; and

- separating the concept of phasing in gains from transitional protection to the losers financed by specific grants.

3. Basic need is to do a little more for gainers, while sustaining protection for losers.

4. FOR GAINERS useful to add a little to the gains coming through in 1990-91 to meet backbench pressure. Bringing the ILEA specific grant back inside the safety net would reduce the cost of the safety net by £70m. Attractions in using this £70m to allow through exactly 50% (instead of 42%) of gains to gainers in the first year. All losing authorities (not in receipt of Pendle grant) would then be evenly treated ie bearing the first £25 per adult of losses.

5. Prepared to do much more for gainers in later years. See the case for ending contributions from gainers in year 2.

6. This would allow presentation of a package in which the gainers get 50% of their gains in the first year and all their gains from the second year on.

7. FOR LOSERS, agree cannot increase losses in first year. Losers also have expectations of protection up to 1993-94. Would be continued protection for losers: accept this will have to be paid for from year 2 on by Exchequer. Timing and extent of such Exchequer support to be discussed further (see annex).

(NOT FOR USE: aim would be to recover costs within the annual AEF settlement.)

8. ON MECHANICS of protection for losers, necessary to take powers for the Exchequer payments from 1991-92 up to 1993-94 for losing authorities. Two options

i) a new power to pay money into the safety net;

ii) a power to pay specific grant directly to meet the cost of protecting losers.

9. Former more attractive presentationally; but latter likely to be simpler legislatively (and would avoid need to commit the Government publically on the amounts and timing, because it would not be covered in the Transition Report)..

10. Would be essential to ensure that Clause 135 of the Local Government and Housing Bill gave the necessary powers for any new specific grant. A condition for agreeing to this course would be that the power to pay specific grant to losing authorities should be clearly time- limited in the legislation to 1993-94. (This would include Pendle grant).

11. ON TIMING three main elements in the Treasury proposed package

- the change on ILEA allowing the percentage of gains through to gainers in the first year to become 50%;

- allowing gains to come through in full from the second year onwards; and

- the Exchequer support for losing authorities in 1991-92 up to 1993-94.

12. Need to consider carefully how when and in what combination these are best presented to colleagues: critical points are Party Conference (10-13 October); laying the RSG proposals (31 October); the Autumn Statement (mid-November); any Opposition debate on the RSG proposals (early November); and the full debate on the Transition Report and Final RSG Order in January.

D

D. Other issues

1. Community charge capping:

   i) Support for this in principle: welcome DOE's intentions.

   ii) But nothing magic about a figure of 20 authorities. Logic is that the greatest degree of capping should be in the early years. Believe DOE should review candidates in light of budgets in March 1990 and not rule out capping more than 20.

   iii) Also important to have deterrent effect of capping. So no selection criteria should be published in advance.

2. Total Standard Spending

True that the 3.8% increase between 1989-90 budgets and 1990-91 total standard spending is tight, given commitments (police pay, teachers pay etc) which must be reflected in service breakdown. But no question of increasing it now:

   i) would look like concession in face of NALGO pay settlement;

   ii) would give wrong signal in advance of LA manuals and teachers negotiations;

   iii) would lead to strong pressure on AEF;

   iv) right comparison is between 1989-90 GREs and 1990-91 Total Standard Spending - an increase of 10½%.

CONFIDENTIAL

ANNEX

COST OF SAFETY NET

1.	Total cost of protecting losers in full	=	£980m
2.	Ridley announcement that first £25 per adult to be borne by chargepayers	=	£320m
3.	Cost of protection in 1990-91 (paid for by gainers)	=	£660m

2. For years 2-4, expectation is of broadly straight line reduction in support:

1990-91	£660m
1991-92	£480m
1992-93	£320m
1993-94	£160m

3. But decisions still to be taken on:

- <u>form:</u> a further £x per adult to be borne or x% of residual cost
- <u>profile:</u> straight-line or non-linear eg to sustain support in 1991-92 at higher level
- <u>duration:</u> to end in 1993-94 or earlier.

4. These details can be considered later as could presentation of AEF for 1991-92 and 1992-93 in the Autumn Statement.

PATTEN MINUTE

TIAL CMO - NO COPIES TO BE TAKEN

COPY NO. 2 OF 5

SECRETARY OF STATE FOR THE ENVIRONMENT

PLPS

CH/EXCHEQUER
REC. - 6 SEP 1989
ACTION
COPIES TO

6/9/89.

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT

As you know I have been looking at the settlement proposals which Nicholas Ridley announced on 19 July, and the implications for the community charge next year. There is a good deal of political pressure developing about aspects of the 19 July proposals, and I have therefore also been considering some possible modifications. The attached paper analyses the position in some detail. It may be helpful to summarise the key points here.

2. There are three basic concerns being expressed:

(i) Growing resentment in those areas where charge-payers would be asked to make contributions to the safety net in order to protect charge-payers in other areas from heavy losses.

(ii) Concern about the very high levels of charge in prospect in some areas. There are for example some 40 areas in which our present exemplifications show charges over £350 a head assuming expenditure rises by 7% next year. Where this concern overlaps with the first, i.e. where being required to contribute to the safety net will itself drive the community charge above the standard level of £275 a head, the grievance is particularly acute.

(iii) Concern about the position of individuals and householders who stand to face big losses when the community charge comes in. This problem is likely to loom much larger in the spring when individual bills begin to go out. The problem is most serious (in terms of percentage loss of disposable income) for those just above the income support level. I do not think we should under-estimate the political pressure likely to develop in due course on this front, not least from our own supporters.

3. After reviewing a number of possibilities my view is that if we consider that we need to tackle these three concerns, the best approach would be as follows:

(i) Pay for the contributions to the safety net by extra grant. On present calculations this would require an additional £650 million of grant, though the final figure could not be determined until December. This would remove the major concern being expressed on our own back benches at present, and would itself be sufficient to bring the community charge down to more reasonable levels in many parts of the country.

(ii) Be prepared to use community charge capping vigorously in up to 20 of the highest spending authorities. This would not be easy politically, technically or legally, but it is the only means by which we can hope to restrain the community charge in some of these areas. Coupled with the Exchequer paying for the safety net it should enable community charge levels to be kept below £350 a head in all but some 10-20 authorities.

(iii) Explore with DSS possible improvements to the rebate system. An alternative would be to try to design some form of targetted interim household relief. This would pose formidable administrative problems and would - as indicated in the paper - be costly. Possible options are set out in an annex.

4. Apart from these proposals some may argue that there is a case for a general increase in total standard spending and of grant on the grounds that the 3.8% increase from this year's budgets allowed for in the 19 July settlement is unrealistic. Views on this may be affected by whatever proposals John McGregor brings forward for the teachers' pay settlement in the next week or two. Subject to that my own view is that we should stand firm on the 19 July figures in order not to encourage authorities to think that we are softening in our anti-inflationary stance. However, the combination of concern about the cost of the teachers' pay settlement and worry about the political effects of the introduction of the community charge may well increase the support in our own party for shifting some of the burden of education from charge payers to tax payers.

5. If we decide to make any change in the 19 July proposals I think it is essential that we should do so sooner rather than later. This is important politically so as to retain the initiative before back bench pressures mount and possibly force more expensive concessions later. It is also essential for legal and administrative reasons so that we can complete the statutory procedures of consultation and the complex processes of data checking and drafting four separate statutory reports to the required timetable. I should therefore welcome a chance to discuss with you and other colleagues concerned at an early date. I am sending copies to Nigel Lawson, Norman Lamont, Kenneth Baker and to Sir Robin Butler.

CP

C.P

DOE
6 September 1989

LOCAL AUTHORITY GRANT SETTLEMENT

1. I have been considering very carefully the obstacles we face in introducing the community charge next year and what steps we might take to help overcome them. This minute sets out my main concerns, and how we might deal with them. I am very conscious of the problems which the Chancellor faces in managing the economy and that we must not let up on our drive to moderate local authority spending. But we face a number of transitional issues with the community charge, and we need to consider whether these are sufficiently serious to require action. If we think there is a case, it would be better to act now rather than to be driven to last minute measures (possibly at greater cost) after much damaging and public acrimony. Any action we may decide to take needs to be sufficient to prevent continuing damaging criticism on the grounds that even our further measures are inadequate.

2

2. The community charge has very great advantages over the present unfair system of rates. Making all adults contribute to the cost of local services is fairer, and will greatly increase accountability. But changing any tax base, and in particular doubling the number who will pay, will inevitably involve gains and losses for both areas and individuals. However much these changes may be justified, they will not be easy for the losers to accept and will give rise to concern and opposition. We must make sure that we can get the new system up and running, and accepted as a better arrangement, without being overwhelmed by the difficulties associated with the transition. Special measures were necessary for the revaluations in 1963 and 1973, and also in 1985 in Scotland.

3. The introduction of the community charge in Scotland, has gone reasonably well but it is worth noting that there it accounts for only about 20% of local authority revenue, compared with 30% in England. In Wales, the proportion is even less

- 19% - and the community charge for standard spending is £100 less than in England. That is why our proposals have been better received there than in England.

The Settlement Generally

4. Nicholas Ridley announced in July that for England Total Standard Spending (TSS) would be set at £32.8 billion, an increase of 3.8% or £1.2 billion over local authorities' 1989/90 budget. Aggregate external finance (AEF) was set at £23.1 billion, giving a community charge for standard spending (CCSS) of about £275. Nicholas also announced revised proposals for the transitional safety net.

5. When E(LF) agreed these figures, we naturally had in mind the priority of controlling inflation and the need to restrain public expenditure. But I think it was also recognised that, regrettably, authorities' spending is likely to increase by more than 3.8%. Indeed, the paper E(LF)(89)2 set out colleagues' assessments of spending pressures, and envisaged an increase of 8.4% in cash terms assuming an inflation rate of 4% (except for police and teachers' pay, and road maintenance costs where more realistic assumptions were used). These figures suggest that local authorities are unlikely to make real terms cuts on the scale that we have implied in our proposals.

2

6. Some increases in expenditure are inevitable because of our own policies. Collecting the community charge will cost £200 million more than rates according to our own estimate, and the 9% police pay rise will cost £330 million. We are shortly to announce the remit for the Interim Advisory Committee on Teachers' Pay (IAC), which will inevitably be more than 3.8%. If the remit were 7.5%, this would cost £560 million. At this crucial time for the education service we have to recognise these pressures: if we do not it will add impetus to the pressure for the Exchequer to take over funding of teachers' salaries.

7. So these three items, for which the Government has a direct responsibility, will take up £1,090 million of the £1.2 billion available. We shall therefore have to argue that local authorities should be able to provide all other services (accounting for £11½ billion of spending) at virtually the same cash cost as this year.

8. I have illustrated in Table 1, column 2, what actual charges would be if spending is 7% more than this year's budgets. Only 153 out of 366 areas would then have charges at or below our norm of £275. Regrettably, spending could be higher than this. Indeed, the Local Authority Associations are predicting an increase of as much as 11%. Of course, we will do all we can to make clear that local authorities are responsible for the resulting high charges, but it is quite possible that, as in Scotland this year, they will use the cover of the introduction of a new system to blame the Government while increasing spending and reserves. I have shown in column 4 of Table 1 what charges would be if spending did increase by 11%, not to condone that but to show the not wholly unlikely worst case. The average charge would be over £330.

2

The Difficulties of Transition – Gainers and Losers

9. As a fairer system, the community charge implies shifts in grant between areas, and also changes in the way the burden of local taxation falls on particular households within each area. Originally, we proposed a system comprising a long term safety net and dual running with existing rates to phase-in all these changes gradually. But, for good reasons, we shortened the safety net period to a maximum of four years and dropped dual running. The safety net phases-in changes between areas, but changes between individuals and households within areas will come through in full in April 1990.

10. Recently, concern has focused on the area safety net and, in particular, over contributions to the net. A safety net is necessary because areas which have traditionally had low rate

bills need time to adjust to the new burden. Also, the new system means that the cost of high spending will fall entirely on chargepayers, and the safety net provides a short period during which high spending authorities can bring spending down before the full community charge takes effect. The problem is that with a self-financing net this protection for "losers" has to be paid for by postponing the gains flowing to other areas.

11. There has been less concern so far about the effects on individuals, although we can expect this to change once bills are issued in April. Under the new system, 18 million adults will for the first time receive a bill for local authority services (although some 13 million of these will be the spouse or partner of someone who at present pays rates). Many who have paid rates but live in houses with low rateable value will face increased bills. The rebate system will, of course, soften the blow in many cases as will the safety net (including the £200m of extra support we have provided for areas of low average rateable value and for Inner London). But many people of modest means will necessarily face a substantial increase in what they are expected to pay - and if they live in an area which is contributing to the safety net they will have to pay extra to help people in other areas.

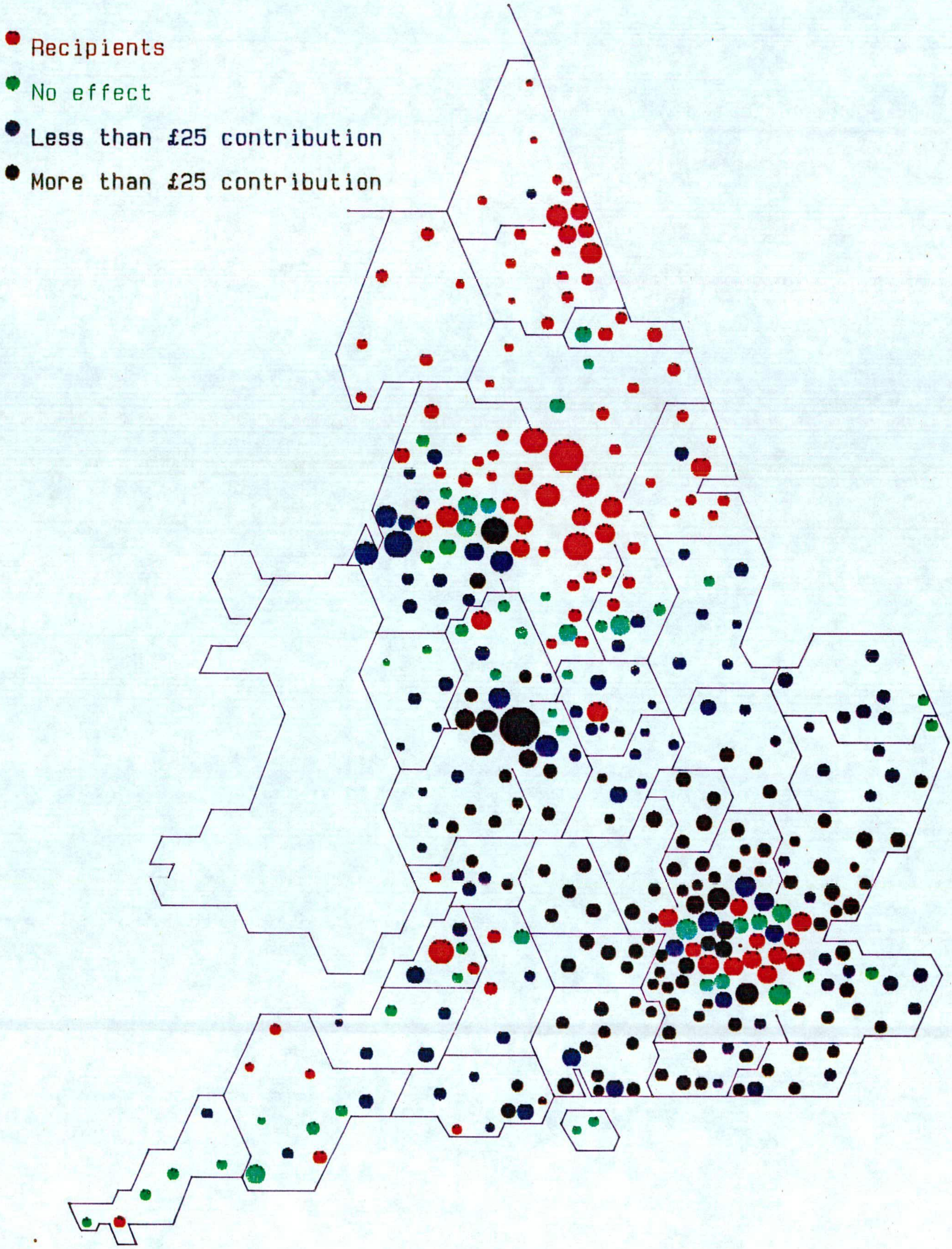
2

12. I shall deal first with the issue of the Area Safety Net before looking at the effects on individuals and the rebate system.

<u>The Area Safety Net</u>

13. In general the effect of the safety net is to distribute grant to charging authorities in such a way that for a transitional period, the chargepayers of high rateable value, low-spending authoritites subsidise the chargepayers of high-spending authorities. Nicholas moved some way towards meeting this concern by allowing up to £25 of losses to come through, allowing gainers to see nearly half their gain in the first year. The map below shows the distribution of contributions and

1990/91 Safety net adjustments



The areas of the circles are proportional to adult population receipts. Many Members from the areas concerned continue to make it patently clear that our proposals are not good enough. They are resistant to any explicit contribution by their constituents which they see as a cross-subsidy from prudent, low-spending authorities to the profligate. The Transition Report which would give effect to these proposals is a free-standing part of the Settlement and requires affirmative resolution. We shall not find it easy when it is debated in January.

14. We have limited room for manoeuvre. We must have a safety net to protect losing areas for a transitional period, or couples and individuals will be faced with very sharp increases on this year's rate payments - the average increase per chargepayer could be £200 or more in some areas. The Transition Report will commit us to the structure of the scheme for a period of up to four years - we should need primary legislation to change course later. We have to shape the scheme now in a way that will be acceptable immediately and over the transitional period as a whole.

15. Moreover, the July announcement proposed that the average increase in payment in any area next year should be limited to £25 per chargepayer. We should have more pressure if we were now to try to impose bigger increases. Nor do I think that we can now try to amend the proposals in any way that would result in a larger contribution from any area to fund the transitional protection elsewhere.

16. If we conclude that we need to avoid the continuing argument and acrimony which will result from pursuing our present proposals, in my judgement the only realistic option is to increase Exchequer grant, as our supporters have urged us to do, to meet some or all of the cost of protecting losers during the transitional period. Any rejigging of our existing proposals would be bound to make some authorities worse off, and I do not think that would be acceptable.

17. The cost of full protection next year would be about £650 million (the figure cannot be estimated precisely until December), falling as the safety net unwinds. That would significantly reduce community charges in all 216 authorities currently contributing to the net, mainly in the shire areas (see column 6 of Table 1). I have, of course, considered whether a smaller amount of grant would achieve our purpose. An extra £325 million, for example, would enable us to halve contributions, to reduce the maximum contribution from £75 to below £40, or to remove 80 authorities from the list of contributors leaving 134 (shown in Annex A). But half a concession is unlikely to satisfy many of our critics, and indeed the remaining critics would press even more vigorously to end all contributions. The 1922 Committee and individual backbenchers have left me in no doubt that it is the principle of contributions that they oppose, and a half concession is unlikely to satisfy them.

18. I am therefore driven reluctantly to the conclusion that to meet the mounting criticism we are receiving the only effective option is to meet the cost of the area safety net fully by an increase in Exchequer grant for the transitional period. I realise that this would increase the planning total. Although much of the extra grant would go to prudent authorities and ought to be used to hold down charges, there is the risk that some would be used to increase spending and hence General Government Expenditure. I therefore do not recommend it lightly.

19. Eliminating contributions to the safety net would avoid the problem of high charges in areas where spending is in fact reasonable. In Westminster, for example, the charge before the safety net would be £269 (with a 7% spending increase), just below the norm of £275. But with a safety net contribution of £75 imposed the actual charge would be £344. This distorts the message of accountability: charges can be high either because of unreasonable spending or because of the safety net contribution. If contributions are dropped, high charges can only be a result

of authorities' own spending, and it will be easier to get this message across. In most cases where charges are excessive, we have the weapon of charge-capping - I return to this later.

Individual Losers

20. The area safety net deals with an unacceptable increase in the community charge over the average domestic rate payment per adult in an area. It remains the case, however, that even in an area where people will gain on average from the introduction of the community charge, many individuals will be expected to contribute more to the cost of local services either because they have not paid rates before, even indirectly, or because their rate payment was lower than their community charge. It is, of course, the purpose of the community charge to bring about a more equitable distribution of financial burdens between local voters. But we should not under-rate the short term political implications of the individual increases when they become apparent next April. The pattern of individual losers is broadly as follows:

Of 36 million chargepayers:-

- 18 million have been paying rates;
- 13 million have been the spouse or partner of someone paying rates;
- 5 million will pay for the first time, including about 4 million young adults living with parents and about 1 million pensioners living with their children.

If local authorities increase spending by 7%, then comparing 1990/91 charges with 1989/90 rate bills in cash terms:

Of the 36 million chargepayers:-

- 21 million will be single people or members of couples who pay more under the new system;

- 12 million people will be single people or members of couples that pay more than £2 a week extra.

Of those 12 million paying more than £2 a week extra:-

- 1 million are pensioners;
- 8 million are former ratepayers or their partners;
- 9 million have rateable values below £150;
- 8½ million have incomes of less than £15,000 per year;
- 1 million will be entitled to community charge benefit;
- 4 million live in the North [NE, NW, or N regions];
- 2 million live in London;
- 2½ million live in the South East outside London.

If spending increases by more than 7%, the number of losers will be higher.

21. In considering the impact on individuals we look first at the extent to which protection is offered by the community charge rebate scheme and then at alternative forms of relief.

2

Rebates and Other Forms of Relief

22. The community charge rebate scheme, described briefly in Annex B, is designed to help those on the lowest incomes irrespective of whether they face transitional losses. The scheme is more generous than the rates rebates scheme that it replaces and is expected to attract 9 million claimants at a cost approaching £2 billion a year. This is a substantial commitment to helping the least well off. But those above the rebate thresholds in the middle income groups are most likely to lose from the introduction of the charge and I have been considering whether the rebate scheme could ease this problem. For instance a pensioner couple with community charges of £275 each would not be entitled to a rebate if they had an occupational pension much

above £60 a week. Similarly, a single pensioner would be out of entitlement with an occupational pension of more than about £30 a week. In neither case will they be entitled if they have savings of over £8,000.

23. Subject to Tony Newton's advice, it is always possible to make rebates even more generous. At your suggestion Tony is already exploring an adjustment of capital limits. This and two other options are briefly described in Annex B with cost ranges of between £50 and £90 million for minor adjustments or between £250 to £300 million for more radical shifts. Such changes would inevitably be of a permanent character.

24. The only way we could provide temporary help for those outside the rebate scheme would be to offer some form of transitional household relief. This is explored in Annex C. At one extreme, a blanket scheme reimbursing household losses above, say, £2.50 a week might cost £2 billion and attract up to 8 million claims. This is a non-starter. But the more the scheme is targetted to deal selectively with elderly, disabled or pensioner groups the greater is the scope for anomalies and the need for a major bureaucracy. Pursuing this option would pose considerable difficulties, though if it were regarded as politically essential we would have to see what could, in practice, be done at such a late stage. If this were to be considered seriously it would be essential to put planning of what would be a very complex operation in hand immediately.

<u>Community Charge Capping</u>

25. Any transitional arrangement which seeks to shield chargepayers initially from the full impact of the community charge necessarily weakens accountability and the downward pressure on authorities' expenditure. I propose during the autumn to make it very clear to authorities that if they fail to restrain expenditure and play their part in the fight against inflation, and instead budget excessively, I shall not hesitate

to cap them. I believe this in itself may provide some deterrence against spending up for the great majority of authorities.

26. However, past experience would suggest that regrettably a few authorities might seek to exploit the transitional arrangements and budget excessively and I propose to curb such excesses, should they occur, by charge capping. Charge capping might well also be the most appropriate means of securing lower charges in the few authorities where, due to historically high levels of spending, the safety netted charges are high, even if they budget for only modest increases from 1989/90.

27. I envisage that adopting this approach to capping might result in up to 20 authorities being selected. The list at Annex D shows the authorities in the field from which the capped authorites are likely to be drawn. On the basis of present spending patterns, 20 capped authorities might account for half the aggregate overspend measured against our Standard Spending Assessments for all English authorities. I believe we could cap this number successfully. But we could not realistically cap many more than this. Capping involves a detailed scrutiny of individual authorities' budgets and must be carried out to a very tight timetable - the whole precess will run from March to June/July. We must operate with scrupulous care if we are to avoid successful legal challenge.

2

Conclusion

28. Any action we take to deal with the acute problems which we face must take into account the economic situation which Nigel Lawson and John Major set out in the public expenditure discussions in July. Although the proposals we announced for Total Standard Spending imply very small increases in spending on most services, and local authorities are bound to say they are unrealistic, I recognise the difficulty of making any change here. But we should not allow the prospects of the success of a

good, fair policy to be jeopardised by discontent among our natural supporters about the impact on them in the initial stages.

29. If we decide that there is a case for modifying our existing proposals for the safety net, I believe the most realistic option would be to transfer the cost from community charge payers to national taxation. Exchequer support for local government would need to increase by about £650 million. We should need to press authorities very strongly that if we put them in a position to hold down charges in this way, they should not use it as an opportunity for increasing spending and we should be prepared to back this up with capping powers if necessary.

30. Looking beyond the immediate concern to the position of individuals, we should consider with Tony Newton whether there is a need for any changes in the rebate arrangement. If we do see a need, I believe we should announce any changes as part of a package with any change to the safety net.

2

CP

2 Marsham Street
6 September 1989

CONFIDENTIAL

AREAS STILL CONTRIBUTING TO SAFETY NET IF £300M EXTRA AVAILABLE TO REDUCE CONTRIBUTIONS

Adur
Arun
Ashford
Aylesbury Vale
Barnet
Basildon
Basingstoke and Deane
Birmingham
Blaby
Bracknell
Braintree
Bridgnorth
Broadland
Bromsgrove
Broxbourne
Cambridge
Camden
Castle Point
Charnwood
Chelmsford
Cherwell
Chester
Chichester
Chiltern
Christchurch
City of London
Colchester
Cotswold
Crewe and Nantwich
Croydon
Dacorum
Daventry
Dudley
East Dorset
East Hampshire
East Hertfordshire
Eastbourne
Eastleigh
Elmbridge
Enfield
Epping Forest
Epsom and Ewell
Fareham
Gosport
Gravesham
Guildford
Harborough
Harrow
Hart
Hastings
Havant
Hertsmere
Horsham
Hove
Huntingdonshire
Kensington and Chelsea
Knowsley
Lewes
Lichfield
Luton
Macclesfield
Maidstone
Maldon
Malvern Hills
Manchester
Mid Bedfordshire
Mid Sussex
Milton Keynes
Mole Valley
New Forest
Newbury
North Bedfordshire
North Hertfordshire
Oxford
Poole
Reading
Redditch
Reigate and Banstead
Richmond-upon-Thames
Rochester upon Medway
Rochford
Rother
Rugby
Runnymede
Rushcliffe
Rushmoor
Salisbury
Sandwell
Sevenoaks
Shepway
Slough
Solihull
South Bedfordshire
South Bucks
South Cambridgeshire
South Herefordshire
South Northamptonshire
South Oxfordshire
South Staffordshire
Southend-on-Sea
Spelthorne
St Albans
Stevenage
Stockport
Stratford on Avon
Suffolk Coastal
Surrey Heath
Tendring
Test Valley
Tewkesbury
Three Rivers
Thurrock
Trafford
Tunbridge Wells
Uttlesford
Vale of White Horse
Walsall
Waltham Forest
Warwick
Watford
Waverley
Wealden
Welwyn Hatfield
West Oxfordshire
Westminster
Winchester
Windsor and Maidenhead
Woking
Wokingham
Wolverhampton
Worcester
Worthing
Wychavon
Wycombe

AREAS NO LONGER CONTRIBUTING TO SAFETY NET IF £300M EXTRA AVAILABLE TO REDUCE CONTRIBUTIONS

Babergh
Beverley
Boston
Bournemouth
Breckland
Brent
Brentwood
Brighton
Canterbury
Castle Morpeth
Cheltenham
Congleton
Corby
Coventry
Crawley
Dover
East Cambridgeshire
East Devon
East Lindsey
East Northamptonshire
Ellesmere Port and Neston
Fenland
Forest Heath
Fylde
Gedling
Gillingham
Gloucester
Harlow
Hereford
Hinckley and Bosworth
Hounslow
Ipswich
Kennet
Kettering
King's Lynn and West Norfolk
Leominster
Liverpool
Melton
Mendip
Mid Suffolk
Newham

North Cornwall
North Dorset
North Kesteven
North Norfolk
Northampton
Northavon
Norwich
Oadby and Wigston
Peterborough
Portsmouth
Preston
Purbeck
Rutland
Sefton
Shrewsbury and Atcham
South Hams
South Holland
South Kesteven
South Norfolk
South Shropshire
South Somerset
Southampton
St Edmundsbury
Stafford
Stroud
Sutton
Tamworth
Tandridge
Taunton Deane
Thanet
Tonbridge and Malling
Vale Royal
Wellingborough
West Dorset
West Lancashire
West Lindsey
West Somerset
Wirral
Woodspring
Wrekin
Wyre Forest

ANNEX B

COMMUNITY CHARGE REBATE SCHEME

1. Community charge rebates are administered by charging authorities as agents for DSS. The initial caseload will comprise three groups of people. Those already receiving housing benefit will be treated automatically as having claimed a community charge rebate; those on income support will be given a claim form this autumn; those falling into neither category will have to initiate their own claims, which they will be able to do from this autumn. The intention is that community charge bills should be sent out <u>net</u> of rebate.

2. Rebates have been designed to assist those chargepayers at the foot of the income ladder - single parents, part-time and low income earners, the disabled and their carers and those with very modest pensions or savings. The scheme is expected to offer assistance to about 11 million individuals of whom we would expect 9 million to claim at a cost approaching £2 billion. Despite the fact that the scheme is more generous than the rate rebates it replaces, the scheme's parameters exclude significant numbers of individuals of modest means whose net incomes lie just outside the rebate thresholds.

CALCULATION OF REBATES

3. Rebates are payable according to the <u>capital resources</u> and <u>net income</u> of the claimant. If the net income is less than the applicable amount for income support <u>plus</u> the appropriate earnings disregard (£5 for a single person, £10 for a couple, £15 in some special circumstances) then the claimant is eligible for the maximum rebate of 80% of the community charge, provided he does not have capital of more than £8,000. Capital below £3,000 is ignored. Between these two limits capital is assumed to be

earning a notional income, which is counted as part of the claimant's net income. Claimants whose net income is above this applicable amount may still be entitled to a rebate of less than the maximum. 15p is deducted from the maximum rebate for every £1 of net income above the threshold. The resulting amount - provided it is 50p or more - is the rebate to which the claimant is entitled. Married couples and partners living as married are assessed jointly for rebate purposes. All other individuals receive personal rebates.

OPTIONS FOR CHANGE

4. There are a number of ways in which we could use the rebate system to further soften the impact of the community charge on individuals of limited means. We could adjust the rebate rules to bring more recipients into the net or we could make different modifications to ensure that more help went to those already within the net. Three levers are available for operating such tuning:

(i) **Reducing slope of benefit taper**

The benefit taper determines how quickly, as an individual rises up the scale of weekly net income, rebate is reduced from the maximum of 80% of the community charge. The current proposal is to set the taper at 15% which means that 15p is deducted from maximum rebate for every £1 of net income above a threshold. This is already an improvement on the existing rates rebate taper of 20%. Reducing the slope even further would be costly. We calculate that a reduction to 10% could entitle over 2 million additional adults at an additional cost of between £250 and £300 million a year. (Precise figures would depend upon the proportion of those eligible who applied: the upper figure implies, as would be unusual, a "take up" of 100%). At that level the total number of rebate recipients would be approaching 1 in 3 of all adults, as against 1 in 4 under current proposals. Reducing the taper would benefit all sectors of low income households and is the most direct means of targetting additional help to low income groups without benefiting the more comfortably off.

(ii) **Increasing the capital limits**

This is the approach the Prime Minister asked DSS to explore. Our own calculations suggest that if for example we doubled the capital limits to £16,000 (and correspondingly ignored the first £6,000) this would bring an additional 700,000 individuals within rebate entitlement at a cost of up to £80 million a year (depending on take up). Such an improvement would be of help to pensioners and older age groups with some savings.

(iii) **Increasing the earnings disregard**

By contrast this would help low-income earners, but offers little to pensioners. Doubling the earnings disregard to £10 and £20 pw for single people and couples respectively would bring an additional 600,000 adults within entitlement at a cost of up to £70 million (depending on take up) a year. This option would be of help to some young adults living at home and who have not paid rates in the past.

OPERATIONAL CONSTRAINTS

5. Any fundamental changes in rebate arrangements will require local authorities and their contractors to make late changes in their computer software and billing arrangements. There are significant constraints on the scope for change - very late changes in Housing Benefit arrangements two years ago were

beyond the capacity of authorities and computer companies to resolve in time and produced severe administrative confusion for several months. The changes imposed on local authorities to start on 1.4.90 (community charge, business rates, new rules for housing and capital accounting) are known to be at the limit of what some authorities can cope with. If we are forced to have changes now we should aim to announce them as soon as possible.

ANNEX C

TRANSITIONAL HOUSEHOLD RELIEF

1. Individuals or couples whose community charge(s) were higher than their previous rate bill would make a claim to a central agency for transitional household relief. The agency would need confirming details of claimants' previous rate bills and current community charge rebate (if any) from the relevant local authority. If the increase exceeded a prescribed amount the agency would pay relief to compensate for any excess above the prescribed amount. The relief could be paid monthly direct to the claimants or to the charging authority. The relief would continue at a reducing rate designed to be phased out over a short transitional period or for so long as the claimants stayed at the same address, whichever was earlier.

2. If the relief was made available to everybody including those paying for local services for the first time (mainly young adults over 19 still at home and "grannies") the caseload would be insupportable. With losses of £2.50 a week allowed, all first time payers would be entitled to a safety net - perhaps 3½ million single people and couples - as would about 4½ million previous ratepayers. The total caseload would be about 11 million and the cost in the region of £1½ billion.

3. Some options for targetting the relief might be:

(i) restrict the relief to couples and single adults previously paying rates (ie no relief for first-time contributors). This would reduce the caseload to 4½ million and the cost to about £800 million;

(ii) as (i) but extending the relief to pensioners, disabled and their carers and other special groups who did not previously pay rates. This might add ½ million people to the caseload at a total cost of £900 million;

(iii) as (ii) but for couples, relief limited to allow increases of up to £2.50 per person. This would reduce the caseload to about 2 million at a cost of £300 million;

(iv) restrict relief to those with low incomes - the population eligible for community charge rebate or previously eligible for rate rebates. This would greatly reduce both caseload and cost. Very few of those eligible for these benefits would have losses greater than £2.50 as a large proportion will only pay 20% of their charge. We cannot cost this at present, but it is likely to cost less than option (iii). This level of restricted relief however is unlikely to assist many low-income losers and might be little more than a clumsy alternative to improving the existing community charge rebate scheme.

4. It is to be noted that none of these options requires the relief to be means tested unless we assumed, as is reasonable, that receipt of community charge or rate rebate was itself a reliable means test. But there are no obvious tests (other than means inquiry) which identify individuals at the level immediately above benefit levels. For this reason almost any household relief would have to be available to the comfortable if we are to ensure that it reaches low-income losers.

5. There would have to be administrative short cuts and rough justice built into any system. There would be no time for detailed primary legislation and any scheme would have to be administered centrally with local authorities' role limited to providing rate and rebate data. Considerable effort would have to start virtually immediately in working up the details of even a closely-targetted scheme. Even at that level the task of assembling 2000 staff, suitable accommodation and commissioning computer equipment in time for April 1990 would be formidable.

Annex D

CHARGECAPPING 1990/91

Which authorities are charge-capped in 1990/91 will depend on authorities' spending decisions for 1990/91, and the precise selection criteria we adopt.

The following is a list of authorities which, on the pattern of 1989/90 budgets, are the highest overspenders relative to Standard Spending Assessments (using the package used for E(LF) exemplifications), excluding authorities with budgets likely to be below £15 million which are exempt from capping. This list therefore shows the group of authorities from which the candidates for charge capping next year are likely to be drawn. If the pattern of budgets change other authorities could be in the field for capping.

Barking and Dagenham
Barnsley
Basildon
Blackpool
Bournemouth
Brent
Brighton
Bristol
Calderdale
Camden
Doncaster
Greenwich
Hammersmith and Fulham
Haringey
Hillingdon
Islington
Kingston upon Hull
Langbaurgh-on-Tees
Leicester
Lewisham
Middlesbrough
Northampton
Portsmouth
Sheffield
Southwark
Tower Hamlets

ILLUSTRATIVE SAFETY NET COMMUNITY CHARGE AND SAFETY NET

NOTES TO TABLE 1

The safety net arrangements are those announced on 19 July. These are that:-

- losing areas pay the first £25 of losses.
- gaining areas receive around 45% of their potential gain in the first year.
- additional protection to low average domestic rateable value areas (£100 m in total).
- additional help for Inner London to deal with inherited ILEA expenditure (£100 m in total)

The assumed level of grant and business rate available to support local authority spending (AEF) is £23.1 bn, as announced on 19 July.

The total Standard Spending is £32.8 bn as announced on 19 July.

The adult population is assumed to be 36 million. This makes some allowance for exemptions and under registration.

COLUMN 1 : illustrative safety netted community charges if authorities in aggregate spent at £32.8 bn, using the proposed package of Standard Spending Assessments (SSAs).

COLUMN 2 : as column 2 but assuming that authorities spend £33.8 bn in aggregate, 7% above 1989/90 budgets, ie 3% above the forecast GDP deflator of 4%.

COLUMN 3 : as column 3 but assuming that authorities spend £35.05 bn in aggregate. This is 11% above 1989/90 budgets ie 4% above a more realistic inflation figure of 7%.

COLUMN 4 : shows the provisional safety net adjustment for 1990/91 using current data.

COLUMN 5 : is as column 5 but assumes that the safety net is wholly funded by central government. The estimated cost on current figures is around £650 m.

COULMN 6 : shows the change in both safety net contributions and the community charge as a result of central government funding the safety net.

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
Total England	269	296	331	-	-18	18
Total Inner London	281	325	381	-101	-115	14
Total Outer London	321	350	388	5	-10	15
Total Metropolitan Areas	270	301	341	-17	-30	13
Total Shire Areas	260	284	315	14	-7	21

DATE: 1?-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
GREATER LONDON						
City of London	374	379	386	75	-	75
Camden	365	402	449	47	-	47
Greenwich	246	288	342	-246	-246	-
Hackney	299	353	421	-	-	-
Hammersmith and Fulham	348	395	454	-177	-177	-
Islington	410	457	517	-	-	-
Kensington and Chelsea	295	326	365	74	-	74
Lambeth	277	326	387	-106	-106	-
Lewisham	241	282	334	-199	-199	-
Southwark	247	295	356	-162	-162	-
Tower Hamlets	240	299	374	-273	-273	-
Wandsworth	175	212	259	-160	-160	-
Westminster	303	344	397	75	-	75
Barking and Dagenham	269	301	342	-103	-103	-
Barnet	313	336	366	67	-	67
Bexley	272	297	329	-25	-25	-
Brent	484	529	586	10	-	10
Bromley	263	285	312	-	-	-
Croydon	223	247	277	60	-	60
Ealing	323	356	397	-	-	-
Enfield	300	328	364	22	-	22
Haringey	557	607	669	-36	-36	-
Harrow	301	328	362	35	-	35
Havering	282	306	336	-17	-17	-
Hillingdon	353	383	420	-57	-57	-
Hounslow	368	401	443	6	-	6
Kingston-upon-Thames	324	351	385	-	-	-
Merton	309	337	373	-	-	-
Newham	348	394	453	12	-	12
Redbridge	244	268	299	-	-	-
Richmond-upon-Thames	334	356	384	31	-	31
Sutton	305	330	362	5	-	5
Waltham Forest	309	343	387	22	-	22

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
GREATER MANCHESTER						
Bolton	253	283	321	-	-	-
Bury	319	348	384	-	-	-
Manchester	292	329	375	40	-	40
Oldham	259	292	332	-10	-10	-
Rochdale	277	311	354	-69	-69	-
Salford	294	326	366	-	-	-
Stockport	297	324	357	21	-	21
Tameside	274	305	343	-39	-39	-
Trafford	269	296	330	25	-	25
Wigan	294	324	362	-59	-59	-
MERSEYSIDE						
Knowsley	283	320	367	22	-	22
Liverpool	294	330	377	11	-	11
St Helens	287	318	358	-36	-36	-
Sefton	282	310	345	8	-	8
Wirral	371	403	445	14	-	14
SOUTH YORKSHIRE						
Barnsley	221	249	285	-130	-130	-
Doncaster	270	301	339	-90	-90	-
Rotherham	255	286	324	-85	-85	-
Sheffield	288	318	356	-85	-85	-
TYNE AND WEAR						
Gateshead	255	286	324	-61	-61	-
Newcastle upon Tyne	304	336	377	-36	-36	-
North Tyneside	338	370	409	-16	-16	-
South Tyneside	252	284	325	-51	-51	-
Sunderland	226	256	295	-46	-46	-
WEST MIDLANDS						
Birmingham	247	281	323	45	-	45
Coventry	302	335	376	12	-	12
Dudley	283	309	341	25	-	25
Sandwell	253	284	323	34	-	34
Solihull	270	295	326	65	-	65
Walsall	288	318	356	24	-	24
Wolverhampton	264	296	337	57	-	57
WEST YORKSHIRE						
Bradford	218	253	298	-44	-44	-
Calderdale	236	269	310	-124	-124	-
Kirklees	217	249	289	-92	-92	-
Leeds	245	272	306	-9	-9	-
Wakefield	243	272	308	-88	-88	-

DATE: 1[illegible]-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
AVON						
Bath	280	305	337	-15	-15	-
Bristol	323	350	385	-22	-22	-
Kingswood	265	288	318	-	-	-
Northavon	290	314	344	11	-	11
Wansdyke	292	316	347	-	-	-
Woodspring	298	322	353	9	-	9
BEDFORDSHIRE						
North Bedfordshire	276	302	336	46	-	46
Luton	307	334	369	74	-	74
Mid Bedfordshire	289	314	347	37	-	37
South Bedfordshire	327	354	388	51	-	51
BERKSHIRE						
Bracknell	275	299	331	41	-	41
Newbury	249	272	301	67	-	67
Reading	254	280	312	27	-	27
Slough	214	238	269	69	-	69
Windsor and Maidenhead	303	328	359	62	-	62
Wokingham	282	305	334	75	-	75
BUCKINGHAMSHIRE						
Aylesbury Vale	246	270	301	58	-	58
South Bucks	295	319	350	75	-	75
Chiltern	310	334	366	75	-	75
Milton Keynes	284	309	342	64	-	64
Wycombe	290	315	346	75	-	75
CAMBRIDGESHIRE						
Cambridge	288	313	345	48	-	48
East Cambridgeshire	223	246	275	15	-	15
Fenland	221	245	275	3	-	3
Huntingdonshire	228	251	280	29	-	29
Peterborough	263	288	319	15	-	15
South Cambridgeshire	250	272	300	64	-	64
CHESHIRE						
Chester	285	310	343	24	-	24
Congleton	271	296	327	11	-	11
Crewe and Nantwich	294	320	353	20	-	20
Ellesmere Port and Neston	283	309	342	13	-	13
Halton	268	294	327	-	-	-
Macclesfield	313	338	369	59	-	59
Vale Royal	262	287	318	7	-	7
Warrington	272	297	330	-	-	-

DATE: 1[illegible]-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
CLEVELAND						
Hartlepool	263	297	339	-44	-44	-
Langbaurgh-on-Tees	333	367	409	-23	-23	-
Middlesbrough	300	335	379	-36	-36	-
Stockton-on-Tees	317	350	391	-	-	-
CORNWALL						
Caradon	220	244	275	-	-	-
Carrick	231	255	286	-	-	-
Kerrier	216	240	271	-7	-7	-
North Cornwall	217	241	272	4	-	4
Penwith	219	243	274	-	-	-
Restormel	221	245	276	-	-	-
CUMBRIA						
Allerdale	197	223	256	-55	-55	-
Barrow in Furness	198	225	259	-95	-95	-
Carlisle	240	266	299	-17	-17	-
Copeland	191	217	250	-76	-76	-
Eden	209	235	267	-15	-15	-
South Lakeland	274	300	332	-1	-1	-
[illegible]RBYSHIRE						
Amber Valley	274	300	333	-49	-49	-
Bolsover	227	254	288	-102	-102	-
Chesterfield	282	310	344	-63	-63	-
Derby	311	338	373	-	-	-
Erewash	290	316	350	-39	-39	-
High Peak	279	306	340	-56	-56	-
North East Derbyshire	302	328	362	-53	-53	-
South Derbyshire	306	331	364	-11	-11	-
Derbyshire Dales	320	347	380	-	-	-
DEVON						
East Devon	235	258	286	8	-	8
Exeter	233	256	286	-	-	-
North Devon	206	229	257	-11	-11	-
Plymouth	220	243	273	-	-	-
South Hams	244	267	296	17	-	17
Teignbridge	231	254	282	-	-	-
Mid Devon	218	241	270	-1	-1	-
Torbay	283	308	340	-13	-13	-
Torridge	169	192	221	-22	-22	-
West Devon	212	235	263	-	-	-

DATE: 1 SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
DORSET						
Bournemouth	252	274	303	4	-	4
Christchurch	277	297	323	38	-	38
North Dorset	207	226	251	12	-	12
Poole	264	285	311	38	-	38
Purbeck	216	236	261	16	-	16
West Dorset	214	234	259	12	-	12
Weymouth and Portland	228	249	276	-2	-2	-
East Dorset	284	304	330	45	-	45
DURHAM						
Chester-le-Street	262	287	320	-24	-24	-
Darlington	273	300	334	-13	-13	-
Derwentside	209	236	270	-73	-73	-
Durham	252	278	311	-33	-33	-
Easington	200	227	261	-66	-66	-
Sedgefield	225	253	288	-79	-79	-
Teesdale	183	208	239	-19	-19	-
Wear Valley	205	232	268	-87	-87	-
EAST SUSSEX						
Brighton	327	353	386	10	-	10
Eastbourne	306	329	358	49	-	49
Hastings	252	274	303	23	-	23
Hove	260	283	311	40	-	40
Lewes	276	297	324	45	-	45
Rother	284	305	332	56	-	56
Wealden	264	285	311	34	-	34
ESSEX						
Basildon	399	427	463	47	-	47
Braintree	270	293	323	44	-	44
Brentwood	396	425	461	15	-	15
Castle Point	293	317	347	63	-	63
Chelmsford	302	325	355	75	-	75
Colchester	264	287	318	37	-	37
Epping Forest	338	362	392	75	-	75
Harlow	418	449	488	9	-	9
Maldon	283	307	336	60	-	60
Rochford	312	336	366	70	-	70
Southend-on-Sea	312	337	369	62	-	62
Tendring	282	306	337	38	-	38
Thurrock	341	368	402	32	-	32
Uttlesford	301	325	355	75	-	75

7

DATE: 1 SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
GLOUCESTERSHIRE						
Cheltenham	268	293	324	16	-	16
Cotswold	257	279	308	35	-	35
Forest of Dean	226	249	278	-3	-3	-
Gloucester	229	252	282	4	-	4
Stroud	248	271	300	4	-	4
Tewkesbury	248	270	298	30	-	30
HAMPSHIRE						
Basingstoke and Deane	206	227	254	57	-	57
East Hampshire	242	264	291	61	-	61
Eastleigh	245	266	294	51	-	51
Fareham	245	266	294	57	-	57
Gosport	223	245	274	31	-	31
Hart	265	287	314	68	-	68
Havant	238	260	289	58	-	58
New Forest	233	255	283	42	-	42
Portsmouth	205	229	260	1	-	1
Rushmoor	208	230	259	32	-	32
Southampton	209	233	263	17	-	17
Test Valley	222	243	270	55	-	55
Winchester	247	269	297	63	-	63
HEREFORD AND WORCESTER						
Bromsgrove	227	248	275	50	-	50
Hereford	179	200	227	8	-	8
Leominster	163	184	212	18	-	18
Malvern Hills	228	249	277	41	-	41
Redditch	244	267	296	35	-	35
South Herefordshire	172	193	220	23	-	23
Worcester	237	260	289	29	-	29
Wychavon	242	264	291	51	-	51
Wyre Forest	229	252	280	17	-	17
HERTFORDSHIRE						
Broxbourne	302	325	355	34	-	34
Dacorum	325	349	380	68	-	68
East Hertfordshire	311	335	367	34	-	34
Hertsmere	362	386	416	59	-	59
North Hertfordshire	330	355	386	60	-	60
St Albans	335	360	390	73	-	73
Stevenage	362	389	423	34	-	34
Three Rivers	353	378	409	72	-	72
Watford	308	334	367	43	-	43
Welwyn Hatfield	384	411	445	45	-	45

DATE: 1-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
HUMBERSIDE						
Beverley	312	340	376	7	-	7
Boothferry	227	257	294	-58	-58	-
Cleethorpes	289	319	357	-42	-42	-
Glanford	284	312	349	-6	-6	-
Great Grimsby	276	306	344	-43	-43	-
Holderness	287	315	351	-5	-5	-
Kingston upon Hull	233	265	304	-63	-63	-
East Yorkshire	256	285	322	-56	-56	-
Scunthorpe	309	340	380	-58	-58	-
ISLE OF WIGHT						
Medina	252	276	305	-	-	-
South Wight	272	296	326	-	-	-
KENT						
Ashford	219	242	271	28	-	28
Canterbury	213	236	266	16	-	16
Dartford	237	262	293	-	-	-
Dover	195	218	247	4	-	4
Gillingham	199	223	252	16	-	16
Gravesham	216	240	270	22	-	22
Maidstone	210	233	262	29	-	29
Rochester upon Medway	183	206	234	30	-	30
Sevenoaks	232	255	284	34	-	34
Shepway	256	281	312	30	-	30
Swale	209	233	263	-	-	-
Thanet	224	248	279	13	-	13
Tonbridge and Malling	227	251	281	3	-	3
Tunbridge Wells	224	247	276	29	-	29
LANCASHIRE						
Blackburn	183	211	247	-31	-31	-
Blackpool	264	293	329	-21	-21	-
Burnley	176	204	240	-63	-63	-
Chorley	242	268	301	-	-	-
Fylde	265	291	325	10	-	10
Hyndburn	176	203	238	-63	-63	-
Lancaster	236	263	297	-21	-21	-
Pendle	169	197	232	-82	-82	-
Preston	228	255	290	7	-	7
Ribble Valley	240	266	299	-12	-12	-
Rossendale	199	226	261	-63	-63	-
South Ribble	253	279	312	-1	-1	-
West Lancashire	262	288	321	18	-	18
Wyre	249	275	309	-	-	-

DATE: 1[illegible]SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	--- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
LEICESTERSHIRE						
Blaby	253	277	309	18	-	18
Charnwood	246	271	302	25	-	25
Harborough	283	309	341	32	-	32
Hinckley and Bosworth	249	274	306	10	-	10
Leicester	257	287	325	-28	-28	-
Melton	248	273	305	14	-	14
North West Leicestershire	259	284	317	-	-	-
Oadby and Wigston	268	294	326	17	-	17
Rutland	233	258	289	14	-	14
LINCOLNSHIRE						
Boston	204	228	258	5	-	5
East Lindsey	197	221	251	10	-	10
Lincoln	211	236	267	-	-	-
North Kesteven	202	225	254	5	-	5
South Holland	204	228	258	1	-	1
South Kesteven	213	237	267	12	-	12
West Lindsey	198	221	251	4	-	4
NORFOLK						
Breckland	217	239	267	8	-	8
Broadland	237	259	286	21	-	21
Great Yarmouth	234	258	288	-	-	-
North Norfolk	220	243	271	11	-	11
Norwich	252	276	307	6	-	6
South Norfolk	241	264	292	14	-	14
King's Lynn and West Norfo	203	225	254	0	-	0
NORTHAMPTONSHIRE						
Corby	263	290	324	15	-	15
Daventry	278	304	337	35	-	35
East Northamptonshire	225	251	283	10	-	10
Kettering	241	268	301	6	-	6
Northampton	289	317	352	10	-	10
South Northamptonshire	256	281	312	50	-	50
Wellingborough	230	255	288	16	-	16
NORTHUMBERLAND						
Alnwick	267	294	329	-31	-31	-
Berwick-upon-Tweed	239	266	300	-38	-38	-
Blyth Valley	296	324	360	-53	-53	-
Castle Morpeth	298	324	357	8	-	8
Tynedale	282	309	342	-7	-7	-
Wansbeck	241	270	306	-88	-88	-

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
NORTH YORKSHIRE						
Craven	212	235	264	-11	-11	-
Hambleton	231	254	282	-	-	-
Harrogate	268	292	322	-	-	-
Richmondshire	212	235	264	-15	-15	-
Ryedale	236	258	287	-9	-9	-
Scarborough	221	246	276	-34	-34	-
Selby	230	254	283	-26	-26	-
York	194	217	247	-26	-26	-
NOTTINGHAMSHIRE						
Ashfield	216	241	273	-30	-30	-
Bassetlaw	253	278	311	-11	-11	-
Broxtowe	261	286	318	-	-	-
Gedling	267	292	324	10	-	10
Mansfield	249	275	308	-32	-32	-
Newark and Sherwood	253	279	311	-	-	-
Nottingham	242	269	303	-	-	-
Rushcliffe	271	295	327	24	-	24
OXFORDSHIRE						
Cherwell	250	270	297	26	-	26
Oxford	259	281	308	47	-	47
South Oxfordshire	280	301	326	55	-	55
Vale of White Horse	263	283	308	53	-	53
West Oxfordshire	247	267	293	35	-	35
SHROPSHIRE						
Bridgnorth	212	237	267	21	-	21
North Shropshire	203	228	259	-	-	-
Oswestry	227	252	284	-	-	-
Shrewsbury and Atcham	239	264	296	16	-	16
South Shropshire	200	225	256	11	-	11
Wrekin	263	290	324	5	-	5
SOMERSET						
Mendip	247	271	301	4	-	4
Sedgemoor	259	284	314	-	-	-
Taunton Deane	253	277	307	3	-	3
West Somerset	262	287	318	13	-	13
South Somerset	257	282	312	2	-	2

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
STAFFORDSHIRE						
Cannock Chase	257	281	312	-	-	-
East Staffordshire	232	255	286	-	-	-
Lichfield	269	293	322	33	-	33
Newcastle-under-Lyme	259	283	313	-	-	-
South Staffordshire	266	289	318	34	-	34
Stafford	243	266	295	13	-	13
Staffordshire Moorlands	251	274	305	-	-	-
Stoke-on-Trent	235	260	292	-20	-20	-
Tamworth	257	281	311	10	-	10
SUFFOLK						
Babergh	248	271	299	7	-	7
Forest Heath	224	247	274	2	-	2
Ipswich	280	305	337	4	-	4
Mid Suffolk	232	255	283	11	-	11
St Edmundsbury	220	242	269	13	-	13
Suffolk Coastal	264	287	316	31	-	31
Waveney	235	258	287	-	-	-
SURREY						
Elmbridge	367	389	418	75	-	75
Epsom and Ewell	359	382	410	53	-	53
Guildford	282	303	330	70	-	70
Mole Valley	303	325	353	45	-	45
Reigate and Banstead	318	340	368	54	-	54
Runnymede	259	281	309	47	-	47
Spelthorne	266	285	310	38	-	38
Surrey Heath	301	323	350	69	-	69
Tandridge	292	315	344	14	-	14
Waverley	308	330	357	73	-	73
Woking	332	356	386	49	-	49
WARWICKSHIRE						
North Warwickshire	309	334	365	-	-	-
Nuneaton and Bedworth	315	341	373	-	-	-
Rugby	297	321	352	22	-	22
Stratford on Avon	325	349	379	59	-	59
Warwick	326	350	381	48	-	48

DATE 1-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
WEST SUSSEX						
Adur	264	285	313	23	-	23
Arun	244	265	291	35	-	35
Chichester	233	253	279	40	-	40
Crawley	267	290	320	3	-	3
Horsham	225	244	269	49	-	49
Mid Sussex	255	275	301	44	-	44
Worthing	229	250	277	26	-	26
WILTSHIRE						
Kennet	233	256	286	11	-	11
North Wiltshire	251	275	306	-0	-0	-
Salisbury	244	267	297	24	-	24
Thamesdown	274	300	332	-	-	-
West Wiltshire	257	281	312	-2	-2	-
ALL PURPOSE AUTHORITY						
Isles of Scilly	239	277	325	-268	-268	-

ps.ay7.9chex

PCP

CONFIDENTIAL

FROM: G H PHILLIPS
DATE: 7 SEPTEMBER 1989
Ext: 4390

CHANCELLOR

cc: Chief Secretary
Sir P Middleton
Mr Anson
Mr A J C Edwards
Mrs Lomax
Miss Peirson
Mr Potter
Mr McIntyre
Mrs Chaplin

Thanks. I have made a few changes. 2. Where are the figs showing authority by authority, no point unless @ ex?

PHILLIPS → CHEX 7/9

COMMUNITY CHARGE: MINUTE TO THE PRIME MINISTER

1. In the light of your discussion with Mr Patten this evening I attach a draft minute for you to consider sending to the Prime Minister.

2. I think I need make only two comments on its content. First, the draft does not explicitly identify the arrangements planned for ILEA as the means by which we would move from 42% to 50% of gains coming through in the first year. Obviously this will come out in your discussion with the Prime Minister, and we will provide you with the note Mr Gieve has requested about the impact of the proposed change on certain London boroughs. But for this particular minute it may be best not to expose the point.

3. Second, there is a choice in relation to the timing of any announcement between the Conference and a Parliamentary occasion. You prefer the latter. I understand that the consultation document on the RSG settlement is made public on 31 October, when the Secretary of State for the Environment would make a statement about it. However, the Vote on the RSG report will not be until January unless Parliamentary pressure forces an earlier debate. January would be much too late to take the Parliamentary trick and so the attached draft includes a square bracketed paragraph about announcing the package in the statement on 31 October. This would leave Mr Patten without anything new to say at the Party Conference which he will no doubt strenuously resist. Obviously an announcement at the Conference of bringing through all the

CONFIDENTIAL

gains in the second year while providing transitional relief for losers over the four year period and reserving the additional 8% of gains coming through in 1990-91 for 31 October would be more acceptable to him. But this may be too complex to put forward in the context of this minute and you may prefer that result to emerge, if at all, from discussion with the Prime Minister.

HP

HAYDEN PHILLIPS

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT

I have seen Chris Patten's minute to you of 6 September setting out his concerns about the local authority settlement announced by Nick Ridley on 19 July and putting forward proposals for meeting the problems he identifies. Norman Lamont and I subsequently discussed these proposals with Chris on 7 September.

We are all well-aware of the vociferous, if ill-informed and misguided campaign, against the safety net. It is mischievous that such a campaign should have been generated by representatives of the very local authorities that stand to gain most from the introduction of the community charge. For the complaint does not come from local councils facing a new financial burden - quite the reverse. Under the present Rate Support Grant system, these authorities contribute

X

around £1~~b~~ billion a year ~~per annum~~ to other councils through 'resource equalisation'. The new system will sweep away that burden. In reality, what is being asked for ~~these backbenchers are seeking~~ is all of that huge gain straightaway - irrespective of the cost to the losing authorities or, as Chris now proposes, the taxpayer.

I therefore made it clear to Chris that there could be no question of accepting the solution he canvasses in his minute to you - an extra £660m grant. That is a huge new bid when the public expenditure position is already, as you know, acutely difficult. ~~well-known to be extremely tight~~. I do not imagine we could persuade colleagues that priority should be given to extra grant for local councils (the bulk of whom, as the map in the DOE paper indicates are the richest local authorities in England) in preference to ~~against~~ their own ~~other~~ high priority bids in the Survey.

Moreover there can be no guarantee that the grant would be used to reduce community charges: on the contrary, there is bound to be leakage into extra public spending. And giving extra grant to local authorities now would be quite the wrong signal: it would be interpreted as helping bail out councils from the cost of the recent NALGO pay award which they agreed for non-manuals. Such a step would be disastrous in advance of both the teachers and LA manuals negotiations.

Nor would some smaller addition to Exchequer grant in order to reduce safety net contributions next year be effective. It would indicate a willingness to accommodate the backbench pressure; far from assuaging backbench~~er~~ concern it would merely intensify the pressure for further tranches ~~transfer~~ of extra grant. We did not provide Exchequer support for the safety net in

Scotland; there is no case for such support in England in 1990.

My conclusion is that the basic principle - gainers should compensate losers - should stand for the introduction of the community charge, just as it will for the new uniform business rate. That said, I do recognise we are faced with a potentially difficult difficult ~~well-orchestrated~~ Parliamentary situation. I would suggest that ~~campaign, from backbenchers. I accept that there is a~~ we meet it in the following way ~~political need to do more for gainers, while sustaining the protection for losers. I believe that can be achieved by the package outlined below.~~

we meet it in the following way

First, the presentation needs to be radically improved. We must avoid the term safety net contributions and talk instead of phasing in gains on the one hand and transitional protection for losers on the other.

Second, we should add a little to the gains coming through in 1990-91, outside inner London. By adjusting the distribution, we can allow half - rather than as at present slightly less than half - ~~through more or less exactly 50% (rather than 42%)~~ of gains to all gainers in the first year, at no extra cost.

Thirdly, And most importantly, ~~I think we must accept now, albeit reluctantly, that the gainers need to get all their gains quickly: there is a strength of feeling amongst our supporters that their full gains cannot be delayed for up to four years as we originally intended. Accordingly~~ I propose that all gains should come through in full from the second year onwards. For gainers, we would then have a most attractive package: half the gains immediately next year, all the gains from April 1991 onwards.

Clearly, we would still
~~Finally, we~~ need to sustain the protection for losers in the first year already announced and meet the expectations of losing authorities, including those in sensitive areas in the North and Midlands, that there will be transitional protection thereafter. Since that cost cannot be met from gainers if they are to have their gains in full from next year, the burden must fall on the ~~Exchequer.~~ public in general. This would have to be done by some system of time-limited specific grants, without — for public expenditure reasons — any increase in what we would be paying by way of Aggregate External Finance. ~~I am ready to discuss the mechanics with Chris: but my provisional view is that a time-limited specific grant within the Aggregate External Finance limit offers the best way forward. And the precise timing, pattern and form of such support will need to be discussed further.~~

External Finance

Do you wish to toughen this? ie explicitly rule out higher AEF

~~I believe the above package represents a balance between the interests of gainers and losers that can be successfully presented as fair and generous.~~

~~the best we can do~~

In his minute, Chris also raises the issue of community charge capping. I very much endorse his view that capping has an important role to play, particularly in 1990-91, and welcome his intention to pursue the policy vigorously. The precise number to be capped can be considered when the LA budgets emerge next March.

Chris Patten's minute also proposes that we examine ways of providing further help for individuals who lose from introduction of the charge. I am not at all persuaded that we should go further. The community charge benefit scheme will already be more generous than the rate rebate scheme, following our decision last year to cut the income taper from 20% to 15%. Although this has already been announced, I am sure we can take further credit for it. The extra cost will be £100 million a year, and one million additional chargepayers will be helped as a result. In all, we are likely to spend up to £2 billion next year on community charge benefit, ~~helping~~ 11 million chargepayers (1 in 4 of the total), over half of them with incomes above income support level. Some 4½ million ~~pensions~~ pensioners will be helped. A further £½ billion or so will be spent on income support, helping people with their 20% minimum payment. We have also taken action to soften the impact of the benefit rules on people with savings. Last year, the amount of free capital allowed before claimants are disqualified from housing benefit and community charge benefit was raised from £6,000 to £8,000.

[illegible] £1 billion ?

Yes: [illegible]

So a very substantial commitment of public expenditure has already been made to helping a large minority of chargepayers. Against the extremely difficult background of this year's Survey, I would be most reluctant to see further concessions. I am sure we

compared with less than £1½ billion on rate rebates (and community charge benefit in Scotland) in the current year. This will help ~~help 11 million chargepayers.~~

should also try to avoid measures which would add still further to the number of people claiming social security benefit.

[When we meet to discuss this on Thursday 14 September we shall also need to consider carefully the timing of any announcements. ~~I do not believe we should rush this forward because our primary objective must be to secure a turn-round in backbench opinion. In my view this is best done in a Parliamentary context and Chris Patten's statement on 31 October introducing the consultative paper on the RSG settlement provides the opportunity.]~~

~~[illegible]~~ In my opinion an early conclusion, quite apart from the damaging effect it would have on the conduct of the public expenditure round and on market sentiment, would be politically unwise. We need to keep it up our sleeve for use when ~~a Parliamentary statement~~ it can have the maximum parliamentary effect.

I am copying this minute to Chris Patten and Norman Lamont.

CONFIDENTIAL

FROM: J P McINTYRE
Ext: 4799
DATE: 7 September 1989

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr AJC Edwards
Mrs Lomax
Miss Peirson
Mr Potter
Mr Francis
Mrs Chaplin

Thanks. I will use this for the mtg with the PM, but will use [illegible] for the minute then. N

COMMUNITY CHARGE : MEETING WITH MR PATTEN, 7 SEPTEMBER

Mr Patten's minute of yesterday to the PM proposed that he and Mr Newton should explore ways in which individual losers might be given further help. A list of the options floated in Mr Patten's paper is attached. In discussion with Mr Patten today and in minuting the PM, there are perhaps two broad approaches you could take:

(i) **No more concessions**

The material supporting this line is in the brief we gave you on 5 September. There is a good case. And your offer on the safety-net arguably reduces the need for concessions to individuals. Mr Patten's paper gives only slight acknowledgement to the generosity of the planned rebate scheme (£1¾bn to help 1 in 4 chargepayers) and the extent to which it will help people well above income support levels. He also takes no account of the Scots having had no extra help.

(ii) **Prepared to consider possibilities**

The disadvantage of this is that, once the possibility of further help is conceded, it is hard to imagine nothing being done. Mr Patten would see this as a green light. If, on the other hand, your judgement is that some extra help is inevitable, this more constructive approach could put the Treasury in a better position to influence the outcome and minimise expenditure.

MC-INTYRE → CH/EX 7/9

CONFIDENTIAL

2. If you favour the second approach, your line with Mr Patten and the PM might be:

(a) We already plan to do a great deal through social security benefits. Let us make the most of that, especially the cut in the taper from 20 per cent to 15 per cent;

(b) Given this and the overall Survey position, any further help must be inexpensive. We are talking perhaps a few tens of millions: no more. This is bound to mean targetting on significant losers among the poor in the so-called "vulnerable groups" - pensioners, disabled, families with children. No question of helping people above means tested benefit levels. Including the better off would not only be expensive but an administrative nightmare;

(c) The help must also be transitional, running for no longer than the safety-net arrangements for loser LAs. There must be no permanent addition to the benefit system eg by a further cut in the taper or a further increase in the capital limit (though there could be advantage in running any scheme as an offshoot of the existing rebate scheme - this would be consistent with focussing on the poor and could help to contain administration costs);

(d) The Treasury must be involved in any further work. We cannot have a bilateral proposal from DOE/DSS.

3. Within the second approach, there is a further important judgement to be made. Should a concession for individuals be announced soon, perhaps alongside changes in the safety-net? Together, they might maximise impact and show the government well-prepared. And, as a practical matter, any scheme (and particularly a new transitional scheme) would probably need some months of preparation for delivery in April. That is the problem with making plans only on a contingency basis. Waiting to be pushed into a concession might also be more expensive.

CONFIDENTIAL

4. The risk in acting soon (when there has been little pressure) is that we might have to inject a double dose - one in the Autumn and another next Spring when the higher bills come in (and when any Autumn concession may have been discounted).

5. In all this, we must not forget the Scots who have had to get along without any extra help this year (beyond the cut in the taper). Could a new concession be restricted to England and Wales? If not, and we had a transitional scheme, it is not easy to see the basis on which the Scots would be helped.

Conclusions

6. The seriousness of the public expenditure position points firmly to resisting any further concessions on this front (which are not allowed for in our forecast Survey outcome on social security). A generous rebate scheme is already in place (and operating in Scotland). Only if you are persuaded there is no choice in political terms, despite the safety-net offer, should we contemplate more money and then only within the tight parameters of paragraph 2 above.

7. Subject to your views and to the outcome of your meeting with Mr Patten, we will provide a draft minute for you to send to the PM, covering this and the safety-net issues.

JPM

J P McINTYRE

CONFIDENTIAL

ANNEX

COMMUNITY CHARGE : DOE OPTIONS TO HELP INDIVIDUAL LOSERS

A. Cut income taper from 15 per cent to 10 per cent

Cost: £250-300m. 2 million more get rebates,making 13 million in all (1 in 3 chargepayers instead of 1 in 4).

B. Double capital limit from £8,000 to £16,000

Cost: £80m. 700,000 more get rebates.

C. Double earnings disregard from £5 a week to £10 for single people and from £10 to £20 a week for couples

Cost: £70m. 600,000 more get rebates.

D. Transitional Household Relief : general

Cost: £1½ billion. "Not a starter", says DOE paper. Assumes households losing £2.50 or more compensated. Caseload would be 11 million.

E. Transitional Household Relief: former ratepayers only

Cost: £800m. 4½ million cases.

F. Transitional Household Relief: As E, plus pensioners and other special groups who have NOT been ratepayers

Cost: £900m. 5 million cases.

G. Transitional Household Relief ; low incomes only

Not costed.

CONFIDENTIAL CMO -
NO COPIES TO BE TAKEN

COPY / OF 2 COPIES

NOTE OF MTG 8/9

PMP -

NOTE OF A MEETING AT 11 DOWNING STREET ON 8 SEPTEMBER 1989

Present

Chancellor
Chief Secretary
Secretary of State for the Environment

....

The Chancellor said that he wanted to focus mainly on the introduction of the community charge. Before turning to questions of substance, however, he thought they should discuss the conduct of business between the two departments. He had been disturbed to find that the Department of Environment had issued a Press Notice in which the Secretary of State had welcomed the Pearce report on sustainable development, without consulting the Treasury or even warning it that it was to be done. He had no objection to the publication of the report which he thought was a useful contribution to a developing debate but the issues were of great concern to the Treasury as well as to the DoE and it was therefore essential that Treasury Ministers and officials were consulted on any statements about the Government's position. He hoped that in future in such cases the Secretary of State would write setting out his proposed line so that he had a chance to comment.

2. The Chancellor continued that similar issues had arisen over the community charge. This was a matter of vital importance to the Treasury given the sums of money at stake. It was very important, therefore, for the Treasury and Department to work together and to try to establish common ground as far as possible. He was most surprised, therefore, that the Secretary of State had minuted the Prime Minister just 24 hours before the meeting without showing a draft of the minute to Treasury Ministers (or officials) or discussing the matter with them. This was not the way business had been conducted under previous Secretaries of State and he hoped that it would not happen again.

3. The Secretary of State said that the Pearce report had been placed in the House of Commons 3 weeks before Professor Pearce decided to a hold Press Conference. The Secretary of State's statement had, as far as he was aware, not impinged on Treasury responsibilities and said nothing about taxation. He would look into why the Treasury had not been informed about the Press Notice in advance. Turning to the community charge, this meeting had been set up in early August but no-one had suggested then or subsequently that he should delay sending a minute to the Prime Minister which she had requested until he had cleared it with the Treasury. Indeed, he was not sure that there would have been time to do so. He knew his officials had kept Treasury officials closely in touch with developments. Obviously he wished to work closely with Treasury colleagues as with others but he hoped there was no implication that he had acted in an underhand way.

4. The Chancellor said it was not a question of seeking Treasury approval. Clearly where differences couldn't be resolved they had to be referred to the Prime Minister or a wider forum for decision. But it was normal practice to discuss questions like this, with expenditure implications, with the Treasury. In this respect, the Treasury was in a special position which was recognised, for example, in the standard rule that Cabinet papers had to be discussed with the Treasury. Moreover, in this case it was not just a matter of expenditure but of taxation as well. In relation to the Pearce report, he hoped the Secretary of State would not hesitate to send him any suggestions that he might have on taxation.

Community Charge

5. Turning to the substance, the Secretary of State said that the Government faced two political problems. The first which

would arise in the Autumn and Winter was the safety net where there was considerable backbench opposition and concern; the second would arise in the Spring when individuals began to receive their bills; this could give rise to a row similar to that over housing benefit but on an even greater scale. The Prime Minister could face questions in the House (in front of the cameras) twice a week on individual cases which seemed difficult to defend. While the case for the community charge might be presented more effectively, better presentation would not be enough. There were two strategies: either to make a major change now to try and win back the political initiative or to battle through the Autumn and Spring and see what the Government could get away with. His guess was that the latter course would still lead to concessions both on the safety net and rebates, so the financial costs would not be avoided but the political damage would be enormous. Nonetheless, he realised that these not were the only problems facing the Government and that the Treasury too faced great difficulties on inflation and public expenditure.

6. The Chancellor said that the two problems were of different kinds. He agreed that there would be trouble in the Spring over individual losers. How great an outcry there would be was impossible to say but large numbers of losers were intrinsic to the whole reform and attempts to help were going to provoke calls for more and more concessions. The rebate scheme was already very generous; moreover the introduction of the community charge in Scotland had been managed without further assistance. The problem over the safety net was not a problem with electors; it was an issue rather for MPs and Councillors. The fact was that richer councils were already contributing to poorer through resource equalisation and the new regime would phase out these cross subsidies and indeed reduce them substantially in the first year. Much could be done to bring this out more clearly. On a separate point councils were putting about exaggerated figures for likely community charges and it was important for the DoE to counter these by disseminating more reasonable forecasts.

7. The Secretary of State said there were bound to be many substantial losers; and the problems would be much worse in England than in Scotland and Wales where the average charges would be lower. Even with an average increase in spending of 7 per cent many charges would be well above the £275 standard. He was not sure that the public or even colleagues in Cabinet were yet aware of the scale of some of the likely charges and losses. It was a matter of political judgement how best to handle the difficulties. He would rather stick to the existing package than go back to Parliament with a minor and unconvincing concession which he would not be able to sustain. A long Winter of Parliamentary wrangles and public dissatisfaction could do great damage to the Government standing in the markets as well as in the opinion polls. The row over the safety net could not be divorced from a general unease with the community charge which was likely to grow in coming months. The 1922 Committee were quite clear that the existing system included cross-subsidies and they wanted them abolished immediately. Moreover, they could point to many losers of modest means in their own constituencies whose losses would be caused in part by contributions to a safety net which would benefit the better-off in Labour constituencies. The Chief Secretary said that the latter was not the point they had emphasised.

8. The Chancellor said that there was no free lunch; any concession to the gainers would have to be paid for either by ratepayers or by taxpayers. The cost of meeting the transition for the losers in the first year would be about £¾ billion when the knock-on effects on Scotland and Wales were taken into account. This would feed straight through into higher spending. This year's Survey was extremely difficult and vitally important. A concession of that magnitude would make the Chief Secretary's job impossible not only because of its size but because of the signal it would send to other colleagues. Moreover, there were many other bids, including he suspected bids from the Department

of Environment, to which colleagues would give higher priority. In his view, a judgement had to be made on what had to be done to get the package through Parliament. That meant delaying any concessions until the last moment. In his view two things could be done:

(a) the transition for gainers could be limited to one year and the cost of the transition for losers would be met by specific grants from 1991-92 within an unchanged Aggregate External Finance (although since no figure had yet been announced for AEF in that year, any offset would not be apparent).

(b) It would be possible to bring the special arrangements for the ILEA within the safety net, thus saving £70 million in 1990-91 which could be used to ensure that the gainers received 50 per cent of their gains in the first year.

There were risks to the Treasury in making these changes particularly in relation to the decision on AEF for 1991-92 but he would be prepared to take those risks.

9. The Secretary of State said that he was very doubtful about the ILEA element. It would mean taking away funds that had already been announced for inner London areas including Conservative constituencies. He accepted that there was a risk that, as in Scotland, councils would spend up and additional grant would lead to higher spending but he thought a substantial concession was nonetheless necessary. As to priorities, he could see good chances of scoring runs on a number of environmental issues in the coming months but he would be unable to do so if he was forced on the defensive throughout on the community charge. The Chancellor said that the ILEA element of the package was the less important of the two. As had been made clear in 1985 when the decision was taken, the introduction of the community charge

was bound to be painful and controversial. He would put in his own minute to the Prime Minister in advance of the meeting the following week.

Duncan Sparkes
p.p. **JOHN GIEVE**
8 September 1989

chex.jp/jg/9 **CONFIDENTIAL - CMO (UNTIL 31 DECEMBER 1990)**
NO COPIES TO BE TAKEN

YOUR MINUTE

Not to be removed from string

Copy No 4 of 5

Treasury Chambers, Parliament Street, SW1
01-270 3000

8/9/89.

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT

I have seen Chris Patten's minute to you of 6 September setting out his concerns about the local authority settlement announced by Nick Ridley on 19 July and putting forward proposals for meeting the problems he identifies. Norman Lamont and I subsequently discussed these proposals with Chris on 7 September.

We are all well-aware of the vociferous, if ill-informed and misguided campaign, against the safety net. It is mischievous that such a campaign should have been generated by representatives of the very local authorities that stand to gain most from the introduction of the community charge. For the complaint does not come from local councils facing a new financial burden - quite the reverse. Under the present Rate Support Grant system, these authorities contribute around £1 billion a year to other councils through 'resource equalisation'. The new system will sweep away that burden. In reality, what is being asked for is <u>all</u> of that huge gain straightaway - irrespective of the cost to the losing authorities or, as Chris now proposes, the taxpayer.

I therefore made it clear to Chris that there could be no question of accepting the solution he canvasses in his minute to you - an extra £660m grant. That is a huge new bid when the public expenditure position is already, as you know, acutely difficult. I do not imagine we could persuade colleagues that priority should be given to extra grant for local councils (the bulk of whom, as the map in the DOE paper indicates, are the richest local authorities in England) in preference to their own high priority bids in the Survey.

Moreover there can be no guarantee that the grant would be used to reduce community charges: on the contrary, there is bound to be leakage into extra public spending. And giving extra grant to local authorities now would be quite the wrong signal: it would be interpreted as helping bail out councils from the cost of the recent NALGO pay award which they agreed for non-manuals. Such a step would be disastrous in advance of both the teachers and LA manuals negotiations.

Nor would some smaller addition to Exchequer grant in order to reduce safety net contributions next year be effective. It would indicate a willingness to accommodate the backbench pressure; far from assuaging backbench concern it would merely intensify the pressure for further tranches of extra grant. We did not provide Exchequer support for the safety net in Scotland; there is no case for such support in England in 1990.

My conclusion is that the basic principle - gainers should compensate losers - should stand for the introduction of the community charge, just as it will for the new uniform business rate. That said, I do recognise we are faced with a potentially difficult parliamentary situation. I would suggest that we meet it in the following way.

First, the presentation needs to be radically improved. We must avoid the term 'safety net contributions' and talk instead of phasing in gains on the one hand and transitional protection for losers on the other.

Second, we should add a little to the gains coming through in 1990-91, outside inner London. By adjusting the distribution, we can allow half - rather than as at present slightly less than half - of gains to all gainers in the first year, at no extra cost.

Thirdly, and most importantly, I propose that all gains should come through in full from the second year onwards. For gainers, we would then have a most attractive package: half the gains immediately next year, all the gains from April 1991 onwards.

Clearly, we would still we need to sustain the protection for losers in the first year already announced and meet the expectations of losing authorities, including those in sensitive areas in the North and Midlands, that there will be transitional protection thereafter. Since that cost cannot be met from gainers if they are to have their gains in full from next year, the burden must fall on the public in general. This would have to be done by some system of time-limited specific grants, without - for public expenditure reasons - any increase in what we would be paying by way of Aggregate External Finance.

In his minute, Chris also raises the issue of community charge capping. I very much endorse his view that capping has an important role to play, particularly in 1990-91, and welcome his intention to pursue the policy vigorously. The precise number to be capped can be considered when the LA budgets emerge next March.

Chris Patten's minute also proposes that we examine ways of providing further help for individuals who lose from introduction of the charge. I am not at all persuaded that we should go further. The community charge benefit scheme will already be more generous than the rate rebate scheme, following our decision last year to cut the income taper from 20% to 15%. Although this has already been announced, I am sure we can take further credit for it. The extra cost will be £100 million a year, and one million additional chargepayers will be helped as a result.

In all, we are likely to spend up to £2 billion next year on community charge benefit, compared with less than £1½ billion on rate rebates (and community charge benefit in Scotland) in the current year. This will help 11 million chargepayers (1 in 4 of the total), over half of them with incomes above income support level. Some 4½ million pensioners will be helped. A further £½ billion or so will be spent on income support, helping people with their 20% minimum payment. We have also taken action to soften the impact of the benefit rules on people with savings. Last year, the amount of free capital allowed before claimants are disqualified from housing benefit and community charge benefit was raised from £6,000 to £8,000.

So a very substantial commitment of public expenditure has already been made to helping a large minority of chargepayers. Against the extremely difficult background of this year's Survey, I would be most reluctant to see further concessions. I am sure we should also try to avoid measures which would add still further to the number of people claiming social security benefits.

When we meet to discuss this on Thursday 14 September we shall also need to consider carefully the timing of any announcements. In my opinion an early concession, quite apart from the damaging effect it would have on the conduct of the public expenditure round and on market sentiment, would be politically unwise. We need to keep it up our sleeve for use when it can have the maximum parliamentary effect.

I am copying this minute to Chris Patten and Norman Lamont.

NL

[N.L.]
8 September 1989

cc CST
Mr Phillips
Mr McIntyre
Mr Edwards
Mr Potter

PCP

For info. Also, psr

With Compliments

Angel -

I hope you will find this helpful.

With my thanks for tea on Tuesday
- but for 'immorally' read
'morally', please !

CRANLEY ONSLOW.

14/9

HOUSE OF COMMONS
LONDON, SW1A 0AA

NOTE OF A MEETING IN 11 DOWNING STREET ON 12 SEPTEMBER 1989

Present

Chancellor of the Exchequer
Rt Hon Cranley Onslow MP

....

Mr Onslow said that he was deeply concerned about the feeling in the party over the safety net. He accepted this was not only or mainly about the technicalities of the safety net itself but reflected a deeper unease about the implications of the community charge. He disassociated himself from Rhodes Boyson and his campaign for the Treasury to meet the full cost of compensating the losing authorities. Imposing the losses on the taxpayer would be politically and immorally indefensible and would not get his support. Nonetheless something had to be done. In his view it would be necessary to temper the wind to the shorn lambs. His preference would be a transitional relief for the individuals who lost most (on the model of the transitional relief introduced at the time of the housing benefit changes which he considered to have been well worthwhile). He thought it might be possible to confine the relief to pensioners in particular.

Tpo

2. Turning to timing, Mr Onslow said that no concession should be offered at the Party Conference; that was a time to say only that the position was being reviewed. The time to offer a concession would be in January when the Parliamentary Votes were imminent.

3. The Chancellor thanked Mr Onslow for setting out his views which he would certainly bear in mind.

JG

JOHN GIEVE

lg1.va/potter/minutes/lac.mpm

CONFIDENTIAL

CHANCELLOR

FROM: B H POTTER (LG1)
X4790
Date: 12 September 1989

cc: Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Phillips
Mr Edwards (LG)
Mrs Lomax (GEP)
Miss Peirson (ST)
Mr McIntyre (ST)
Mr Rutnam (LG1)
Mrs Chaplin

LOCAL AUTHORITY CURRENT: MEETING WITH THE PRIME MINISTER

You and the chief Secretary are meeting the Prime Minister on Thursday 14 September to consider the Environment Secretary's minute of 6 September and your minute of 8 September on the local authority current settlement. The only substantive issues are the safety net and community charge rebates.

2. You already have briefing on the main arguments on the safety net (my brief of 6 September attached) and community charge rebates (Mr McIntyre's minute of 7 September). But I attach further briefs which may also be helpful:

- on the safety net;

    (A) a note on the implications of paying the ILEA grant within the safety net (as you requested);

    (B) a note and tables on resource equalisation, the total benefit of the new system and safety net contributions;

    (C) a note on what happened in Scotland this year; and

    (D) a note on specific grants towards transitional protection and AEF; and

- <u>on community charge rebates</u>

  (E) a further note on rebates.

<u>DOE line</u>

3. I fear DOE officials latest appreciation of Mr Patten's views may only be marginally useful. They are genuinely unsure of his latest perception. He seems to be a little ambivalent on what the real problem is: but he may be gradually moving to the view it is more the issue of <u>individual</u> liability (and hence rebates) than the esoteric issue of the <u>area</u> safety net. The safety net is a Parliamentary problem - albeit a significant one; but he suspects it is really symptomatic of wider concerns about the community charge.

4. We have also established that he is considering your proposal very carefully. DOE officials perceive Mr Patten can argue that the first year settlement is effectively fixed, subject to minor tinkering; but that he can show some flexibility for the later years. You may recall (and indeed like to remind the Prime Minister) that, shortly after 19 July, the Prime Minister herself indicated that there could be some flexibility in the later years.

5. Moreover DOE officials have pressed us to explain exactly what you have in mind on the specific grants for losing authorities from year 2, with the cost to be contained in the overall AEF settlement. They are effectively probing whether a compromise solution - your scheme but with an addition to AEF for the later years - is acceptable. A tough line to take on this is included in brief D attached.

<u>Conclusion</u>

6. Clearly your main aim will be to see off the £660m bid put forward by Mr Patten on the safety net. Secondly, at a minimum, it would be useful to have broad endorsement of your proposed approach. If possible it would be desirable to go further and get agreement on the following:

(i) that the specific grant for transitional protection should be time limited and that its cost should be met within the AEF figure for years 2 and 3; and

(ii) that the AEF figure for years 2 and 3 (which must be published in the Autumn Statement) should be held broadly constant in real terms.

7. If you believe some compromise may be necessary, you may like to consider not pressing for the ILEA change, however logical it would be. This would of course be a nil cost concession on your part. You will wish to avoid conceding even a small additional margin on AEF to meet a part of the costs of the proposed specific grant.

Community charge rebates

8. Mr McIntyre's brief assumes you will wish to resist any further concessions on the rebates side. But it also provides a "fallback position" as I understand you have requested.

9. This is that officials should assess the extent of significant losses among those on low incomes in the "vulnerable groups". This stops short of agreeing that work should start on options for a scheme. The point would be to establish what the nature of the problem is. Such an approach is not purely tactical; we cannot at this stage put forward sensible costed options without the help of DSS and DOE. Because of the way the benefit system is designed, a significant number of large losers among benefit recipients is unlikely. The problem, as Mr Patten's minute suggests, will be much more among people above benefit levels. But you will want to resist spreading assistance even further up the income scale.

We stopping?

Barry H. Potter

BARRY H POTTER

[illegible] 15 [illegible]

lg.cc/rutnam/reports/1.12

CONFIDENTIAL

What happens to Wandsworth?

NOTE A ILEA GRANT

A ILEA GRANT

Background

1. If the ILEA grant were paid within the safety net, and not outside as DOE/DES propose, the main effects would be as follows:

(a) Losing boroughs in Inner London would be worse off. But they would receive exactly the same level of protection as in the rest of the country. (Under the present proposals they are, perversely, much better off than either other losers or their existing position.)

(b) Labour-controlled gainers (Camden, Hackney, Islington) in Inner London would be worse off by £15-30 per head.

(c) Conservative-controlled gainers would be almost unaffected.

(d) £70m would be released to help increase the level of gains retained by gainers throughout England from 42% to 50% (or reduce the maximum contribution from £75 to £50).

2. The table attached gives details.

Departmental Views

3. DOE/DES will oppose this change. They have had detailed discussions with local authorities on the mechanics of the settlement, on the basis that the ILEA grant is paid outside the safety net. In particular DOE have already put out exemplifications for discussion at political level between Mr Patten and local authority members at the end of this month. The local authorities would spot any change immediately.

4. DOE officials have also said that they are not sure the new powers they are taking to pay grant can be drafted widely enough for ILEA grant to be paid within the safety net. We should obviously insist that the powers must be wide enough - but Mr Patten may reserve his position on this.

CONFIDENTIAL

Other options

5. There are several other ways in which we could increase the level of gains retained by gainers to 50% other than by adjusting the ILEA grant:

(a) Raise the maximum contribution to more than £75 - but this would make the political problem worse not better.

(b) Allow more losses through, by increasing the £25 limit to about £32.50. But this too would attract attention and criticism.

(c) Adjust the base for calculating the safety net - at present this year's rate bill per adult plus 4% for inflation. Instead of 4% use 5.5%.

6. None of these is attractive, however. As the line to take explains, we see no reason to depart from your proposal.

CONFIDENTIAL

1990-91 COMMUNITY CHARGES

	Rate bill per adult plus 4%	(a) ILEA grant paid outside safety net	(b) ILEA grant paid within safety net	(b)-(a)
City	541	374	374	0
Camden	446	365	385	+20
Greenwich	285	246	310	+64
Hackney	351	299	325	+26
Hammersmith	373	348	398	+50
Islington	446	410	428	+18
Kensington	393	295	297	+2
Lambeth	309	277	334	+57
Lewisham	275	241	300	+59
Southwark	281	247	306	+59
Tower Hamlets	282	240	307	+67
Wandsworth	202	175	227	+52
Westminster	587	303	303	0

Assumes 3.8% rise in spending from 1989-90

CONFIDENTIAL

LINE TO TAKE

- Paying ILEA grant outside safety net always illogical;

- Means higher protection for Inner London borough than elsewhere and much lower charges than for many of our own supporters (eg Southwark £247, compare Elmbridge £367)

- Some losing boroughs would actually gain in the first year; have even further to go before they feel real impact of new system.

- Risk that the areas would spend up, faced with lower community charges.

- Paying grant within safety net means higher charges in Greenwich etc, but no effect on Westminster or Kensington. Releases £70m for reduction of contributions to safety net from gainers everywhere, from 58% of gains to exactly 50%.

- Reducing contribution to 50% will allow us to give exactly half of gains in 1990-91 and remaining half in following year.

- In practice, community charges for many problematic Inner London boroughs likely to be capped

Defensive

Change will provoke criticism from local authorities?

No doubt. But existing proposals extraordinarily indulgent towards group of high spending authorities, and have perverse effect of reversing accountability, not encouraging it.

CONFIDENTIAL

B RESOURCE EQUALISATION

NOTE B RESOURC EQUAL- ISATION

Three sets of tables are attached:

(i) Annex A shows the effects of resources equalisation alone for 1989-90 on the domestic tax burden in each area under the present, unfair rating system.

(ii) Annex B shows the long-run gains and losses that each area should receive on the change to the new system in all respects. (This covers more than just the abolition of resource equalisation, eg also the new distribution of non-domestic rates, and the changed assessments of the amount authorities need to spend.)

(iii) Annex C shows the safety net contributions and payments for 1990-91 on the basis of the Ridley proposals.

2. You can quote from:

- Annex A, for the effects of resource equalisation alone, under the current system.

- Annex B, for the overall benefits/losses areas will receive from the whole change to the local government finance system.

- Annex C when discussing safety net contributions.

780/743 per adult

CHANCELLOR OF THE EXCHEQUER

[pres. we got wrong adult]

Chancellor

Community Charge - Mr Onslow

Herewith two tables showing the distributive impact of move to cc.

(A) shows the figures used by Mr Ridley in July & shows extent of transfers under resource equalisation alone

(B) shows gains & losses from move to c.c. taking account also of new needs assessments & NNDR. These are the gains which are phased in by safety net (ie 40/50% in year 1).

You will see working gains substantially.

JC

CONFIDENTIAL

C SCOTLAND 1989-90 KEY POINTS

1. Main points on more grant and spending in the first year of the community charge are:

- Spending in 1989-90 up 12% on 1988-89; real terms increase of 6%;

- Community charge in 1989-90 up by 14% over domestic rate bill in 1988-89; real terms increase of 8%;

- Some regions increased spending by up to 13½% in 1989-90, some districts by up to 30%;

- Increased spending not only among high spenders but moderate spenders as well: compare rich English authorities which would benefit from a change to safety net.

- Every opportunity taken by LAs to use change from one system to other to increase spending and balances. Comparisons made difficult by differences between rates and community charge, and high charges blamed on Government.

2. The main point on the safety net in Scotland is simply that it was fully self-financing.

NOTE C SCOTLAND

lg1.va/potter/minutes/sp.aef

CONFIDENTIAL

D. SPECIFIC GRANT FOR LOSING AUTHORITIES AND AEF

1. You have proposed a specific grant to provide transitional protection for losing authorities from 1991-92. The main issues on the specific grant itself are:

   (i) <u>duration</u>: is it to last to 1993-94 (as might be expected) or ended earlier;

   (ii) <u>form</u>: is it to be a further £x per adult or x% of residual cost;

   (iii) <u>profile</u>: is it to be linear; or might it be non-linear so as to sustain support in 1991-92 at a higher level.

2. This needs to be considered further, rather than decided at the meeting. In particular it may be best to avoid being drawn on a particular amount for 1991-92 at this stage.

3. The second issue is how provision for that specific grant should be shown in the Autumn Statement - specifically how it will be reflected in Aggregate External Finance (AEF).

4. DOE will want to see some clear <u>addition</u> to the total for AEF in 1991-92 and 1992-93 to accommodate the cost of these specific grants. Our previous proposal (likely to have been accepted by DOE officials) had been to show AEF uprated by the GDP deflator for years 2 and 3. The danger is that, were any number to emerge on the new specific grant now, the Prime Minister may well look to you to make some concession ie addition over and above AEF on this, as a consolation prize to Mr Patten. That needs to be avoided.

Agree (can't GDP uprating + [illegible] ??)

NOTE D SPECIFIC GRANTS

Line to Take

- Duration, form and profile of specific grant for transitional protection to be discussed between DOE and Treasury officials urgently;

- Wrong to take any decision on cost to be met in 1991-92 until after that further consideration.

- Intention is that the cost of the specific grant should be met from within AEF.

- Would propose that AEF for years 2 and 3 should be broadly uprated in line with the GDP deflator for those years, including cost of the proposed specific grant; any significant addition to AEF for those years, would break the principle that the transitional measures should be broadly self-financing, as agreed for business rates.

E. COMMUNITY CHARGE: HELP THROUGH THE BENEFIT SYSTEM

Mr Patten's proposals: Minute of 6 September proposes that he and Mr Newton should explore ways in which individual losers might be given further help. A list of the options floated in Mr Patten's paper is at Annex A.

LINE TO TAKE

(i) more generous benefit system already planned for community charge than has applied for rates. Income taper will be 15 per cent instead of 20 per cent, costing over £100 million and helping an extra one million people. Although this has already been announced (in April last year, to see off Mr Mates), further credit can be taken for it. Scots have had to get along without further concessions, beyond taper cut.

+ £100m

(ii) because of the cut in the taper and the fact that more people will be liable for community charge, benefit expenditure is already expected to be much higher than on rate rebates: £2 billion, instead of £1½ billion. And 11 million chargepayers will be eligible, including 4½ million pensioners. Over half will be above income support levels. This compares with 5 million ratepayers. If 9 million take them up, 1 in 4 chargepayers will be helped. So a very large minority of the population will already get help, without any further concessions (and rather contrary to the Government's policy of reducing dependence on benefits).

+ £500m

(iii) Benefit system already designed to give extra help to special groups - pensioners, disabled, families with children. Help with community charge goes further up the income scale for these groups. [Annex B gives examples]

(iv) 80 per cent of any increase in community charge is paid by benefit, only 20 per cent by claimants. This is true for all 11 million eligible for help.

(v) In addition to the community charge benefit scheme, income support levels have already been increased to provide help towards the minimum 20 per cent payments. This costs £½ billion a year.

+ £500m

(vi) Substantial public expenditure commitment already made. Cannot afford more, especially given very difficult Survey position.

DEFENSIVE

(i) **Need to help losers above benefit levels**

No. Would be very expensive. Mr Patten's paper mentions options costing £800-£1,500 million. Clearly not affordable. For those in work, important to put in context of substantial increases in earnings and cuts in taxation of recent years. For pensioners and other special groups not in employment, benefit system already gives special help which extends further up income scale eg pensioner couple could get help with net weekly income of £140 per week - and more in a high CC area.

NOTE E REBATE

CONFIDENTIAL

(ii) **Need to do more for pensioners (eg by doubling capital limit)**

Rebate system will give special help to pensioners because of extra premiums built into income support and community charge benefit. These premiums make benefit available further up income scale. 4½ million pensioners expected to be eligible.

Other good news in pipeline: abolition of earnings rule, extra income support for over-75s and disabled (each effective from October and costing total of £575 million in full year), and independent taxation. Extra income support will feed directly into community charge benefit, by raising the threshold above which the income taper operates (by £2.50 for singles, £3.50 for couples).

Capital limit already increased last year for housing benefit and community charge benefit, from £6,000 to £8,000. Very doubtful case for extending State help to people with more than £8,000 of free capital. Would make nonsense of means-tested benefits.

(iii) **Joint capital limit for couples is inconsistent with Independent Taxation**

No. Important to maintain distinction between taxes and benefits. Fundamental principle of benefit system is that couples are assessed jointly. Departure from this principle would be extremely expensive.

FALLBACK

Prepared to see assessment carried out by officials of likely extent to which some poorer people may lose significant amounts, despite generosity of benefit scheme as it stands. We could then consider further whether there might be a case for some transitional relief specifically directed at the "vulnerable groups" (pensioners, disabled, [and families with children] among the significant losers. Any such relief would need to be inexpensive and clearly time-limited, running for no longer than the safety-net provisions for losing Local Authorities. In order to contain the cost, it would be essential to confine such a scheme to poorer people ie those among the 11 million chargepayers likely to be eligible for benefit. We should also avoid permanent changes to the benefit system, such as a further cut in the taper mentioned in Chris Patten's paper, though it might be necessary to operate any scheme in conjunction with community charge benefit.

These are key parameters of any scheme, should we decide one is necessary. But priority is to establish how far there is likely to be a problem of significant losses among groups I have mentioned. That should be task which officials now address. I would like Treasury officials to be fully involved.

CONFIDENTIAL

ANNEX A

COMMUNITY CHARGE : DOE OPTIONS TO HELP INDIVIDUAL LOSERS

A. **Cut income taper from 15 per cent to 10 per cent**
Cost: £250-300m. 2 million more get rebates,making 13 million in all (1 in 3 chargepayers instead of 1 in 4).

B. **Double capital limit from £8,000 to £16,000**
Cost: £80m. 700,000 more get rebates.

C. **Double earnings disregard from £5 a week to £10 for single people and from £10 to £20 a week for couples**
Cost: £70m. 600,000 more get rebates.

D. **Transitional Household Relief : general**
Cost: £1½ billion. "Not a starter", says DOE paper. Assumes households losing £2.50 or more compensated. Caseload would be 11 million.

E. **Transitional Household Relief: former ratepayers only**
Cost: £800m. 4½ million cases.

F. **Transitional Household Relief: As E, plus pensioners and other special groups who have NOT been ratepayers**
Cost: £900m. 5 million cases.

G. **Transitional Household Relief ; low incomes only**
Not costed.

CONFIDENTIAL

ANNEX B

COMMUNITY CHARGE BENEFIT

1. **Comparison of community charge benefit with rate rebate scheme**

Examples show how community charge will be more generous than rate rebates without any further concessions, and even assuming above average community charge bills:

A. Pensioner couple aged 60-74, with basic State pension of £75 per week and occupational pension of £35 per week. Net income is £100 per week. This year, they pay average rates of £510. In 1990-91, they each have to pay above average community charge bill of £350.

1989-90 rates bill (after rebate): £7.59 per week
1990-91 CC bill (after benefit): £6.37 per week (combined bills)
GAIN: £1.22 per week.

B. Couple with 2 children, 1 under 11 and 1 over 11. Net income of £130 per week. This year, they pay average rates of £510. In 1990-91, they have to pay well above average community charge bill of £400.

1989-90 rates bill (after rebate): £9.88 per week
1990-91 CC bill (after benefit):£8.34 per week (combined bills)
GAIN: £1.54 per week.

C. Couple with no children. Net income of £110 per week. This year, they pay below average rates of £450. In 1990-91, they have to pay above average community charge bill of £350 each.

1989-90 rates bill (no rebate entitlement): £8.65 per week
1990-91 CC bill (after benefit):£7.87 per week (combined bills)
GAIN: £0.78 per week.

2. **Maximum net income for eligibility (1990-91): £ per week**

	Annual Community Charge (£) 300	350
NON-PENSIONERS		
Single, aged under 25	56	61
Single, aged 25-29	64	69
Lone parent with 1 child under 11	96	101
Disabled couple, under 60	136	146
Couple: 2 children; 1 under 11, 1 11-15	153	163
Couple: 3 children; 2 11-15, 1 16-17	175	185
PENSIONERS		
Single, aged 60-74	76	81
Couple, aged 60-74	130	140
Couple, aged 75-79	137	148
Couple, 80+ or disabled	140	150

stl.vh/JPMc/CX4

CONFIDENTIAL

FROM: J P McINTYRE
Ext: 4799
DATE: 13 September 1989

CHANCELLOR

Where is there a clear HB loss?

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr AJC Edwards
Mrs Lomax
Miss Peirson
Mr Francis
Mr Hamshare
Mrs Chaplin

COMMUNITY CHARGE: PM's MEETING

You asked for a further note, describing last year's housing benefit package and giving an indication of what a transitional scheme for community charge losers might cost.

Housing benefit package, 1988

2. The attached table shows the pattern of gains and losses DSS expected from the reform of means-tested benefits in April 1988. The table was one of a set published in October 1987. The figures include the effect of transitional protection given to people on income support. So the decreases shown on the right hand side of the table are predominantly housing benefit losers, for whom no transitional protection was planned.

3. You will see that pensioners were the majority of the losers: 570,000 out of 960,000. 150,000 of the pensioners were expected to lose over £5 per week.

4. The package announced in April 1988 (and implemented in the Summer) had two main elements:

(a) an increase in the capital limit from £6,000 to £8,000 for housing benefit and rate rebates/community charge benefit (the income support limit remained at £6,000). This was expected to help 100,000 people, many of them pensioners who had lost large amounts. To qualify, of course, claimants still had to pass the normal low income test for means-tested benefits;

REBATES
FURTHER
PAPER.

(b) a transitional scheme to help people in "vulnerable groups" (pensioners, disabled, families with children, widows) - in practice, the majority of claimants) who had lost over £2.50 a week, comparing their benefit entitlement under the reformed scheme with that in the previous year, 1987-88. Compensation was to be paid for the loss in excess of £2.50. This was expected to help 300,000 people (though only about 200,000 have successfully claimed). Again, this was restricted to benefit claimants qualifying under the normal rules for income and capital. Losers of more than £2.50 who had over £8,000 of capital, for example, were not eligible.

5. The total package was estimated to cost roughly £100 million, two-thirds of it on the transitional scheme. Because it was decided to run the transitional scheme from a special DSS unit rather than through local authorities, there was also a heavy administration cost - around £20 million in the first year.

A scheme for the community charge

6. Obviously, the housing benefit reforms affected only benefit recipients. So the package of concessions was targeted on people with low incomes who had lost significant amounts. With the community charge, on the other hand, I suspect that the bulk of significant losers will be those with incomes above benefit levels. (Mr Patten's paper suggests that 12 million chargepayers may lose over £2 per week, of which only 1 million would be on community charge benefit). This raises important questions about the nature of any transitional scheme which might be adopted to help large community charge losers:

- Should it be confined to large losers among those on benefit?

- If not, how far above benefit levels would we be prepared to offer assistance?

CONFIDENTIAL

- Would we help certain groups above benefit levels (pensioners, disabled) but not others (people below pension age with no children)? Which side of the line would families with children be?

7. A scheme helping people above benefit levels would involve some difficult choices, as well as additional expense. Assuming we did not want to help those with manifestly large incomes or capital, drawing a cut-off point for assistance might well be seen as defining the "Nearly Poor". It might be difficult to stop this being used against the Government in the wider debate about benefits and means testing.

Is this [illegible]?

8. Mr Patten may say that the scale of the individual losses likely to arise from the community charge will be greater than those experienced as a result of the housing benefit reforms. One answer is that the losses need to be seen not just in absolute terms but as a proportion of net income. The pressure on housing benefit arose partly because losses of a few pounds a week often represented a relatively high proportion of claimants' net income. It is not clear whether this is also the case for community charge, particularly if large losers are mainly among those above benefit levels.

9. If we were to confine assistance to the large losers among "vulnerable groups" already entitled to the community charge benefit, the extra cost might be roughly £50-100 million in the first year (declining thereafter as losses were phased in). This is based on Mr Patten's estimate that 1 million people onn community charge benefit may lose over £2 per week, that the average loss of this group is £3-4 per week, and that we would not compensate for the first £2. I should stress that these assumptions have not been discussed with DOE or DSS and that the costing is therefore something of a guess.

[illegible]

10. For the PM's meeting, therefore, it may be best, as your brief recommends, to emphasise the need for work by officials to establish the nature of the losers problem and to indicate the main parameters of any scheme should it be judged necessary to have one (transitional, vulnerable groups, inexpensive).

Legislation

11. Payments under the housing beenfit transitional scheme were made initially on the authority of the Appropriation Act, in the absence of enabling legislation. Legislative cover for the payments was then taken in the following session's (1989) Social Security Act. A transitional scheme for community charge losers might be added to the Social Security Bill already planned for the coming session, if the scheme was aimed essentially at losers on benefit. It might be more appropriate for DOE to take the necessary powers (and be responsible for the payments) if the scheme were to go much wider.

J P McINTYRE

TABLE 7A: ALL INCOME-RELATED BENEFITS: CHANGES IN DISPOSABLE INCOME AFTER MEETING HOUSING COSTS: BY CLIENT GROUP

Cash position at point of change (Thousands)

CLIENT GROUP	INCREASES £5+	£4-5	£3-4	£2-3	£1-2	<£1	TOTAL INCREASED	NO CHANGE	TOTAL DECREASED	DECREASES <£1	£1-2	£2-3	£3-4	£4-5	£5+
PENSIONERS AGE 80+	50	60	120	90	110	40	460	290	70	10	30	10	*	*	20
PENSIONERS AGE 60-79	130	90	230	580	850	270	2150	770	500	100	150	70	30	30	130
SICK OR DISABLED	180	20	50	40	20	10	320	80	10	*	*	*	*	*	10
LONE PARENTS	270	20	30	50	60	30	470	250	90	10	20	10	20	20	20
COUPLES WITH CHILDREN															
- IN FULL-TIME WORK	170	20	20	40	20	10	290	20	70	10	10	10	*	10	30
- OTHERS	160	60	160	40	60	20	480	50	10	*	*	*	*	*	10
OTHERS															
- IN FULL-TIME WORK	*	*	*	*	*	*	10	10	110	10	30	20	10	*	30
- OTHERS	20	190	*	20	450	210	900	770	100	10	20	*	10	*	50
TOTAL	980	460	610	850	1570	600	5070	2250	960	160	270	130	70	50	280

PWP

CHANCELLOR OF THE EXCHEQUER

* ~~But~~ See also figs. at table at Ax B of Mr Potter's note (blue flag) behind.

The folder now includes:

1. K Baker's note on marginal seats.
B. Potter has commented that it
(a) compares next year's charge with this year's rates,
(b) takes no account of rebates,
(c) includes some odd numbers eg a charge of £428 for Westminster where our figure is £350,*
(d) is not really about the safety net but about individual losers.

2. Note on the RPI effect of the charge.
The table shows our estimate that the introduction of the charge will add some 0.9% to the RPI increase [ie 0.73% because the average charge will be 17.3% higher than the average rate + 0.15% because of the index household effect.] Against that

the 0·4% effect of last April's rate rise will fall out giving a net increase of ½% in the RPI figure.

The Policy Unit have calculated that an 11% increase in spending will produce a 23% increase in average charges so that the gross impact will be 1·1% & the net 0·7%. We can't reproduce these figures. We were assuming a charge of some £320; they apparently assumed £331. On that basis their RPI figures are too high by at least 0·1%. But the main points are

- the net impact should be nearer ½%
- we can't buy off this increase; any grant increase will simply feed into higher spending.

3. The papers on independent taxation are at the back.

JC

In England the chge should average £270 (allowing for ILEA) for spending at need.

Each 1% above that raises chge by £9

7% increase over 1989-90 budgets £305

~~8¼%~~ ~~£3~~

11% £341

[C

stl.vh/JPMc/CX6

14/9/89.

CONFIDENTIAL

FROM: J P McINTYRE
Ext: 4799
DATE: 14 September 1989

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr AJC Edwards
Mrs Lomax
Miss Peirson
Mr Potter
Mr Francis
Mr Morgan
Mrs Chaplin

COMMUNITY CHARGE: PM's MEETING

You asked for a note about the 5th, 6th and 7th deciles of the income distribution, to which Mr Patten had referred in his meeting with you last week.

2. The estimated earnings of people at these deciles are:

		Earnings (£ per week, 1990-91)	
Decile	Gross	Net (single person)	Net (married man)
5th	234	190	172
6th	208	171	155
7th	184	152	139

NOTE: Source is new earnings survey, April 1988, for full-time employees. Figures have been uprated to give estimates for 1990-91. Net earnings figures assume personal tax allowances uprated by the RPI to 1990-91 levels but no other tax relief such as for mortgage interest.

__Comparison with benefit cut-off points__

3. The comparison has to be made with net income figures, because entitlement to the means-tested benefits, including community charge benefit, is assessed on net incomes. The cut-off points vary according to individual circumstances. They are higher for couples than for single people and higher for pensioners, disabled and families with children than for others. The cut-off points also vary with different community charge levels: the higher the community charge, the higher the cut-off point.

CONFIDENTIAL

4. In these ways the benefit system already provides additional help to the "vulnerable groups" and to people living in high community charge areas.

5. The table at Annex A shows the cut-off points for different groups using two assumptions for the community charge - £300 and £350. These figures are in some cases a little higher than those we gave you in Annex B ~~for Mr Patten's~~ of Mr Potter's brief of 12 September, because we have included the effect of the earnings disregard.

6. The key results for non-pensioners are:

(i) Single people in these deciles earn considerably more than the benefit cut-off points;

(ii) Some couples with children in the 6th and 7th deciles are likely to be eligible - and some in the 5th, if their families are large or their community charges are above average (£350 in the example);

(iii) Some couples in the 6th and 7th deciles where one of the partners is disabled are also likely to be eligible.

7. In assessing these results, it is important to bear in mind that average earnings (male and female) for 1991-92 could be £265 per week (gross). So anyone at the 5th decile will be earning the equivalent of nearly 90 per cent of average earnings. The 6th decile will be 80 per cent and the 5th 70 per cent. Although Mr Patten has expressed concern about people on these levels of income, it is not obvious that the Government should be in the business of extending means-tested benefits to people on 70-90 per cent of average earnings. And the system does that already for certain groups - eg large families and disabled, especially in high charge areas.

Pensioners

8. We have no data for pensioners' incomes beyond FES 1986. But we know that the average occupational pension for a couple is about £62 per week and £35 for a single person. For the married couple, assuming a full State pension and an average occupational pension, net income will be about £130 per week. This is slightly below the cut-off point for benefit if their community charge is £300 or more.

9. For the single person, assuming a full State pension and an average occupational pension, net income will be about £78 per week. On this basis, he could be eligible in a high charge area or if he is over 75, where benefit goes further up the income scale.

10. Given the skewed distribution of occupational pensions, with a substantial majority earning below the average, this points to many people with occupational pensions being eligible for benefit.

Comparison with tax thresholds

11. See Annex B for projected thresholds in 1990-91. For single people under pension age, the thresholds are a little below the benefit cut-off points. For married people with children, the thresholds are substantially below. There is a similar pattern for pensioners.

JM

J P McINTYRE

CONFIDENTIAL

ANNEX A

Community Charge Benefit: Maximum net income for eligibility: £ per week

	Annual community charge(£)	
	300	350
NON-PENSIONERS		
Single, aged under 25	61	66
Single, aged 25-59	69	74
Lone parent, 1 child under 11	107	112
Disabled couple, under 60 (no children)	151	161
Couple, 2 children: 1 under 11, 1 11-15	163	173
Couple, 3 children: 2 11-15, 1 16-17	191	201
PENSIONERS*		
Single, aged 60-74	76	81
Couple, aged 60-74	134	144
Couple, aged 75-79	137	148
Couple, 80+ or disabled	140	150

*Figures assume all income is unearned, so earnings disregards do not apply.

ANNEX B

ESTIMATE OF INCOMES AT WHICH TAX STARTS TO BE PAID IN 1990-91

(£ per week):

Up to age 65:

SINGLE	57.20
MARRIED	89.90

Aged 65-74:

SINGLE	69.80
MARRIED	110.60

Aged 75+

SINGLE	72.70
MARRIED	114.30

Notes: (i) ~~(a)~~ assumes 6.75 per cent uprating of personal allowances from current levels, and no additional tax relief such as for mortgage interest.

(ii) Figures for married couples assume income is all husband's. Any income attributable to wives, including wives' portion of retirement pensions, could be set against their separate allowance under independent taxation. In those circumstances, their combined incomes could be higher before either of them started to be taxed.

cst.rj/docs/19.9.89.5

PLP

FROM: **A G TYRIE**

DATE: **19 September 1989**

cc: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mrs Chaplin
Mr Lightfoot

CHANCELLOR

KENNETH BAKER ON THE COMMUNITY CHARGE

I attach the relevant pages from the Kenneth Baker interview on the safety net for which you asked.

AGT

A G TYRIE

Sure....

KENNETH BAKER:

And indeed, one of the advantages of the community charge is that single person households, elderly pensioners living alone, benefit very considerably from that particular type of raising local revenue. And indeed if you look at the gainers as well there are very substantial gainers amongst pensioner household.

BRIAN WALDEN:

But this is the hard line case....

KENNETH BAKER:

Now you did ask me about the safety net, do you want me to answer that?

BRIAN WALDEN:

Exactly, certainly I do, going to get that Exchequer funded?

KENNETH BAKER:

But could I, but could I first just explain how the safety net operates if I may Brian, because some people may not quite understand it, I'm sure many of your sophisticated viewers would. But the safety net has operated in fact for the last 50 or 60 years there's been a transfer of money from the richer areas to the poorer areas of the country. But because it has been done through the rates support grant system, it's been very difficult to understand, it's been a hidden hand moving this money around. Now what has changed with the community charge, is that it is now explicit, it is a specific amount on the bill, and people who are in the areas who are paying into the safety net resent very much the fact that they are going to have to continue to do that, to other areas that are going to benefit. First we're not withdrawing the benefit and the subsidy from those areas that have benefitted from this for a period of four years. And the argument on the safety net, is that those who are contributing to the safety net would like their contributions as it were eliminated immediately. And what we have always envisaged that would be phased in over a period of four years. And certainly some Conservative MPs before we rose in fact, complained about this, and made it very clear - not privately, they came on programmes like this and complained strongly about it. And that is why Chris Patten's been looking at it, and the Prime Minister has said, that he should be looking at it.

BRIAN WALDEN:

We could be getting to a bottom line here, in looking at it, is he going to do anything about it do you think?

KENNETH BAKER:

Well, you would not expect me Brian, on your programme however seductive your questioning is, to actually say that anything is

BRIAN WALDEN:

Ahh, that means he is....

KENNETH BAKER:

...necessarily going to be done about it.

BRIAN WALDEN:

That means he is, else you'd tell me right now that he wasn't going to change it.

KENNETH BAKER:

What I am saying, what I am saying is, that he is looking at it, it's going to be a collective decision of Ministers clearly.

KENNETH BAKER:

What I have said, is that one has got to look at that aspect of the community charge, Chris Patten is looking at it, it's being looked at collectively.

BRIAN WALDEN:

Let me give you another one that you might look at on this Ken. You see if for instance you took education, perhaps where it should be and paid for it out of national taxation, or indeed it needn't be education there are a number of other things, but education is a huge local authority bill. If you whipped all that back to the centre, poll tax would fall quite dramatically wouldn't it?

KENNETH BAKER:

Yes.

BRIAN WALDEN:

Is that being looked at?

KENNETH BAKER:

You have consistently argued this in your column, you've said this is the quick fix, if you took education off the rates, its about what 3 - 3 and a half billion, its the quick fix, it'll reduce community charge to a very low level. There are two good reasons for not doing it, one constitutional and one educational. The constitutional you would leave local authorities very little to deal with and reduce their responsibility, because if the Exchequer....

BRIAN WALDEN:

It would also reduce the poll tax.

KENNETH BAKER:

...if Whitehall is funding it, it would be determining the policy, and that is very difficult when they are executing the policy and administering the schools. The second reason is educational, the whole thrust of my educational reforms with the exception of the National Curriculum, which was a national framework of standards and tests, the thrust of their other reforms was to devolve responsibility throughout the system. It was to pass responsibility to schools, to run their own budgets, for schools to become grant maintained. Now if you put all that responsibility back into the Department of Education, and Science, you'd be going against what I believe is the way forward for the '90s.

BRIAN WALDEN:

So we can take it quite definitely that that is not being looked at.

KENNETH BAKER:

You can take it quite definitely that is not being looked at, I ruled it out when I was Secretary for Education, I'm sure it will be ruled out.

BRIAN WALDEN:

So, what I can tell my Tory friends is cheer up, they are going to move with the regard to this safety net, they are going to give you more Treasury money, but there's no hope chaps that they're going to in fact move education to Central Government?

KENNETH BAKER:

I have said that repeatedly in the past, I think it would be bad educationally....

BRIAN WALDEN:

Not quite in that form you haven't.

KENNETH BAKER:

...and, well I think it will be bad educationally, and it will be bad constitutionally.

BRIAN WALDEN:

Oh yes, yes, but we're going to get some movement on the safety net aren't we?

KENNETH BAKER:

Well...

BRIAN WALDEN:

Because Chris Patten's looking at it.

KENNETH BAKER:

There you go again, you see you are making me an accomplice of your assertions, what I am saying is that Chris Patten is looking at it, it will be a collective decision of Government.

BRIAN WALDEN:

Indeed, and I bet I can guess which way it will go. It interests me on the poll tax by the way, because on the general

Chancellor's office 12/2

For Ki-mmm's mtg.

THE TIMES

Poll tax to be higher in England than Wales

By David Walker, Public Administration Correspondent

Poll-tax payers in Wales will be £113 better off on average each year than people in similar properties in comparable parts of England.

They will get the bonus even though Welsh councils are likely to continue spending more per head than English councils because the Government is immensely more generous to Welsh councils, according to the Chartered Institute of Public Finance and Accountancy.

During the current financial year, the government subsidy is £483 per adult in Wales against £259 per adult in England.

The higher levels of government assistance also mean that property rates that will continue to be levied on offices and factories will also be lower – about three-quarters of the English level. Councils in Wales are currently spending about £852 for every adult compared with £811 in England, but that higher spending is more than compensated for by differences in the level of government subsidy.

One result of the discrepancy is that people living in English counties on the Welsh border will be paying considerably higher poll tax than their neighbours in the principality.

In Clwyd, the average poll tax (based on this year's spending by councils) will be £192 per adult compared with £286 per adult in neighbouring Cheshire and £246 in Shropshire.

Poll-tax payers in the rural county of Hereford and Worcester will, on present figures, face bills of £219. Just across the border in Powys, the figure is £140.

The difference is as marked between more urban counties. Poll tax will be £240 in Gloucestershire, which contains Gloucester and Cheltenham, but only £176 in Gwent, which includes Newport and Ebbw Vale.

The institute notes that preliminary figures for next year, 1990-91, announced by the Secretary of State for the Environment and by the Secretary of State for Wales, suggest that the gap between England and Wales is unlikely to be narrowed when poll tax is introduced on April 1.

The study predicts that those disparities may lead to an increase in people moving across the border.

Paying for Local Government (CIPFA, 3 Robert Street, London WC2N 6BH; £20).

THE TIMES

Kinnock to boost Labour credibility on spending plans

By Nicholas Wood, Political Correspondent

Mr John Smith, the shadow Chancellor, has been put in charge of a revamped team responsible for refining Opposition policy on the economy.

The move by Mr Neil Kinnock, the Labour leader, cuts from three to one the number of policy review groups dealing with the economy and will be seen by left-wingers as a further sign that he is determined to adopt a rigorous approach to public spending.

Mr Bryan Gould and Mr Michael Meacher, who led the two other policy review groups dealing with industry and the trade unions, will contribute to the new group, Labour sources said yesterday.

They denied that the role of members of the national executive committee was being downgraded and said that the aim was for it and the shadow cabinet to mesh together in the next phase of the review.

Before the last election, the Conservatives criticized Labour for producing a shopping list of pledges running into billions of pounds.

Mr Smith's chief task will be to head off such attacks by enhancing Labour's credibility on the economy and by producing detailed costings of its policies, which can be disclosed nearer polling day.

The seven areas covered by the policy review have been combed by Mr Smith to remove any commitments on which the Tories could put a price tag. However, Conservative Central Office is again working on such an exercise.

Meanwhile, Labour appears little closer to resolving the problems thrown up by the Trades Union Congress vote on employment law. It has been interpreted by some left-wing union leaders as amounting to backing for a restoration of all the legal immunities taken away by the Government since 1979.

Mr Neil Kinnock's office is said to be in the "driving seat" in efforts to clarify Labour's exact position.

A report that Mr Meacher intended that a future Labour government should issue guidelines to judges to stop them always siding with employers was denied yesterday by sources close to the employment spokesman.

A restatement of Labour's position might not be ready for debate at the Brighton conference next month.

THE TIMES

Report says NHS neglects homeless

By Jenny Knight

Homeless people are neglected by the National Health Service, a report by the Association of Community Health Councils for England and Wales claims today.

The report says that although 100,000 households are homeless, with another 11,000 people living rough in London alone, many general practitioners are unwilling to put the homeless on their lists.

In one case, a man aged 57 died in a graveyard after he was twice turned away from Hackney Hospital because casualty staff thought he was drunk. A post-mortem examination showed he had a fractured skull and died of a brain haemorrhage.

The paper recommends that homeless people should not be discharged from hospital unless accommodaton and after-care has been arranged, that steps should be taken to ensure GPs accept the homeless on their lists, and that health authorities should research health needs of the homeless in their areas.

According to the report, homeless people have a high risk of suffering from mental ill-health and drug dependency.

They are also prone to illnesses such as tuberculosis, malnutrition and influenza.

LATE

FROM: MRS JUDITH CHAPLIN
19th September 1989
x4359

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Edwards
Mr Potter
Mr Tyrie
Mr Lightfoot

Thanks for CMCS, I agree.

Do you agree with Judith that the letter should not be sent? I attach tables which support the illustrations in para 4. JG

RESOURCE EQUALISATION AND THE SAFETY NET

As requested I attach a draft letter to Chris Patten urging him to publish the figures for each authority of the transfer per adult due to domestic sector resource equalisation. It does not suggest that he publishes comparable figures for contribution to or receipt from the safety net for the reasons I give below. Indeed I do not believe we should encourage him to publish the resources equalisation figures now, still less the safety net figures.

2. The DOE have prepared a table comparing the transfer per adult by domestic sector resource equalisation with contribution to or entitlement from the safety net per adult but has not issued it publicly or to MPs, Conservative or otherwise. Nick Ridley was asked for the figures at the Backbench Environment Committee meeting following his announcement of the settlement on 19 July. He said he would make them public, but so far they have only been released in answer to Written Questions on specific areas.

3. The reason why there is difficulty about releasing them is that there has been a tendency to equate the flows due to the safety net with those due to the removal of the domestic sector resource equalisation. But like is not being compared with like. Although it is true that the ending of the domestic sector resource equalisation is the principal reason why gaining authorities will eventually be better off, this does not necessarily apply during the interim period of the safety net. The need for the safety net arises not only

because of the ending of the domestic sector resource equalisation, but also because of the introduction of the NNDR which shifts flows between authorities; the new needs assessment which shifts funds broadly away from the shire counties; the degree of over-spending in the 1989-90 rate bill per adult base; and the change in functions, particularly the ring-fencing of the housing revenue account. There is no way of defining the safety net element which equates only to the resource equalisation account.

4. In a large number of cases therefore the safety net contribution per adult will be greater than the resource equalisation contribution. To take two examples, Blaby loses £16 per adult under resource equalisation but is shown to lose £25 per adult under the safety net. Brent loses £8 under resource equalisation and £31 under the safety net.

5. In the debate on local government finance on 19 July, Jeff Rooker asked the Secretary of State for the Environment "Why should Birmingham poll tax payers pay a surcharge .... Why should my constituents pay £67 to subsidise overspending Tory local authorities such as Blackpool and Lancaster?" Mr Ridley replied "I welcome the hon. Gentleman to the support of the new system. He may not know it, but for many years his constituents have been paying more than what (sic) the City of Birmingham requires to subsidise those authorities, that has happened under the system of resource equalisation." The clear implication is that the situation will improve and yet Birmingham was paying £23 per head under the resource equalisation but will be paying £62 per head under the safety net.

6. I do not think it is wise to urge Chris Patten to release the resource equalisation figures. As we have agreed, at the moment the discussion of the esoteric subject of the safety net and the problems with it are confined mainly to local authorities and MPs. If we give them a simple figure for resource equalisation per adult they are bound to ask for the comparable safety net contribution figure which is, as I have said, in many cases bigger.

7. We will also be arguing, if you manage to prevent the gains being fully implemented in the first year, that the presentation of the safety net must be improved. Therefore the fact that many who contribute to the safety net, already contribute under resource equalisation will be part of that better presentation then.

JC

JUDITH CHAPLIN

September 1989

Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1

In discussion of the safety net generally, but particularly amongst backbench colleague, I have been concerned at how few understand the previous resource equalisation system. Many of those who represent the areas which will gain under the Community Charge, and who will be contributing to the safety net, do not appear to realise the contribution which their areas made to other areas in the past.

With hindsight perhaps this could have been remedied by stressing these facts in the Backbench Briefs which were prepared for the announcement of the settlement to the House of Commons on 19th July and for the debate on an Opposition Motion on 25th July. The tables which your Department prepared showing the transfer to area by domestic sector resource equalisation per adult could have been appended.

Since this was not done, and as there is considerable ignorance about the situation, I believe we should provide these figures to all MPs (all Conservative MPs) as soon as possible whatever the outcome of our discussions on the safety net.

A

RESOURCE EQUALISATION

The attached table gives estimates of the transfers between areas due to the present system of equalising for differences in rateable resources. This note gives a technical explanation of the basis on which the estimates have been calculated. The effect of resource equalisation is *not* the same as the safety net.

The figures shown in Columns 1 and 2 measure the resource equalisation that is being removed by the abolition of domestic rates and the introduction of the community charge. They compare the contribution of the domestic sector on the basis of gross rateable values and the contribution if domestic rates only were replaced by a uniform charge per adult. In each case authorities are assumed to spend at GRE, thereby equalising for needs. Under the present system, London resource discount multipliers (but not safety net multipliers) are retained together with the London Rate Equalisation Scheme.

ANX A R.E. ALONE

The effect of resource equalisation is only one difference between the present rating and grant system and the community charge system which will be caught up by the transitional safety net. The revised proposals for the safety net mean that it is does not fully limit the effects of differences between the two systems, since losses of up to £23 per adult are allowed and long-term gainers contribute 53% of their gains subject to a maximum X contribution of £70 per adult. The safety net is calculated using a mixture of data for 1988/89 and 1989/90, not just 1989/90. It limits the effect of the changed basis of precepting (particularly in inner London, where equalisation cannot work fully because some authorities are out of grant).

The transitional safety will also limit the effects of using Standard Spending Assessments; abolition of ILEA; and ring fencing the HRA.

M J EARP
FLGR
N5/16
ext 3094
24 July 1989

Note: figures at X different from those announced for the safety net for 1990-91 because these are exemplifications for 1989-90; figures therefore relate to what the safety net <u>would</u> have been had it existed in 1989-90.

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
Total England	-	-
Total Central London	-103	-30.494
Total Other Inner London	42	64.190
Total Inner London	18	33.696
Total Outer London	-14	-49.303
Total London	-3	-15.607
Total Metropolitan Areas	25	214.018
Total Shire Areas	-9	-198.380

Gains —

Losses +

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
SHIRE COUNTIES		
Avon	11	7.983
Bedfordshire	-49	-19.240
Berkshire	-74	-41.405
Buckinghamshire	-99	-45.886
Cambridgeshire	-22	-10.899
Cheshire	-19	-14.069
Cleveland	30	12.634
Cornwall	33	11.544
Cumbria	72	27.113
Derbyshire	32	22.321
Devon	20	15.695
Dorset	-36	-18.464
Durham	73	33.794
East Sussex	-64	-36.072
Essex	-75	-88.314
Gloucestershire	-3	-1.067
Hampshire	-29	-34.049
Hereford and Worcester	-35	-17.722
Hertfordshire	-81	-61.238
Humberside	46	29.520
Isle of Wight	15	1.545
Kent	1	1.346
Lancashire	49	51.866
Leicestershire	2	1.439
Lincolnshire	29	12.776
Norfolk	5	3.163
Northamptonshire	-13	-5.694
Northumberland	40	9.197
North Yorkshire	46	25.238
Nottinghamshire	34	26.008
Oxfordshire	-26	-11.620
Shropshire	14	4.104
Somerset	7	2.622
Staffordshire	5	4.048
Suffolk	-6	-3.014
Surrey	-78	-60.499
Warwickshire	-49	-18.264
West Sussex	-45	-24.543
Wiltshire	23	9.824

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
GREATER LONDON		
City of London	-50	-.200
Camden	-36	-5.333
Greenwich	93	15.232
Hackney	52	8.696
Hammersmith and Fulham	55	6.606
Islington	25	3.351
Kensington and Chelsea	-233	-25.481
Lambeth	54	10.255
Lewisham	76	13.629
Southwark	65	10.863
Tower Hamlets	61	7.294
Wandsworth	67	13.744
Westminster	-174	-24.961
Barking and Dagenham	38	4.274
Barnet	-86	-20.259
Bexley	31	5.216
Brent	-8	-1.657
Bromley	-29	-6.757
Croydon	-40	-9.929
Ealing	8	1.851
Enfield	-9	-1.765
Haringey	-20	-3.026
Harrow	-37	-5.749
Havering	3	.480
Hillingdon	-4	-.787
Hounslow	-14	-2.007
Kingston-upon-Thames	-31	-3.276
Merton	-34	-4.299
Newham	36	5.474
Redbridge	-10	-1.871
Richmond-upon-Thames	-46	-5.977
Sutton	-17	-2.256
Waltham Forest	18	3.017

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
GREATER MANCHESTER		
Bolton	28	5.444
Bury	-0	-.015
Manchester	24	8.167
Oldham	49	8.142
Rochdale	55	8.370
Salford	21	3.844
Stockport	-41	-9.109
Tameside	52	8.658
Trafford	-47	-7.814
Wigan	44	10.147
MERSEYSIDE		
Knowsley	18	2.080
Liverpool	21	7.736
St Helens	34	4.861
Sefton	-10	-2.339
Wirral	-28	-7.268
SOUTH YORKSHIRE		
Barnsley	91	15.468
Doncaster	67	14.817
Rotherham	73	13.891
Sheffield	66	27.731
TYNE AND WEAR		
Gateshead	65	10.457
Newcastle upon Tyne	33	7.347
North Tyneside	27	4.019
South Tyneside	57	6.946
Sunderland	68	15.215
WEST MIDLANDS		
Birmingham	-23	-16.869
Coventry	-10	-2.307
Dudley	-35	-8.143
Sandwell	-7	-1.591
Solihull	-98	-15.295
Walsall	-16	-3.131
Wolverhampton	-41	-7.766
WEST YORKSHIRE		
Bradford	79	26.979
Calderdale	95	14.147
Kirklees	89	25.357
Leeds	53	28.782
Wakefield	72	17.063

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
AVON		
Bath	11	.756
Bristol	17	5.021
Kingswood	18	1.257
Northavon	13	1.259
Wansdyke	4	.268
Woodspring	-4	-.577
BEDFORDSHIRE		
North Bedfordshire	-31	-3.137
Luton	-73	-8.887
Mid Bedfordshire	-25	-2.136
South Bedfordshire	-61	-5.079
BERKSHIRE		
Bracknell	-76	-5.337
Newbury	-60	-6.190
Reading	-31	-3.173
Slough	-55	-4.036
Windsor and Maidenhead	-129	-12.924
Wokingham	-89	-9.745
BUCKINGHAMSHIRE		
Aylesbury Vale	-44	-4.727
South Bucks	-201	-9.581
Chiltern	-193	-13.404
Milton Keynes	-34	-4.190
Wycombe	-119	-13.983
CAMBRIDGESHIRE		
Cambridge	-72	-5.580
East Cambridgeshire	14	.644
Fenland	30	1.637
Huntingdonshire	-5	-.551
Peterborough	-4	-.442
South Cambridgeshire	-75	-6.608
CHESHIRE		
Chester	-30	-2.726
Congleton	-11	-.704
Crewe and Nantwich	-15	-1.087
Ellesmere Port and Neston	-30	-1.771
Halton	14	1.269
Macclesfield	85	-10.079
Vale Royal	-4	-.340
Warrington	10	1.369

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
CLEVELAND		
Hartlepool	57	3.894
Langbaurgh	27	2.997
Middlesbrough	28	2.996
Stockton-on-Tees	21	2.747
CORNWALL		
Caradon	25	1.398
Carrick	20	1.233
Kerrier	52	3.474
North Cornwall	26	1.424
Penwith	35	1.622
Restormel	37	2.393
CUMBRIA		
Allerdale	79	5.945
Barrow in Furness	96	5.441
Carlisle	65	5.113
Copeland	93	5.099
Eden	76	2.693
South Lakeland	36	2.822
DERBYSHIRE		
Amber Valley	43	3.720
Bolsover	73	3.914
Chesterfield	45	3.524
Derby	0	.031
Erewash	35	2.850
High Peak	52	3.333
North East Derbyshire	38	2.848
South Derbyshire	26	1.408
Derbyshire Dales	13	.692
DEVON		
East Devon	-7	-.635
Exeter	17	1.348
North Devon	59	3.793
Plymouth	21	4.023
South Hams	-7	-.410
Teignbridge	22	1.848
Mid Devon	51	2.442
Torbay	-12	-1.094
Torridge	79	3.136
West Devon	36	1.244

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
DORSET		
Bournemouth	-32	-4.010
Christchurch	-85	-2.876
North Dorset	10	.405
Poole	-79	-8.066
Purbeck	-10	-.338
West Dorset	4	.254
Weymouth and Portland	28	1.376
Wimborne	-83	-5.208
DURHAM		
Chester-le-Street	52	2.128
Darlington	50	3.854
Derwentside	81	5.404
Durham	63	4.208
Easington	86	6.273
Sedgefield	76	5.166
Teesdale	97	1.881
Wear Valley	98	4.880
EAST SUSSEX		
Brighton	-60	-6.818
Eastbourne	-93	-6.107
Hastings	-21	-1.331
Hove	-95	-7.054
Lewes	-67	-4.733
Rother	-88	-6.027
Wealden	-38	-4.002
ESSEX		
Basildon	-90	-10.593
Braintree	-31	-2.769
Brentwood	-143	-8.010
Castle Point	-80	-5.259
Chelmsford	-91	10.386
Colchester	-22	-2.489
Epping Forest	-139	-12.352
Harlow	-66	-3.635
Maldon	-60	-2.446
Rochford	-94	-5.396
Southend-on-Sea	-86	-11.032
Tendring	-44	-4.485
Thurrock	-58	-5.390
Uttlesford	-81	-4.071

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
GLOUCESTERSHIRE		
Cheltenham	-42	-2.814
Cotswold	-39	-2.284
Forest of Dean	55	3.239
Gloucester	23	1.611
Stroud	8	.705
Tewkesbury	-23	-1.524
HAMPSHIRE		
Basingstoke and Deane	-37	-3.840
East Hampshire	-58	-4.432
Eastleigh	-43	-3.272
Fareham	-56	-4.253
Gosport	-25	-1.439
Hart	-76	-4.709
Havant	-57	-5.072
New Forest	-35	-4.412
Portsmouth	24	3.515
Rushmoor	-13	-.779
Southampton	8	1.230
Test Valley	-33	-2.555
Winchester	-55	-4.031
HEREFORD AND WORCESTER		
Bromsgrove	-70	-4.837
Hereford	20	.739
Leominster	31	.951
Malvern Hills	-49	-3.341
Redditch	-41	-2.264
South Herefordshire	23	.879
Worcester	-47	-2.849
Wychavon	-69	-5.258
Wyre Forest	-24	-1.741
HERTFORDSHIRE		
Broxbourne	-49	-3.076
Dacorum	-92	-9.277
East Hertfordshire	-57	-5.171
Hertsmere	-101	-6.898
North Hertfordshire	-80	-6.796
St Albans	-96	-9.585
Stevenage	-69	-3.844
Three Rivers	-113	-7.039
Watford	-54	-3.148
Welwyn Hatfield	-88	-6.404

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
HUMBERSIDE		
Beverley	-12	-1.001
Boothferry	72	3.469
Cleethorpes	40	2.138
Glanford	41	2.186
Great Grimsby	45	3.048
Holderness	40	1.518
Kingston upon Hull	67	12.608
East Yorkshire	65	4.178
Scunthorpe	30	1.376
ISLE OF WIGHT		
Medina	20	1.126
South Wight	9	.419
KENT		
Ashford	-6	-.426
Canterbury	6	.580
Dartford	19	1.158
Dover	27	2.206
Gillingham	-6	-.404
Gravesham	-10	-.666
Maidstone	-1	-.128
Rochester upon Medway	4	.488
Sevenoaks	-29	-2.340
Shepway	-37	-2.602
Swale	40	3.396
Thanet	-2	-.183
Tonbridge and Malling	9	.720
Tunbridge Wells	-6	-.452
LANCASHIRE		
Blackburn	81	8.142
Blackpool	32	3.756
Burnley	97	6.192
Chorley	34	2.454
Fylde	-8	-.356
Hyndburn	97	5.345
Lancaster	53	5.409
Pendle	101	6.432
Preston	51	4.865
Ribble Valley	46	1.918
Rossendale	78	3.767
South Ribble	36	2.711
West Lancashire	-11	-.919
Wyre	20	1.650

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
LEICESTERSHIRE		
Blaby	-16	-1.008
Charnwood	-23	-2.596
Harborough	-32	-1.625
Hinckley and Bosworth	-9	-.635
Leicester	41	8.553
Melton	-28	-.915
North West Leicestershire	11	.688
Oadby and Wigston	-32	-1.282
Rutland	10	.260
LINCOLNSHIRE		
Boston	23	.932
East Lindsey	31	2.793
Lincoln	36	2.204
North Kesteven	34	2.193
South Holland	34	1.778
South Kesteven	7	.576
West Lindsey	39	2.300
NORFOLK		
Breckland	14	1.109
Broadland	-17	-1.373
Great Yarmouth	15	1.022
North Norfolk	7	.528
Norwich	-2	-.167
South Norfolk	-15	-1.140
King's Lynn and West Norfolk	31	3.183
NORTHAMPTONSHIRE		
Corby	-4	-.130
Daventry	-35	-1.612
East Northamptonshire	12	.616
Kettering	12	.674
Northampton	-23	-3.125
South Northamptonshire	-49	-2.482
Wellingborough	7	.364
NORTHUMBERLAND		
Alnwick	47	1.103
Berwick-upon-Tweed	48	1.013
Blyth Valley	39	2.256
Castle Morpeth	2	.072
Tynedale	40	1.728
Wansbeck	66	3.026

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
NORTH YORKSHIRE		
Craven	56	2.125
Hambleton	24	1.393
Harrogate	15	1.733
Richmondshire	66	2.521
Ryedale	50	3.529
Scarborough	50	4.147
Selby	63	4.269
York	69	5.522
NOTTINGHAMSHIRE		
Ashfield	67	5.543
Bassetlaw	58	4.706
Broxtowe	21	1.773
Gedling	7	.612
Mansfield	50	3.795
Newark and Sherwood	40	3.126
Nottingham	34	7.093
Rushcliffe	-8	-.641
OXFORDSHIRE		
Cherwell	-17	-1.560
Oxford	-9	-.831
South Oxfordshire	-55	-5.572
Vale of White Horse	-39	-3.260
West Oxfordshire	-5	-.397
SHROPSHIRE		
Bridgnorth	-0	-.003
North Shropshire	39	1.598
Oswestry	43	1.073
Shrewsbury and Atcham	-4	-.266
South Shropshire	35	.979
Wrekin	7	.722
SOMERSET		
Mendip	8	.601
Sedgemoor	6	.414
Taunton Deane	9	.650
West Somerset	-6	-.154
South Somerset	10	1.110

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
STAFFORDSHIRE		
Cannock Chase	15	.950
East Staffordshire	14	1.016
Lichfield	-45	-3.217
Newcastle-under-Lyme	14	1.280
South Staffordshire	-49	-3.957
Stafford	-10	-.906
Staffordshire Moorlands	22	1.636
Stoke-on-Trent	42	7.961
Tamworth	-15	-.715
SUFFOLK		
Babergh	-16	-.944
Forest Heath	15	.636
Ipswich	-11	-1.016
Mid Suffolk	5	.321
St Edmundsbury	1	.089
Suffolk Coastal	-34	-2.827
Waveney	9	.727
SURREY		
Elmbridge	-152	-12.914
Epsom and Ewell	-103	-5.376
Guildford	-64	-6.139
Mole Valley	-66	-3.962
Reigate and Banstead	-73	-6.497
Runnymede	-42	-2.361
Spelthorne	-42	-2.894
Surrey Heath	-82	-5.002
Tandridge	-47	-2.727
Waverley	-87	-7.352
Woking	-80	-5.276
WARWICKSHIRE		
North Warwickshire	-6	-.259
Nuneaton and Bedworth	-13	-1.176
Rugby	-33	-2.149
Stratford on Avon	-84	-7.010
Warwick	-84	-7.670

DATE: 21-JUL-89

1989/90 DOMESTIC SECTOR RESOURCE EQUALISATION

	Transfer to area by domestic sector resource equalisation per adult (£)	Transfer to area by domestic sector resource equalisation (£m)
WEST SUSSEX		
Adur	-32	-1.467
Arun	-55	-5.801
Chichester	-45	-3.784
Crawley	-2	-.100
Horsham	-52	-4.249
Mid Sussex	-61	-5.652
Worthing	-45	-3.590
WILTSHIRE		
Kennet	14	.671
North Wiltshire	43	3.673
Salisbury	-9	-.708
Thamesdown	31	3.937
West Wiltshire	28	2.252
ALL PURPOSE AUTHORITY		
Isles of Scilly	-21	-.032

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

B

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
Total England	280	274	6
Total Inner London	343	437	-93
Total Outer London	324	315	9
Total Metropolitan Areas	273	293	-20
Total Shire Areas	271	248	23

Gains +

Losses —

ANX
B
GAINS
+
LOSSES

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
GREATER LONDON			
City of London	541	335	206
Camden	446	365	82
Greenwich	285	556	-271
Hackney	351	367	-16
Hammersmith and Fulham	373	575	-202
Islington	446	464	-18
Kensington and Chelsea	393	265	128
Lambeth	309	440	-131
Lewisham	275	499	-224
Southwark	281	468	-187
Tower Hamlets	282	580	-298
Wandsworth	202	387	-185
Westminster	587	270	317
Barking and Dagenham	244	372	-128
Barnet	361	246	115
Bexley	247	297	-50
Brent	491	474	17
Bromley	255	263	-8
Croydon	267	163	104
Ealing	321	323	-2
Enfield	316	279	37
Haringey	532	593	-61
Harrow	327	266	61
Havering	257	299	-42
Hillingdon	328	410	-82
Hounslow	373	363	10
Kingston-upon-Thames	324	324	-0
Merton	285	309	-25
Newham	356	336	20
Redbridge	231	244	-13
Richmond-upon-Thames	357	303	53
Sutton	309	300	9
Waltham Forest	325	287	38

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
GREATER MANCHESTER			
Bolton	242	253	-10
Bury	308	319	-12
Manchester	322	253	69
Oldham	237	273	-35
Rochdale	262	356	-94
Salford	286	294	-8
Stockport	313	277	36
Tameside	253	317	-64
Trafford	287	244	43
Wigan	269	353	-84
MERSEYSIDE			
Knowsley	300	261	39
Liverpool	302	282	20
St Helens	262	323	-61
Sefton	288	274	14
Wirral	381	357	24
SOUTH YORKSHIRE			
Barnsley	221	376	-155
Doncaster	258	373	-115
Rotherham	249	358	-110
Sheffield	278	387	-110
[illegible]E AND WEAR			
Gateshead	248	334	-86
Newcastle upon Tyne	279	340	-61
North Tyneside	313	354	-41
South Tyneside	236	312	-76
Sunderland	217	288	-71
WEST MIDLANDS			
Birmingham	281	202	78
Coventry	311	291	21
Dudley	302	258	44
Sandwell	279	219	59
Solihull	318	205	113
Walsall	305	264	41
Wolverhampton	306	207	99
WEST YORKSHIRE			
Bradford	218	288	-69
Calderdale	236	386	-149
Kirklees	217	334	-117
Leeds	223	257	-34
Wakefield	237	349	-113

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
AVON			
Bath	255	295	-40
Bristol	298	344	-47
Kingswood	263	265	-2
Northavon	299	279	20
Wansdyke	278	292	-14
Woodspring	305	289	16
BEDFORDSHIRE			
North Bedfordshire	310	231	79
Luton	361	233	129
Mid Bedfordshire	316	252	64
South Bedfordshire	364	276	89
BERKSHIRE			
Bracknell	305	233	71
Newbury	299	182	117
Reading	274	228	46
Slough	265	145	120
Windsor and Maidenhea	349	241	108
Wokingham	340	207	134
BUCKINGHAMSHIRE			
Aylesbury Vale	288	188	100
South Bucks	458	220	238
Chiltern	463	235	228
Milton Keynes	331	220	111
Wycombe	386	215	171
CAMBRIDGESHIRE			
Cambridge	323	240	83
East Cambridgeshire	235	208	27
Fenland	223	219	5
Huntingdonshire	250	199	50
Peterborough	274	248	26
South Cambridgeshire	297	186	112
CHESHIRE			
Chester	303	261	42
Congleton	280	260	20
Crewe and Nantwich	308	274	34
Ellesmere Port and Ne	292	269	23
Halton	259	268	-9
Macclesfield	357	254	102
Vale Royal	267	255	12
Warrington	266	272	-6

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
CLEVELAND			
Hartlepool	247	316	-69
Langbaurgh-on-Tees	308	356	-48
Middlesbrough	275	336	-61
Stockton-on-Tees	298	317	-20
CORNWALL			
Caradon	220	220	-0
Carrick	229	231	-2
Kerrier	194	225	-32
North Cornwall	220	213	7
Penwith	205	221	-16
Restormel	205	221	-16
CUMBRIA			
Allerdale	197	277	-80
Barrow in Furness	198	317	-120
Carlisle	227	269	-42
Copeland	191	292	-101
Eden	208	248	-40
South Lakeland	249	275	-26
DERBYSHIRE			
Amber Valley	249	323	-74
Bolsover	225	352	-127
Chesterfield	257	346	-88
Derby	311	311	-0
Erewash	265	329	-64
High Peak	254	335	-81
North East Derbyshire	277	355	-78
South Derbyshire	281	316	-36
Derbyshire Dales	297	320	-24
DEVON			
East Devon	241	227	14
Exeter	216	233	-16
North Devon	185	221	-36
Plymouth	217	220	-3
South Hams	257	228	29
Teignbridge	225	231	-6
Mid Devon	193	220	-26
Torbay	258	296	-38
Torridge	169	217	-47
West Devon	205	212	-8

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
DORSET			
Bournemouth	254	248	7
Christchurch	305	239	66
North Dorset	216	194	21
Poole	292	227	65
Purbeck	227	200	27
West Dorset	222	202	21
Weymouth and Portland	203	230	-27
East Dorset	317	239	78
DURHAM			
Chester-le-Street	237	286	-49
Darlington	248	286	-38
Derwentside	209	307	-98
Durham	227	285	-58
Easington	200	291	-91
Sedgefield	225	329	-104
Teesdale	183	227	-44
Wear Valley	205	317	-112
EAST SUSSEX			
Brighton	335	317	18
Eastbourne	343	257	86
Hastings	269	229	40
Hove	290	220	69
Lewes	309	231	78
Rother	325	227	98
Wealden	289	230	58
ESSEX			
Basildon	434	352	82
Braintree	302	226	77
Brentwood	408	381	27
Castle Point	339	231	109
Chelmsford	371	227	144
Colchester	291	226	65
Epping Forest	414	263	151
Harlow	425	409	16
Maldon	327	223	105
Rochford	363	242	121
Southend-on-Sea	357	249	108
Tendring	310	244	66
Thurrock	365	310	55
Uttlesford	363	226	137

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
GLOUCESTERSHIRE			
Cheltenham	280	253	27
Cotswold	282	222	60
Forest of Dean	201	229	-28
Gloucester	231	225	6
Stroud	251	244	7
Tewkesbury	270	218	52
HAMPSHIRE			
Basingstoke and Deane	249	149	100
East Hampshire	287	182	105
Eastleigh	282	193	89
Fareham	287	187	99
Gosport	245	192	53
Hart	314	197	117
Havant	280	180	100
New Forest	264	191	73
Portsmouth	205	204	1
Rushmoor	231	176	56
Southampton	221	193	29
Test Valley	262	167	95
Winchester	293	184	109
HEREFORD AND WORCESTER			
Bromsgrove	264	177	88
Hereford	185	171	13
Leominster	176	145	31
Malvern Hills	258	187	71
Redditch	270	210	60
South Herefordshire	189	149	40
Worcester	259	208	51
Wychavon	280	191	88
Wyre Forest	242	212	30
HERTFORDSHIRE			
Broxbourne	326	268	58
Dacorum	375	257	118
East Hertfordshire	336	277	60
Hertsmere	405	302	103
North Hertfordshire	374	271	104
St Albans	389	262	126
Stevenage	386	328	58
Three Rivers	406	281	125
Watford	340	265	75
Welwyn Hatfield	417	340	78

-

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
HUMBERSIDE			
Beverley	317	305	12
Boothferry	220	302	-83
Cleethorpes	264	331	-67
Glanford	259	290	-31
Great Grimsby	251	318	-68
Holderness	262	292	-30
Kingston upon Hull	233	322	-88
East Yorkshire	242	323	-81
Scunthorpe	284	367	-83
ISLE OF WIGHT			
Medina	245	252	-7
South Wight	269	272	-4
KENT			
Ashford	239	191	48
Canterbury	224	197	27
Dartford	218	237	-18
Dover	198	191	8
Gillingham	211	184	27
Gravesham	232	195	37
Maidstone	231	182	50
Rochester upon Medway	205	153	52
Sevenoaks	257	198	59
Shepway	278	226	52
Swale	198	209	-11
Thanet	234	211	23
Tonbridge and Malling	229	224	5
Tunbridge Wells	245	195	50
LANCASHIRE			
Blackburn	183	240	-56
Blackpool	239	285	-46
Burnley	176	264	-88
Chorley	228	242	-14
Fylde	272	256	17
Hyndburn	176	264	-88
Lancaster	211	257	-46
Pendle	169	276	-107
Preston	233	221	12
Ribble Valley	215	253	-37
Rossendale	199	287	-88
South Ribble	228	254	-26
West Lancashire	275	244	31
Wyre	239	249	-10

DATE: 11-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
LEICESTERSHIRE			
Blaby	266	235	31
Charnwood	265	222	43
Harborough	307	251	56
Hinckley and Bosworth	257	239	18
Leicester	232	284	-53
Melton	258	234	24
North West Leicesters	258	259	-1
Oadby and Wigston	281	252	29
Rutland	243	220	24
LINCOLNSHIRE			
Boston	208	199	9
East Lindsey	204	186	18
Lincoln	199	211	-12
North Kesteven	205	196	9
South Holland	204	203	1
South Kesteven	222	202	20
West Lindsey	200	194	6
NORFOLK			
Breckland	223	209	14
Broadland	253	216	37
Great Yarmouth	222	234	-13
North Norfolk	228	210	18
Norwich	256	246	10
South Norfolk	251	228	23
King's Lynn and West	203	203	0
NORTHAMPTONSHIRE			
Corby	274	247	27
Daventry	303	243	60
East Northamptonshire	233	216	17
Kettering	246	235	11
Northampton	296	278	18
South Northamptonshir	293	207	86
Wellingborough	242	214	28
NORTHUMBERLAND			
Alnwick	242	298	-56
Berwick-upon-Tweed	231	294	-63
Blyth Valley	271	348	-78
Castle Morpeth	303	290	14
Tynedale	257	289	-32
Wansbeck	238	351	-113

DATE[illegible]-SEP-89

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
NORTH YORKSHIRE			
Craven	197	233	-36
Hambleton	226	231	-5
Harrogate	260	268	-8
Richmondshire	187	227	-40
Ryedale	211	244	-34
Scarborough	204	263	-59
Selby	205	257	-51
York	187	238	-51
NOTTINGHAMSHIRE			
Ashfield	206	261	-55
Bassetlaw	228	264	-36
Broxtowe	258	261	-3
Gedling	274	257	16
Mansfield	225	282	-57
Newark and Sherwood	249	253	-4
Nottingham	234	242	-8
Rushcliffe	289	247	42
OXFORDSHIRE			
Cherwell	269	223	46
Oxford	294	212	82
South Oxfordshire	321	225	96
Vale of White Horse	302	210	93
West Oxfordshire	272	213	60
SHROPSHIRE			
Bridgnorth	228	191	37
North Shropshire	200	203	-2
Oswestry	202	227	-25
Shrewsbury and Atcham	251	223	28
South Shropshire	208	188	20
Wrekin	267	258	9
SOMERSET			
Mendip	250	242	8
Sedgemoor	259	259	-1
Taunton Deane	255	250	5
West Somerset	271	249	22
South Somerset	259	256	3

Oswestry	202	227	-25
Shrewsbury and Atcham	251	223	28
South Shropshire	208	188	20
Wrekin	267	258	9
SOMERSET			
Mendip	250	242	8
Sedgemoor	259	259	-1
Taunton Deane	255	250	5
West Somerset	271	249	22
South Somerset	259	256	3
SURREY			
Elmbridge	445	292	153
Epsom and Ewell	398	306	92
Guildford	334	213	121
Mole Valley	336	258	78
Reigate and Banstead	358	264	94
Runnymede	294	211	82
Spelthorne	293	228	65
Surrey Heath	352	232	120
Tandridge	302	277	25
Waverley	362	235	127
Woking	368	283	85
WARWICKSHIRE			
North Warwickshire	307	309	-2
Nuneaton and Bedworth	308	315	-7
Rugby	313	274	39
Stratford on Avon	369	266	103
Warwick	361	278	83

ILLUSTRATIVE LONG RUN COMMUNITY CHARGES ASSUMING SPENDING 3.8% ABOVE 1989/90 BUDGETS

	COL 1 1989/90 average rate bill per adult + 4% (£)	COL 2 1990/91 CC without safety net expenditure £32.8bn	COL 3 Long term gain from new system
WEST SUSSEX			
Adur	281	240	41
Arun	270	210	60
Chichester	262	193	69
Crawley	269	263	6
Horsham	261	175	86
Mid Sussex	287	210	77
Worthing	248	203	45
WILTSHIRE			
Kennet	241	221	20
North Wiltshire	226	252	-25
Salisbury	262	220	42
Thamesdown	253	274	-22
West Wiltshire	232	259	-27
ALL PURPOSE AUTHORITY			
Isles of Scilly	214	507	-293

C.

(as at 5 July)

ATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

EF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
OE E(LF) Standard Spending Assessment Package
nner London charges reduced by £100m ILEA specific grant
990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	Safety net contribution (+)/ entitlement (-) ((Col 3 - Col 2)*
REATER LONDON					
City of London	541	325	421	2	+75 *
Camden	446	442	425	12	-17
Greenwich	285	579	246	13	-333
Hackney	351	239	263	15	+24
Hammersmith and Fulham	373	563	348	14	-215
Islington	446	425	416	14	-9
Kensington and Chelsea	393	205	282	9	+75 *
Lambeth	309	334	277	14	-57
Lewisham	275	423	241	12	-182
Southwark	281	439	247	15	-192
Tower Hamlets	282	397	240	16	-157
andsworth	202	350	175	11	-175
estminster	587	341	449	13	+75 *
arking and Dagenham	244	365	269	9	-96
arnet	361	246	307	7	+61
exley	247	294	272	7	-22
rent	491	461	477	13	+16
romley	255	260	260	6	0
roydon	267	164	219	7	+55
aling	321	312	317	10	+5
nfield	316	274	296	8	+22
aringey	532	566	557	14	-9
arrow	327	264	298	8	+34
avering	257	298	282	7	-16
illingdon	328	402	353	9	-49
ounslow	373	351	362	10	+11
ngston-upon-Thames	324	328	328	8	0
rton	285	304	304	8	0
wham	356	[illegible]	339	[illegible]	+20
edbridge	231	242	242	7	0
chmond-upon-Thames	357	[illegible]	332	[illegible]	+27
tton	329	[illegible]	308	[illegible]	+1
tham Forest	325	[illegible]	302	[illegible]	+27

* adjusted for decision to cap contributions at £75

(a) Shown as £75 contribution in DoE 1988-89 exemplifications

ANX C. SAFETY NET

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
GREATER MANCHESTER					
Bolton	242	243	243	9	0
Bury	308	308	308	8	0
Manchester	322	288	304	11	+18
Oldham	237	259	255	10	-4
Rochdale	262	343	277	10	-66
Salford	286	283	285	9	+2
Stockport	313	269	292	8	+23
Tameside	253	304	274	9	-30
Trafford	287	235	263	8	+28
Wigan	269	343	294	9	-49
MERSEYSIDE					
Knowsley	300	247	275	11	+28
Liverpool	302	276	290	11	+14
St Helens	262	313	287	9	-26
Sefton	288	270	279	8	+9
Wirral	381	350	366	10	+16
SOUTH YORKSHIRE					
Barnsley	221	367	[illegible]	8	-146
Doncaster	258	372	270	9	-102
Rotherham	249	349	255	9	-94
Sheffield	278	384	287	9	-97
TYNE AND WEAR					
Gateshead	248	324	255	9	-69
Newcastle upon Tyne	279	335	304	10	-31
North Tyneside	313	345	338	9	-7
South Tyneside	236	301	251	9	-50
Sunderland	217	275	225	9	-50
WEST MIDLANDS					
Birmingham	281	193	[illegible]	10	+47
Coventry	311	281	[illegible]	10	+16
Dudley	302	250	[illegible]	8	+27
Sandwell	279	211	[illegible]	9	+26
(R) Solihull	318	208	[illegible]	7	[illegible]
Walsall	305	255	[illegible]	9	+27
Wolverhampton	306	196	[illegible]	10	[illegible]
WEST YORKSHIRE					
Bradford	278	277	[illegible]	10	-54
Calderdale	236	379	[illegible]	10	[illegible]
Kirklees	217	327	[illegible]	9	[illegible]
Leeds	223	254	[illegible]	8	[illegible]
Wakefield	237	345	[illegible]	8	[illegible]

E 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn. of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
	AVON					
	Bath	255	298	280	7	−18
	Bristol	298	345	323	8	−22
	Kingswood	263	264	264	7	0
	Northavon	299	276	288	7	+12
	Wansdyke	278	288	288	7	0
	Woodspring	305	285	296	7	+11
	BEDFORDSHIRE					
	North Bedfordshire	310	238	276	8	+38
	Luton	361	233	301	8	+[illegible]
	Mid Bedfordshire	316	245	282	8	+37
	South Bedfordshire	364	273	322	8	+49
	BERKSHIRE					
(a)	Bracknell	305	239	274	7	+35
(a)	Newbury	299	178	242	7	+64
	Reading	274	225	251	8	+26
	Slough	265	150	211	7	+61
	Windsor and Maidenhead	349	241	298	7	+57
(a)	Wokingham	340	202	276	7	+74
	BUCKINGHAMSHIRE					
	Aylesbury Vale	288	186	240	7	+54
(a)	South Bucks	458	213	344	7	+75 *
(a)	Chiltern	463	231	354	7	+75 *
	Milton Keynes	331	217	278	8	+61
(a)	Wycombe	386	223	310	7	+75 *
	CAMBRIDGESHIRE					
(a)	Cambridge	323	249	288	7	+39
	East Cambridgeshire	235	212	224	7	+12
	Fenland	223	230	230	7	0
	Huntingdonshire	250	208	230	7	+22
	Peterborough	274	256	265	7	+9
(a)	South Cambridgeshire	297	192	248	6	+56
	CHESHIRE					
	Chester	303	258	282	7	+24
	Congleton	280	256	269	7	+13
	Crewe and Nantwich	308	276	293	8	+17
	Ellesmere Port and Neston	292	267	281	8	+14
	Halton	259	267	267	8	0
(a)	Macclesfield	357	252	308	7	+56
	Vale Royal	[illegible]	253	260	7	+7
	Warrington	[illegible]	270	270	8	0

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 up to £25 loss, +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution(+)/ entitlement(-)
CLEVELAND					
Hartlepool	247	301	263	10	-38
Langbaurgh-on-Tees	308	337	333	10	-4
Middlesbrough	275	330	300	10	-30
Stockton-on-Tees	298	302	302	10	0
CORNWALL					
Caradon	220	218	219	7	+1
Carrick	229	228	229	7	+1
Kerrier	194	219	215	7	-4
North Cornwall	220	215	218	7	+3
Penwith	205	219	217	7	-2
Restormel	205	217	217	7	0
CUMBRIA					
Allerdale	197	282	197	8	-85
Barrow in Furness	198	321	198	8	-123
Carlisle	227	282	238	8	-42
Copeland	191	293	191	8	-102
Eden	208	256	208	7	-48
South Lakeland	249	280	274	8	-6
DERBYSHIRE					
Amber Valley	249	316	274	8	-42
Bolsover	225	342	226	8	-116
Chesterfield	257	342	282	8	-60
Derby	311	311	311	8	0
Erewash	265	325	290	8	-35
High Peak	254	328	279	8	-49
North East Derbyshire	277	347	302	8	-45
South Derbyshire	281	309	306	8	-3
Derbyshire Dales	297	315	315	8	0
DEVON					
East Devon	241	224	233	7	+9
Exeter	216	238	238	7	0
North Devon	185	220	205	7	-15
Plymouth	217	223	223	7	0
South Hams	257	229	[illegible]	7	+15
Teignbridge	225	229	229	7	0
Mid Devon	193	220	218	7	-2
Torbay	258	293	280	7	-10
Torridge	169	216	169	7	-47
West Devon	205	212	212	7	0

TE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23 1bn of which £200m for specific grants. Gross Total Standard Spending £32 8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 6%	COL 2 Long run charge	COL 3 Up to £25 loss. +7% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
	DORSET					
	Bournemouth	254	251	253	7	+2
(a)	Christchurch	305	248	278	6	+30
	North Dorset	216	193	205	6	+12
(a)	Poole	292	235	265	6	+30
	Purbeck	227	197	213	6	+16
	West Dorset	222	203	214	6	+11
	Weymouth and Portland	203	233	228	6	-5
(a)	East Dorset	317	235	279	6	+44
	DURHAM					
	Chester-le-Street	237	281	261	8	-20
	Darlington	248	285	273	8	-12
	Derwentside	209	301	209	8	-92
	Durham	227	280	252	8	-28
	Easington	200	288	200	8	-84
	Sedgefield	225	325	225	8	-100
	Teesdale	183	224	183	7	-41
	Wear Valley	205	313	205	8	-108
	EAST SUSSEX					
	Brighton	335	348	348	8	0
(a)	Eastbourne	343	269	308	7	+39
	Hastings	269	238	255	7	+17
	Hove	290	223	259	7	+36
	Lewes	309	228	271	6	+43
(a)	Rother	325	221	276	6	+55
	Wealden	289	224	259	6	+35
	ESSEX					
(a)	Basildon	434	353	396	8	+43
	Braintree	302	229	268	7	+39
	Brentwood	408	386	397	8	+11
(a)	Castle Point	339	234	290	7	+56
(a)	Chelmsford	371	229	304	7	+75
	Colchester	291	230	263	7	+23
(a)	Epping Forest	[illegible]	267	346	7	+75
	Harlow	425	[illegible]	422	9	+5
(a)	Maldon	327	224	275	7	+55
(a)	Rochford	[illegible]	242	[illegible]	7	+65
(a)	Southend-on-Sea	[illegible]	[illegible]	309	7	+55
	Tendring	[illegible]	246	[illegible]	7	+34
	Thurrock	[illegible]	313	[illegible]	8	+28
(a)	Uttlesford	[illegible]	[illegible]	[illegible]	7	+73

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants   Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 6%	COL 2 Long run charge	COL 3 up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
GLOUCESTERSHIRE					
Cheltenham	280	255	268	7	+13
Cotswold	282	223	254	7	+33
Forest of Dean	201	228	226	7	-2
Gloucester	231	232	232	7	0
Stroud	251	241	246	7	+5
Tewkesbury	270	215	244	6	+29
HAMPSHIRE					
Basingstoke and Deane	249	162	208	6	+46
East Hampshire	287	173	234	6	+61
Eastleigh	282	187	238	6	+51
Fareham	287	182	238	6	+56
Gosport	245	189	219	7	+30
(a) Hart	314	191	256	6	+65
Havant	280	175	231	7	+56
New Forest	264	190	229	6	+39
Portsmouth	205	219	219	7	0
Rushmoor	231	174	205	7	+31
Southampton	221	190	206	7	+16
Test Valley	262	164	216	6	+52
Winchester	293	176	239	6	+63
HEREFORD AND WORCESTER					
(a) Bromsgrove	264	175	222	6	+47
Hereford	185	173	179	6	+6
Leominster	176	147	163	6	+16
Malvern Hills	258	185	224	6	+39
Redditch	270	214	244	7	+30
South Herefordshire	189	148	170	6	+22
Worcester	259	216	239	7	+23
(a) Wychavon	280	191	238	6	+47
Wyre Forest	242	215	229	7	+14
HERTFORDSHIRE					
Broxbourne	325	264	297	-	+33
(a) Dacorum	375	253	318	-	+65
East Hertfordshire	336	274	307	-	+33
(a) Hertsmere	405	298	355	-	+57
(a) North Hertfordshire	374	265	323	-	+58
(a) St Albans	389	259	328	-	+69
Stevenage	386	332	361	8	+29
(a) Three Rivers	426	277	345	-	+68
Watford	340	282	313	8	+30
(a) Welwyn Hatfield	417	337	380	8	+43

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 Bn

AEF £23.1bn, of which £200m for specific grants   Gross Total Standard Spending £32 Bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 6%	COL 2 Long run charge	COL 3 up to £25 loss 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	Subsidisation (+)/ entitlement (-)
HUMBERSIDE					
Beverley	317	302	310	8	+8
Boothferry	220	309	226	9	-83
Cleethorpes	264	332	289	9	-43
Glanford	259	286	284	8	-2
Great Grimsby	251	322	276	9	-46
Holderness	262	288	287	8	-1
Kingston upon Hull	233	330	233	9	-97
East Yorkshire	242	318	255	9	+63
Scunthorpe	284	372	309	9	+63
ISLE OF WIGHT					
Medina	245	250	250	7	0
South Wight	269	265	267	7	+2
KENT					
Ashford	239	198	220	7	+22
Canterbury	224	199	212	7	+13
Dartford	218	235	235	7	0
Dover	198	188	193	7	+5
Gillingham	211	187	199	7	+12
Gravesham	232	193	214	7	+21
Maidstone	231	180	207	7	+27
Rochester upon Medway	205	163	186	7	+23
Sevenoaks	257	192	227	7	+35
Shepway	278	229	255	7	+26
Swale	198	203	203	7	0
Thanet	234	209	222	7	+13
Tonbridge and Malling	229	224	227	7	+3
Tunbridge Wells	245	190	219	7	+29
LANCASHIRE					
Blackburn	183	235	183	8	-52
Blackpool	239	290	264	8	-26
Burnley	176	260	176	8	-84
Chorley	228	239	239	8	0
Fylde	272	250	262	8	+12
Hyndburn	176	257	176	8	-81
Lancaster	211	254	236	8	-18
Pendle	169	270	169	8	-101
Preston	233	221	227	8	+6
Ribble Valley	215	246	240	8	-6
Rossendale	199	277	199	8	-78
South Ribble	228	249	249	8	0
West Lancashire	275	239	258	8	+21
Wyre	239	249	249	8	0

DATE 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23 1bn. of which £200m for specific grants. Gross Total Standard Spending £32 8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss. 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution(+)/ entitlement (-)
LEICESTERSHIRE					
Blaby	266	226	247	7	+21
Charnwood	265	213	241	7	+28
Harborough	307	244	278	7	+34
Hinckley and Bosworth	257	233	245	7	+12
Leicester	232	289	257	9	-32
Melton	258	231	246	7	+15
North West Leicestershire	258	249	254	8	+5
Oadby and Wigston	281	244	263	7	+19
Rutland	243	212	229	7	+17
LINCOLNSHIRE					
Boston	208	225	225	7	0
East Lindsey	204	207	207	7	0
Lincoln	199	225	222	7	-3
North Kesteven	205	203	204	7	+1
South Holland	204	224	224	7	0
South Kesteven	222	211	217	7	+6
West Lindsey	200	203	203	7	0
NORFOLK					
Breckland	223	214	219	7	+5
Broadland	253	218	237	6	+19
Great Yarmouth	222	243	243	7	0
North Norfolk	228	215	222	7	+7
Norwich	256	261	261	7	0
South Norfolk	251	233	243	7	+10
King's Lynn and West Norfolk	203	220	220	7	0
NORTHAMPTONSHIRE					
Corby	274	248	262	8	+16
Daventry	303	248	277	8	+29
East Northamptonshire	233	215	224	7	+9
Kettering	246	244	245	8	+1
Northampton	296	282	290	8	+8
South Northamptonshire	293	209	254	7	+45
Wellingborough	242	231	237	8	+6
NORTHUMBERLAND					
Alnwick	242	296	267	8	-29
Berwick-upon-Tweed	[illegible]	295	238	8	-57
Blyth Valley	[illegible]	345	296	8	-49
Castle Morpeth	[illegible]	288	296	8	+8
Tynedale	[illegible]	288	282	8	-6
Wansbeck	[illegible]	348	240	8	[illegible]

ATE. 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn. of which £200m for specific grants. Gross Total Standard Spending £32.8bn

DOE E(LF) Standard Spending Assessment Package

Inner London charges reduced by £100m ILEA specific grant

1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
NORTH YORKSHIRE					
Craven	197	239	211	7	−28
Hambleton	226	236	236	7	0
Harrogate	260	273	273	7	0
Richmondshire	187	231	212	7	−19
Ryedale	211	248	236	7	−12
Scarborough	204	269	221	7	−48
Selby	205	263	230	7	−33
York	187	248	193	7	−55
NOTTINGHAMSHIRE					
Ashfield	206	257	215	7	−42
Bassetlaw	228	260	253	8	−7
Broxtowe	258	260	260	7	0
Gedling	274	254	265	7	+9
Mansfield	225	279	248	8	−29
Newark and Sherwood	249	250	250	7	0
Nottingham	234	250	250	8	0
Rushcliffe	289	249	270	7	+21
OXFORDSHIRE					
Cherwell	269	232	252	6	+20
Oxford	294	220	259	6	+39
South Oxfordshire	321	230	278	6	+48
Vale of White Horse	302	220	264	6	+44
West Oxfordshire	272	220	248	6	+28
SHROPSHIRE					
Bridgnorth	228	187	209	7	+22
North Shropshire	200	201	201	7	0
Oswestry	202	222	222	7	0
Shrewsbury and Atcham	251	223	238	7	+15
South Shropshire	208	188	199	7	+11
Wrekin	267	256	262	8	+6
SOMERSET					
Mendip	250	249	250	[illegible]	+1
Sedgemoor	259	268	268	[illegible]	0
Taunton Deane	255	264	264	[illegible]	0
West Somerset	271	264	268	[illegible]	+4
South Somerset	259	264	254	[illegible]	0

5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32.8bn

AEF £23.1bn, of which £200m for specific grants; Gross Total Standard Spending £32.8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

		COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 67% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SW contribution(+)/ entitlement(-)
	STAFFORDSHIRE					
	Cannock Chase	244	255	255	7	0
	East Staffordshire	230	229	229	7	0
	Lichfield	294	230	264	7	+34
	Newcastle-under-Lyme	238	254	254	7	0
	South Staffordshire	291	224	260	7	+36
	Stafford	252	226	240	7	+14
	Staffordshire Moorlands	233	242	242	7	0
	Stoke-on-Trent	210	255	235	7	-20
	Tamworth	264	244	255	7	-11
	SUFFOLK					
	Babergh	253	249	251	7	+2
	Forest Heath	226	229	229	6	0
	Ipswich	283	287	287	7	0
	Mid Suffolk	241	228	235	7	+7
	St Edmundsbury	230	214	222	6	+8
	Suffolk Coastal	287	238	264	7	+26
	Waveney	231	244	244	7	0
	SURREY					
(a)	Elmbridge	445	304	379	7	+75
(a)	Epsom and Ewell	398	323	363	7	+40
	Guildford	334	224	282	6	+58
(a)	Mole Valley	336	262	301	7	+39
(a)	Reigate and Banstead	358	276	319	6	+42
(a)	Runnymede	294	247	272	6	+25
	Spelthorne	293	234	266	6	+32
(a)	Surrey Heath	352	241	300	6	+59
	Tandridge	302	280	292	7	+12
(a)	Waverley	362	240	305	6	+65
(a)	Woking	368	288	331	7	+43
	WARWICKSHIRE					
	North Warwickshire	307	306	307	7	+1
	Nuneaton and Bedworth	308	317	317	8	0
	Rugby	313	281	298	7	+17
(a)	Stratford on Avon	369	268	322	7	+54
(a)	Warwick	361	283	325	7	+42

TE: 5-JUL-89

ILLUSTRATIVE 1990/91 COMMUNITY CHARGES WITH SPENDING AT £32 8bn

AEF £23.1bn, of which £200m for specific grants. Gross Total Standard Spending £32 8bn
DOE E(LF) Standard Spending Assessment Package
Inner London charges reduced by £100m ILEA specific grant
1990/91 charges reduced by £100m specific grant in losing areas with low domestic RV per hereditament

	COL 1 1989/90 Av rate bill per adult + 4%	COL 2 Long run charge	COL 3 Up to £25 loss, 47% of gains allowed	COL 4 Effect on charge of 1% rise in spending	SN contribution (+)/ entitlement (-)
WEST SUSSEX					
Adur	281	238	261	6	+23
Arun	270	209	241	6	+32
Chichester	262	192	229	6	+37
Crawley	269	270	270	7	0
Horsham	261	179	223	6	+44
Mid Sussex	287	209	251	6	+42
Worthing	248	217	234	6	+17
WILTSHIRE					
Kennet	241	227	235	7	+8
North Wiltshire	226	256	251	7	-5
Salisbury	262	224	244	7	+20
Thamesdown	253	302	278	7	-24
West Wiltshire	232	260	257	7	-3
ALL PURPOSE AUTHORITY					
Isles of Scilly	214	505	239	11	-266

DATE: 5-JUL-89

ANNEX B

AREAS BENEFITTING FROM SPECIFIC GRANT

Burnley
Pendle
Wear Valley
Hyndburn
Barrow in Furness
Calderdale
Teesdale
Easington
Kirklees
Barnsley
Copeland
Blackburn
Rossendale
Derwentside
Kingston upon Hull
Bradford
Torridge
Sedgefield
Allerdale
Eden
Bolsover
Wansbeck
Wakefield
York
Boothferry
Rotherham
Berwick-upon-Tweed
Gateshead
Sunderland
Ashfield
Sheffield
Carlisle
Doncaster
East Yorkshire
Craven
Rochdale
South Tyneside
Hartlepool
Scarborough
North Devon
Oldham
Tameside
Penwith
Leeds
Kerrier
Lincoln
Mansfield
High Peak
Chester-le-Street
Bassetlaw

chex.jp/jg/49

UNCLASSIFIED

PWP

FROM: JOHN GIEVE

DATE: 20 SEPTEMBER 1989

MRS CHAPLIN

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr G H Phillips
Mr Edwards
Mr Potter
Mr Tyrie
Mr Lightfoot

RESOURCE EQUALISATION AND THE SAFETY NET

The Chancellor was grateful for your minute of 19 September. In the circumstances he agrees that he should not urge Mr Patten to publish the figures for each authority.

JG

JOHN GIEVE

PLwp

FROM: JOHN GIEVE
DATE: 21 SEPTEMBER 1989

CHANCELLOR

COMMUNITY CHARGE: MEETING WITH LORD PRESIDENT

The main points you will want to make are the following.

The Problem

2. People are now waking up to the inevitable political difficulties of introducing a new tax with many substantial losers. The Parliamentary pressure over the safety net is a symptom of this but does not get to the heart of the problem. Discussion on 28 September is likely to focus three separate issues:

(a) the safety net - should the Treasury increase grants to ensure that gaining authorities get their gains immediately at a cost of £660 million in England and Wales?

(b) Is their any action we could take to reduce RPI impact of the community charge in April 1990?

(c) Should we do something to provide transitional relief to individual losers?

Safety Net

3. This is a ~~bold~~ Parliamentary problem; the voters do not understand the issue at all. Rhodes Boyson has been making the running and does not have the support eg of Cranley Onslow (letter attached). Very unlikely that a Government grant of £650m would feed through ~~and a~~ to lower community charges on the ground; ~~and~~ most would probably ~~lead~~ feed into higher spending; so far as it did have an impact it would be to benefit gainers ~~would benefit~~ more. The fact is that these areas would generally be contributing less to the safety net than they do at present through resource equalisation.

RPI Effects

4. PM and No 10 are concerned about this. The introduction of community charge is likely to lead to a step increase in the 12 month RPI figure of ½ - ¾ per cent in April 1990. Nothing to be done about this. It would cost £2-3 billion to eliminate this effect on the plausible assumption that 50 per cent of any increased grant fed through into spending. The silver lining is that there should be a similar step change downwards in April 1991.

Individual Losers

5. This is the nub of the issue. Community charge rebate scheme already much more generous than rate rebates (£2 billion in 1990-91 up £½ billion on rate rebates). About ~~£~~12 million charge payers will be eligible. Nonetheless there will still be big losers. In practice some transitional help - like that offered on housing benefit - is inevitable. But it is vital that it should

be targeted on vulnerable groups ie those with low incomes (eligible for community charge rebates (or benefit i.e ~~which is~~ well above income support levels), and pensioners (possibly the disabled and widows). This reflects Onslow's views.

6. Indefensible and unaffordable for global schemes but these will be pressed by Baker and Patten. This would make our position on social security eg child benefit very awkward and would knock a large hole in public expenditure policy.

Timing – Any concession at conference would merely provide a new floor.

– Key requirement is to get it through House in January

⇒ last minute concessions.

Briefing offer Hayden briefing session if he would like it + sight of HMT written brief

JC

pmp

FROM: D I SPARKES
DATE: 27 SEPTEMBER 1989

CHANCELLOR

cc PS/Chief Secretary

COMMUNITY CHARGE TRANSITIONAL RELIEF

I had the following account from Paul Gray of the Prime Minister's views. She had seen both the Cabinet Office paper and Mr Patten's latest minute but not the Chief Secretary's minute. The Prime Minister has also had a brief chat with Mr Patten in the margins of another meeting at No 10 today.

- The Prime Minister has told Mr Patten that his proposals are way off the map; nothing on the scale he proposes could be contemplated.

- On the other hand, she has clearly been struck by Mr Baker's assessment that transitional relief is, for political reasons, <u>the</u> priority bid in this year's Survey.

- The Prime Minister, Messrs Baker and Patten have all come round to the view that DoE's original £650 million bid to eliminate contributions from gainers is a poor buy because it helps too many people who are already gainers. But Mr Baker is firmly of the belief that £650 million is now the de facto minimum necessary to buy off opposition in the party and country. And neither he nor Mr Patten will let the Treasury's original offer to fund the transition for losers in years 2 and 3 without protesting.

- The Prime Minister doesn't necessarily accept this. But having fully considered the options in the Cabinet Office paper, she thinks option (v), which helps former ratepayers and pensioners (but not non-ratepayers unless they are pensioners) is targeted at the right audience. She recognises, however, that the cost is huge: £390 million on a real terms comparison and £480 million on a cash comparison. (Incidentally, the Prime Minister is disappointed that none of the options helps the RPI problem but grudgingly accepts that nothing can in fact be done.)

- To ward off criticism from Messrs Baker and Patten that such a package isn't enough, the Prime Minister would point out that the Government has already earmarked £200 million in grants for the North West and ILEA, and to this must be added the administrative costs of the new scheme and any territorial consequences.

- On administration, the Prime Minister's gut reaction is to give the task to central government; she fears some local authorities won't cooperate. But, on reflection, she feels that LAs won't be able to refuse the task if we give them a bit of money; she would rely on the Treasury to strike a tough but fair bargain.

- On implementation, the Prime Minister is keen to avoid a situation in which CC payers pay the full charge gross and receive a rebate later - perhaps a lot later if the transitional arrangements take a while to set up. So she may propose that LAs do not send out CC demands until, say, June, after the transitional arrangements have been put in place. She points out that in practice CCs will, like rates, be paid in instalments and the delay in making the first payment can be recovered in larger instalments later on in the year. But central Government grant next year would doubtless have to be front-loaded to compensate.

CHANCELLOR OF THE EXCHEQUER

- The Prime Minister is unclear whether we would have to do anything for Scotland. She strongly believes the Scots already get a good deal as local taxpayers bear a smaller proportion of the cost of local services than in England and Wales. But, unfortunately, it appears that the Scots have discovered that these discussions are going on, in which case a bid from Mr Rifkind may be just days away.

- On timing, the Prime Minister is sympathetic to the Baker/ Patten line that an announcement at or before the Party Conference would be better than waiting until January.

- The Prime Minister fully recognises that, were any package on the lines of Cabinet Office option (v) agreed, it would pose enormous difficulties for the Treasury. She has told Mr Patten that, when it comes to the crunch, she must support the Chancellor's assessment of what constitutes a prudent fiscal stance.

- Equally, the Prime Minister is keen to ensure that the Treasury extracts the maximum mileage from any concessions it has to make. She has told Mr Patten that, in return for a deal on the CC transition, the CST could expect other DoE bids to be withdrawn and savings to be offered. She would also like other Cabinet colleagues to make similar sacrifices. She might make this point at E(LG) next Wednesday and at Cabinet on Thursday if, as seems likely, the package requires Cabinet approval. But she is aware that you will not want a pre-Party Conference Cabinet discussion of spending priorities.

D.C.S.

DUNCAN SPARKES