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PREM 19/1837

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PART 4.

Confidential Filing

The Future of the Rating System.

Rating Revaluation.

LOCAL GOVERNMENT

Part 1: May 1979

Part 4: January 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~3.1.86~~		~~8.8.86~~					
~~8.1.86~~		~~19.8.86~~					
~~13.1.86~~		~~23.8.86~~					
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~~5.8.86~~							

PREM 19/1837

Attached Folder contains:

Green Paper "Paying for Local Government"

January 1986

PART 4 ends:-

LPC to SS/GNV 23/8

PART 5 begins:-

SS/SCOT to SS/GNV 2/9

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: CC(86) 1st Conclusions, Minute 7

Date: 9 January 1986

Signed C Wayland Date 4 November 2014

PREM Records Team

CUBS

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

23 August 1986

Dear Nicholas

Prime Minister (2)

MGT 26/8

COMMUNITY CHARGE - WITHHOLDING SERVICES

Thank you for your letter of 29 July about the possibility that access to local authority services might be limited to those registered for the community charge. I am grateful also for the views of Nick Edwards, Norman Tebbit, John MacGregor and Malcolm Rifkind.

I accept your judgement that it would be impracticable to make registration for the community charge a prerequisite for the provision of local authority services. I agree that we should instead encourage local authorities to check that those using local services are registered for the community charge, possibly backed up by some form of duty on the local authority or the registration officer to take all reasonable steps to maintain a comprehensive register. You and Malcolm Rifkind may take it that you have the authority of E(LF) to proceed on this basis.

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

Yours

The Rt Hon Nicholas Ridley MP
Secretary of State
Department of the Environment

LOCAL GOVT

LATES

PTJ

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

19 August 1986

Dear Willie

COMMUNITY CHARGE - WITHHOLDING SERVICES FROM THOSE NOT REGISTERED

Nicholas Ridley wrote to you on 29 July about the possibility of limiting access to the local authority services to those registered for the community charge. I have also seen Malcolm Rifkind's letter of 4 August and the one from Norman Tebbit's office of 5 August on the same subject.

I agree with Nicholas Ridley that, upon examination, the practical problems of the course suggested in E(LF) on 3 July make it too difficult to be worth pursuing. It could in any case only be applied to a limited number of services and we would run the risk that the community charge could be seen as a tax on those services alone rather than upon the whole spread of local authority activity. In extreme cases, individuals may choose to forego those services rather than pay the charge. There would also be presentational problems in defending what would be interpreted as a Draconian measure needed to make the community charge register work.

I very much prefer the system of checking to see if those using the services are actually on the register, which could be operated more simply and over a wider range of services. As long as the people who should be on the register are identified, it does not really matter whether this is done before or after they make use of any particular service. But I do not go along with Norman Tebbit's view that authorities should have a duty to check. It is in an authority's interests to act in such a way, since this would help to maximise the tax base from which some of its own income would be derived. Where an authority is not disposed to make checks on those using services the problem is more likely to be its general attitude to the function of the register, rather than a specific objection to making such checks; this may be better taken care of by giving them a more general fiduciary duty to take all reasonable steps to establish and maintain the register as comprehensively as possible.

I favour the 'season ticket' proposal to encourage people to register and think that this could perhaps be taken a stage further; it would be simple to operate an incentive scheme for registration whereby those who appear on the register for the first time received a booklet of vouchers allowing them a number of discounts, or even exemptions, on charges for local authority services such as leisure centres, car parks, bus services or concerts.

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

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

LOCAL GOVT: Rating Revaluation Pt 4

2762/6

CC BG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

NJM.

Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

8 August 1986

Dear Secretary of State,

Thank you for copying to me your letter of 29 July to Willie Whitelaw. I have also seen Malcolm Rifkind's letter of 4 August.

I am content with what you propose. Our aim is to get the community charge register as complete as possible. But at the same time we must have a system that is credible, operable and will not overburden local authorities with excessive administration. I am sure that your approach, of granting concessions and discounts to registered residents, and initiating a canvass whenever someone does not appear to be registered in some local authority, is the best way forward.

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

Yours sincerely,

Jim Rubbs

JOHN MacGREGOR

(Approved by the Chief Secretary and signed in his absence)

LOCAL GOVT. Rating PT4

CABINET OFFICE
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

5 August 1986

Brian Leonard Esq
Principal Private Secretary to the
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

Dear Brian,

COMMUNITY CHARGE - WITHHOLDING SERVICES FOR THOSE NOT REGISTERED

The Chancellor of the Duchy has seen a copy of your Secretary of State's letter of 29 July to the Lord President.

The Chancellor accepts that the difficulties associated with many services would make it impossible to frame a statutory provision that access to local authority services should be withheld from those not registered for the community charge.

The Chancellor would, however, agree with the Secretary of State for Scotland that access to local authority services can be a valuable aid to the enforcement of the community charge. The Chancellor therefore agrees that there is scope for using the register to provide easier, or cheaper, access to certain services for those registered and, conversely, to check the register when some services are used. Indeed, the Chancellor wonders whether the latter aspect may be backed up by a statutory duty upon authorities to take reasonable steps to ensure that those persons in receipt of their services on the basis of a residential qualification are also registered for a payment of the community charge.

I would be grateful if this could be considered.

I am sending a copy of this letter to the private secretaries to members of E(LF) and to Michael Stark (Cabinet Office).

Yours Sincerely

ANDREW LANSLEY
Private Secretary

LOCAL GOVT. Rating PT4

CC(86)

NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

4 August 1986

Dear Willie,

COMMUNITY CHARGE - WITHHOLDING SERVICES FROM THOSE NOT REGISTERED

Nicholas Ridley wrote to you on 29 July about the suggestion made at E(LF) on 3 July that access to local authority services might be limited to those registered for the community charge.

We have always envisaged that records of the use of local authority services would be a valuable source of information for checking and updating the register. The fact that such checks were made would, as suggested at E(LF), be an aid to enforcement. But I agree with Nicholas Ridley that to make registration for the community charge a prerequisite for the provision of local authority services would cause very serious practical problems as well as raising difficulties about emergency services or those which local authorities have a statutory duty to provide.

I am copying this letter Nicholas Ridley, other members of E(LF) and Sir Robert Armstrong.

Yours ever
Malcolm

MALCOLM RIFKIND

H0401203.076

Rating System: Local Gov A4.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

29 July 1986

Dear Willie

COMMUNITY CHARGE - WITHHOLDING SERVICES FROM THOSE NOT REGISTERED

E(LF) on 3 July touched on the possibility that access to local authority services might be limited to those registered for the community charge.

Such an approach has attractions as a way of discouraging people from attempting to avoid being registered for the community charge. But it would be extremely difficult to frame the legislation needed to give effect to it. To begin with, such a requirement could not include those services that are provided communally, such as parks, highways and refuse disposal. We would also need:

- to provide an exclusion for emergency services, such as police and fire, and for some social services like taking children into care;

- to make clear how this requirement related to the duty to provide certain services (like primary and secondary education);

- to decide what to do about services such as swimming pools, where a policy of refusing admission to those not registered would require names to be checked at the entrance against a copy of the community charge register, or the use of identity cards.

Even if we could overcome these difficulties their would still be the problem that some people wishing to use local services will quite legitimately not appear on the register there. They may be:

- people visiting a holiday area, or staying with friends or relatives, or working in an area like Westminster or the City; all these people will be registered elsewhere;

- people living in property liable for the collective community charge, who will be paying the community charge to their landlords with the rent, rather than being individually registered with the local authority.

This suggests to me that, rather than attempting to prevent those who are not registered from making use of local services, the emphasis should be on encouraging registration by making it known that, whenever use is made of local services, the community charge register may be checked and names will be added if they do not already appear there and it appears they should.

In some cases, especially where the service is a one-off (like putting someone on the waiting list for a council house, or applying for financial assistance of some kind) it may be possible to check the community charge register before the service is provided. In other cases, simply to prevent long queues developing, that checking will take place later. But the outcome will be the same: names and addresses will be checked against the community charge register and, subject to any further enquiries that may be needed (for example where someone claims to live in a property that is liable for the collective charge) and the proposed right of appeal, the authority would add to the register anyone whose name did not already appear and send them a community charge bill.

To back up this approach, we also need to encourage authorities to operate 'season ticket' schemes; and provide enabling powers if necessary. Such season tickets would give access, at reduced rates, to local facilities such as leisure centres or evening classes. They would be available free of charge from the authority to those who were registered for the community charge, or who could show that they lived in property liable for the collective charge.

Subject to colleagues' views, I would be grateful for your agreement that we should adopt the approach set out in this letter, rather than attempting to devise a scheme for withholding services from those not registered for the community charge.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

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Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
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01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

9 July 1986

CONFIDENTIAL

Dear John

NBPN

E(LF)86(1): OPERATION OF THE COMMUNITY CHARGE: TIED HOUSES

You copied to me your letter of 20 June to Malcolm Rifkind.

The philosophy of the Green Paper is that the community charge should apply to as many people as possible. Living in tied accommodation does not seem to me adequate grounds for a dispensation. I, therefore, agree with you that such tenants should be liable to pay the community charge.

Whether or not they should still receive some tax concession seems less clear cut. The present relief applies to the whole rates bill. It is, therefore, something rather more generous than just an acknowledgement of the above average costs arising from living in a particular property. It could be argued that this is as justified under the personal community charge as it was under the property-based rates. Moreover, there will still be additional costs arising from moves between areas - the clergyman who is transferred from rural Wales to London for example.

Perhaps the best approach would be to assume for the present there will not be any tax exemption but to leave open the possibility of reviewing this if the employers involved and/or their employees put forward a sufficiently strong case during consultation. Part of that case would, of course, involve demonstrating how the line could be held at exemptions from community charge for the existing beneficiaries and their spouses without spilling over to other people or other personal bills.

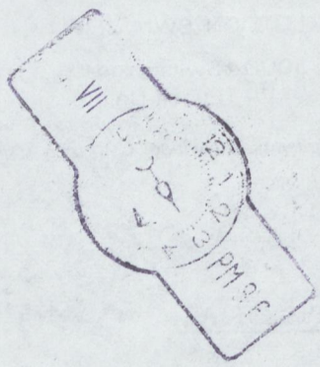
I am copying this letter to members of E(LF) and to Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Rating & LOCAL GOV A4



CCBS

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

LORD CHANCELLOR

RESTRICTED

HOUSE OF LORDS,
LONDON SW1A 0PW

3 July 1986

The Right Honourable
The Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

NBPM

My dear Willie:

Paying for Local Government

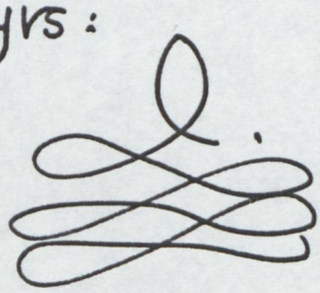
Since my letter of 1 July, to Malcolm Rifkind, I have seen Douglas Hurd's letter of 30 June to you.

As you know, my letter of 1 July was primarily concerned with potential pressures on and resource implications for the court service in England and Wales. Nevertheless, I very much agree with the points of principle Douglas makes. In particular, we would be open to severe criticism for allowing forgetfulness or incompetence to result in criminal records for large numbers of people who would not generally be thought to be morally culpable.

In my view the income tax and VAT model should therefore be carefully examined.

I copy to members of E(LF), the Attorney General and Sir Robert Armstrong.

yrs:

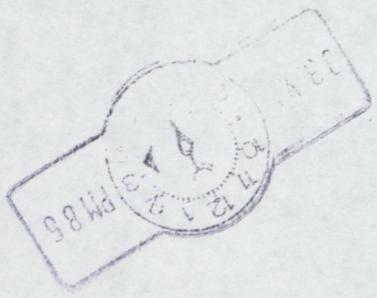


LORD HAILSHAM OF ST. MARYLEBONE CH, F.R.S, D.C.L.

LOCAL GOVT

RATES

PTY



FROM:
THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

LORD CHANCELLOR

HOUSE OF LORDS,
LONDON SW1A 0PW

CONFIDENTIAL

1 July 1986

The Right Honourable
The Secretary of State
for Scotland
Dover House
Whitehall
LONDON
SW1A 2AU

Dear Malcolm:

Paying for Local Government

I have seen your paper E(LF)(86)4. My departmental concern on this subject lies in the arrangements for definition of liability and subsequent enforcement. I raise the matter now, in advance of the meeting of E(LF) on 3 July, because eventual decisions about England and Wales will inevitably be influenced by those taken in relation to Scotland.

In my view it is important to limit as far as possible the impact on the courts of the sanctions supporting the obligations proposed. The potential volume of infringements is very great. A duty on individuals to register themselves or to ensure their own registration would cover the whole adult population. Alternatively, the number of "responsible persons" who might be obliged to provide information would itself be a high proportion of the total adult population. I bear in mind too that much will depend on the enforcement policies of local authorities, which are beyond direct control.

I assume that any new criminal offences would be triable only summarily. But even so the implications for the Crown Court of any large volume of appeals from the Magistrates would be serious even given the extra financial provision which I would undoubtedly require. In detail, much would turn on the precise nature of the offences and possible defences but I understand that Home Office and Department of the Environment officials are doubtful about the feasibility in England and Wales of the fixed criminal penalty system such as is proposed for Scotland and, I suggest a far greater degree of activity on enforcement must be expected than, for instance, with offences relating to electoral registration. My officials have not yet been supplied with any realistic assessment of the potential volume of appeals but such is the potential scale that I must for the moment draw to notice the implications for the Crown Court if we were pressed to adopt a similar approach to that proposed for Scotland.

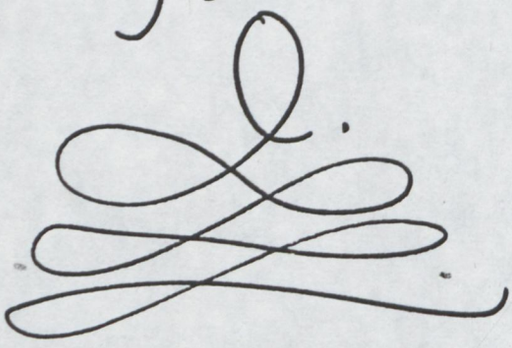
/On the alternative

On the alternative of civil sanctions, it would be similarly important to limit the impact of any appeals to the Lands Tribunal, if that were to be involved.

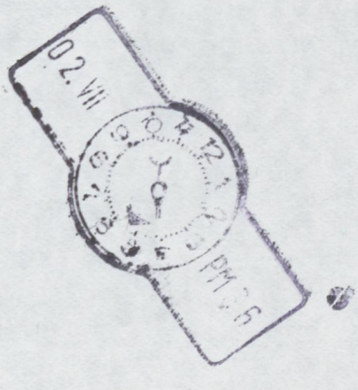
Whether sanctions were criminal or civil, there would also clearly be potential implications for legal aid as well as court service expenditure, for both of which I would need substantial additional provision when we came to pursue these matters in England and Wales.

I copy to other Members of E(LF) and to Sir Robert Armstrong.

yrs:



From: THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, CH. FRS. DCL



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CCPAG

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1

NBPN

20 June 1986

Dear Secretary of State,

E(LF)86(1) OPERATION OF THE COMMUNITY CHARGE: TIED HOUSES

There is one point that I was only able to mention briefly at our meeting of E(LF) yesterday morning, and on which I said I would contact you directly, in relation to paras 58 - 60 of the paper.

As explained there, where an employer provides his employee with accommodation and pays the rates these are normally a taxable benefit, liable to income tax in the hands of the employee just like his other remuneration. But there are some special exceptions to this, including certain cases where the employee is required by his employer to live in tied accommodation, and the question raised by E(LF)86(1) was whether this special treatment in respect of rates should carry over in comparable cases where the employer in future pays the community charge. As the paper noted, this is ultimately a question for the Chancellor to decide in the context of his overall responsibility for income tax.

Though at first blush the suggestion of special treatment might not seem unreasonable, there are strong tax policy arguments against it, since the community charge will be something quite different from rates.

The present special exemption from income tax on the benefit in the case of rates had been justified mainly on grounds of the need to protect employees who are required for the better performance of their duties to live on premises provided by their employer, and who might consequently be obliged to live in higher rated property than they themselves would otherwise have chosen. By definition, however, the community charge will be a "personal" liability, unrelated to the property, and these grounds for special treatment will cease to exist. I can see no justification for allowing certain groups favourable treatment for no other reason than that they got this in the past in respect of rates. It

would be unfair to those who did not benefit. And to exempt a small number of people on these grounds would undermine the accountability arguments for the community charge.

There is another worry, to do with setting awkward precedents. In the case of rates it is possible (just about) to hold the line at exemption for some employees, but not others. It would be that much more difficult to do this in the case of the community charge precisely because the charge will be more obviously a "personal" liability, unrelated either to the property or to any requirement of the employment. (The connection with the requirements of the employment would be all the more remote if relief extended to payment by the employer of the charge in respect of some or all members of the employee's household). If, therefore, employees were to be exempted in respect of one such obviously "personal" kind of liability, where this is met by his employer, the pressure would be that much greater - and that much more difficult to resist - similarly to exempt the benefit in all kinds of other situations where an employer might meet the pecuniary liability of his employee (e.g. paying his personal telephone bill). I therefore think we must reject this particular option.

An alternative - mentioned in the paper - might be to exempt the individuals concerned from the community charge itself in these cases. However, this would not be consistent with the need to keep the number of exemptions to the absolute minimum. I believe that the right way forward is to follow the logic of the community charge, as a personal tax, and to allow no relief to the individuals concerned in these cases.

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

Yours sincerely,

Jim Ruth

pp JOHN MacGREGOR

(Seen and approved by the Chief Secretary and signed in his absence)

P 02114

LORD PRESIDENT

SOCIAL SECURITY AND THE COMMUNITY CHARGE
[E(LF)(86) 2]

BACKGROUND

When the Sub-Committee discussed the Community Charge proposal last December, it was recognised that further consideration would have to be given to the relationship with the social security system. There were two particular issues. First, whether the social security review and the local government finance review would produce coherent results. In some respects it was clear they were pulling in different directions. For example, some individuals would lose under one and gain under the other, while others would either gain or lose under both. Second, it was recognised that with the extension of the community charge to a large number of people not at present paying rates, the case load and cost of the housing benefit rebate scheme would rise considerably with implications for the administrative burden on local authorities. It was because of awareness of these problems that the Cabinet Office pressed very strongly at the time for a more coordinated and synoptic examination of the two reforms.

2. The Social Service Secretary suggested avoiding the second problem by excluding the community charge from the scope of housing benefit, with a compensating flat rate addition to incomes support. DoE Ministers pointed out that the wide variation in the community charge between authorities might make this approach impossible. The relevant Ministers were asked to consider these issues further.

3. The Social Services Secretary has now circulated - very late - a Memorandum (E(LF)(86) 2) that does little more than wring hands and draw attention to the considerable turbulence which the various reforms will cause for local authorities and those on housing benefit, and seek a decison in principle on whether a rebate system broadly in its present form should be applied to the new community charge. He has also circulated a very detailed, and rather opaque, Report by Officials analysing the implications for expenditure and for household incomes of a number of possible options for adopting the present system.

MAIN ISSUES

4. The issues are complex, and there will certainly not be enough time to explore them all in detail at this meeting. Decisions on what broad approach to adopt can only be taken in the light of exemplifications of the effects on housing benefit workload, public expenditure, the PSBR, and on individuals disposable incomes. A realistic objective for tomorrow's discussion might be to secure from the Social Services Secretary, Environment Secretary and Chief Secretary, initial statements of their positions, and to commission for a meeting in a fortnight a note summarising the key options from the detailed note by officials, together with, if possible, specific recommendations from Mr Fowler and Mr Ridley on them.

Timing of Reforms

5. As Mr Fowler points out - and as was apparent from the start - there is a considerable period of turbulence ahead. Local authorities will be required to implement the social security reforms in April 1988, with a large reduction in case load, and then to introduce the community charge in Scotland in the following year, with potentially a large increase in case load - a potentially very embarrassing Duke of York exercise. Although

this situation is inherent in the decisions which the Cabinet took last winter, very great care and skill will have to be exercised in explaining and presenting it.

Social Security and the Community Charge

6. Ministers differ on whether the current rate rebate system should be applied to the community charge. Mr Fowler starts from the point that his review has, with difficulty, secured a reduction of 1.2 million in the case load and £350 million in the PSBR. (Rate rebates are regarded as income foregone, and therefore are not scored as public expenditure). Extending rebates to those paying the community charge will produce 1.5 million extra cases, and add £140 million to the PSBR. More fundamentally, rebates represent 22 per cent of local authorities' income from domestic rates and over one-third of rate payers receive rebates. The changes to the system provide an opportunity for the Government to disengage, making more people bear the consequences of local authorities' spending decisions. Although his paper does not state his position clearly, we understand that Mr Fowler would prefer if possible not to rebate the community charge, providing assistance for the poorest only through the basic incomes support scheme. (He indicated that this would be his preference in E(LF) when the Green Paper was being finalised, but the point was pursued then.)

7. Environment and Scottish Ministers on the other hand argue that if it is right to pay rebates in respect of rate bills at present, this should be carried over into the new system. It will be difficult enough to present the community charge, where a large number of adults (many of whom will have little or no income) will be required to pay a local tax for the first time. They argue that accountability can be retained by the 20 per cent requirement, but think it equitable that the remaining 80 per cent should be rebated. Increasing the level of basic income

support will only help those at the poverty line, leaving a large number just above with no assistance. Moreover, the variation of community charge between authorities is likely to be as great as the present variation in rates, and any scheme which reflects the average community charge in the basic national income support levels would be over-generous to those living in low spending authorities and the reverse to those in high spending areas. DoE and Scottish Ministers would therefore prefer to retain the exisiting system.

8. These are the extreme positions. There are a number of options open to the Government which are described in the report by officials: the level of basic income support; the rate of taper of the rebates for those above the IS levels; thresholds to disregard very small rebates; and the possibility of capping the amount of community charge eligible for rebate to one and a half times the national average. At this meeting it will not be possible to examine any of these in detail. But if you can persuade the Committee to decide on certain guiding principles, it will be possible to summarise the key effects of the relevant options for a subsequent meeting. The general principles are:

1. Whether the possibility of a scheme limiting support only to those on income support, and relying on national averages, is ever likely to be acceptable;

2. whether it is acceptable to limit the size of community charge the Government is prepared to rebate?

Timing

9. On timing, the Social Services Secretary argues for no public statement to be made while the Social Security Bill is before Parliament (ie since the Lords third reading is 22 July not before the summer recess). The Scottish Secretary will wish to

explain his difficulty in completing consultation by 31 July in the absence of a clear policy on this point. The Chief Secretary will be anxious to avoid hasty commitments in Scotland that could prove very expensive in England and Wales, and he will certainly ask for more time to think. One possible compromise would be to label any decisions taken for Scotland as explicitly interim measures, pending decisions in the wider GB context.

HANDLING

10. You will wish to ask the Social Services Secretary to introduce the discussion, and the Environment Secretary, Scottish Secretary, Welsh Secretary and Chief Secretary, to state their positions.

DECISIONS

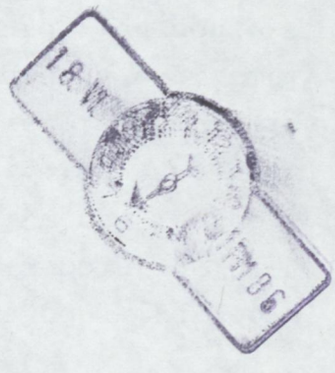
11. Subject to the discussion, you may wish to invite the Social Services and Environment Secretaries, in consultation with the Chief Secretary and the Territorial Ministers, to circulate a paper for a meeting in, say, two week's time which:-

(a) summarises the relevant options from the report by officials;

(b) contains their specific joint or several recommendations on the way ahead.

J B UNWIN

18 June 1986
Cabinet Office



Mr Norgrove

You may like to see - I mentioned this to you this morning.

CONFIDENTIAL

P 02112

LORD PRESIDENT

18/VI/86.

E(LF)(86) 1st Meeting

There are two items for this meeting. The first concerns a number of practical issues about the introduction of the Community Charge. The Scottish Secretary needs decisions now in order to send instructions to Counsel by the end of June for the Bill for the next Session. We have placed it first on the Agenda so that the Committee can make the necessary decisions: the Social Services Secretary's paper raises more important issues, but if that were first it would risk crowding out the Scottish Secretary's paper.

2. The second item is much more difficult. It concerns the interaction of the Social Security System and the proposed Community Charge. It raises belatedly and not very helpfully some fundamental issues which require very careful consideration. It seems astonishing that, despite all the pressure from the Cabinet Office and others last autumn, these issues have not been further progressed before now. To add insult to injury, Mr Fowler's paper was available only on Tuesday lunchtime and Ministers will not have had long to reach a view on it. (We considered recommending to you that the item should be struck off the agenda as the 48 hour rule has been breached, but in this case it is the Scottish Office who are pressing for an early decision, and we suspect that DHSS would be content to defer the item for as long as possible.) My very firm advice is that, given the importance and unsatisfactory nature of this paper, further and more constructive work will be necessary before final decisions can be taken. This meeting, however, might provide an opportunity for Ministers to define their initial positions and perhaps narrow the options a bit.

J B UNWIN

18 June 1986
Cabinet Office

CONFIDENTIAL

P 02113

LORD PRESIDENT

INTRODUCTION OF THE COMMUNITY CHARGE
(E(LF)(86)1)

BACKGROUND

The Cabinet agreed in January that legislation should be introduced in the next Parliamentary session to replace domestic rates in Scotland with a community charge. The Committee must now give policy approval for the detailed proposals on how the charge is to operate so that the Scottish Office may send instructions to Counsel by the end of June.

MAIN ISSUES

2. A large number of issues have been agreed between the officials of interested Departments (Scottish Office, DOE, Treasury, Welsh Office, Home Office). These are set out in paragraph 7 of the Scottish Secretary's memorandum. There are, however, four issues on which the Sub-Committee must reach decisions:-

First registration of 18 year olds (paragraph 9 of the memorandum)

The framework of duties and offences (paragraphs 10-13)

Second homes (paragraphs 12-13)

Relief from the community charge (paragraph 14).

Compatibility between Scotland and the Rest of Great Britain

3. The legislation in due course to implement the Community Charge in England and Wales need not be identical for Scotland. But in practice the scope for variation will not be that large, and is probably limited to differences reflecting the different local government and legal systems. It is therefore important that the Scottish Secretary is not allowed to set any precedents which would be unacceptable south of the border.

General arrangements

4. The general arrangements described in paragraph 7 of the memorandum are very much in line with what the Committee had in mind when debating the Community Charge last autumn. Local authorities will be responsible for maintaining a register of local residents liable to pay the charge. They will draw this up from returns from households, and other local information. For cases where individual registration will not be appropriate - for example some hostels - there will be a collective Community Charge, based either on a notional standard occupancy or on actual occupancy levels. Second homes which are nobody's sole or main residence would be subject to a standard charge, the size of which has not yet been agreed. These arrangements follow naturally from the decision to introduce a locally-based commun
ity charge, and there should be little difficulty in endorsing the Scottish Secretary's proposals.

First registration of 18 year olds (paragraph 9)

5. The Green Paper suggested that adults should pay the charge from the start of the financial year following their 18th birthday (or 19 for those in full time education still in receipt of child benefit). The local authority associations have suggested that it would be simpler for liability to begin on the 18th birthday (or when leaving school if that is later). This is not an important issue in itself, but the Bill will have to be explicit and there must be consistency throughout Great Britain. DOE officials

favour sticking with the original proposals (because it avoids a number of problems over people who leave school and return to sit exams after their 18th birthday, or would be required to pay the charge for a relatively short period at home before moving to university). The Scottish Office support the view of the local authority associations.

The Framework of Duties and Offences (paragraphs 10 and 11)

6. The Scottish Secretary proposes that there should be no duty on individuals to register themselves, and no sanction for non-registration. The only duty would be on "heads of households" to respond to an annual canvass and to notify changes occurring during the year. At first sight it seems surprising that there should be no duty on individuals. The arguments advanced against it are that the duty would be easy to avoid, if backed up by sanctions would be unduly onerous, and would put at risk to sanctions those incapable of taking responsibility for their own registration. Nevertheless the lack of an individual responsibility gives the impression of a "voluntary" tax, with every encouragement for people to evade payment. The Treasury are likely to oppose the Scottish Secretary's proposal.

7. On the mode of enforcement, the Scottish Secretary proposes criminal sanctions with fines and fixed penalties. The Home Secretary, however, is being briefed to propose that civil procedures might be adequate and should be further explored. The Home Office are anxious about bringing very large numbers of people into the net of the criminal law.

Second Homes (Paragraphs 12 and 13)

8. The Green paper suggested that there should be a standard charge of 2 units of community charge on second homes, which was regarded as broadly equivalent to the present burden of rates. DOE and the Scottish Office now propose that the charge should be set at 1 unit, since most second homes are of below average rateable value and because setting the charge at 2 units would

encourage avoidance. The Welsh Office, reflecting the particular sensitivity over second homes in the province, wish to maintain the original proposal. In steering the discussion you may wish to ask for information on the reactions so far to the Green paper proposal. If opposition has been muted, there seems no good reason to drop it.

Reliefs on the Community Charge (Paragraph 14)

9. Present rating law allows reliefs for certain categories, including alms houses, vicarages, certain other charitable exemptions,and those living in tied houses (eg policemen) do not pay tax on the benefit if their employer pays the rates. The present situation is complex and anomalous. There is an argument for abolishing all reliefs under the new system, on the grounds that the community charge is a personal rather than a property tax, and that the social security system will protect those who cannot bear the full cost. The Scottish Secretary foresees strong pressure, however, from the various interests involved, particularly from public sector groups such as the policy and prison officers who live in tied houses. He therefore seeks authority for his officials to undertake informal consultations to establish the main areas of difficulty for further consideration later. Treasury Ministers are likely to oppose any significant new reliefs, on the grounds that the tax base should be as widely drawn and with as few anomalies as possible. It would seem a pity to resile from the earlier objective.

HANDLING

10. You will wish to invite the Scottish Secretary to introduce his proposals and then to deal in turn with each of the issues for decision. You will wish to invite the Environment Secretary, the Home Secretary, the Welsh Secretary, and the Chief Secretary to comment on each.

DECISIONS

11. In summary, you will wish to reach decisions:-

1. To agree the proposals summarised in paragraph 61 of the report by officials attached to the Scottish Secretary's paper.

2. To resolve each of the 4 points for decision listed above and summarised in paragraph 62 of the report by officials.

3. To invite officials to consider further the detailed issues for further consideration summarised in paragraphs 63 and 64 of the report by officials.

J B UNWIN

18 June 1986
Cabinet Office

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

18 June 1986

Prime Minister

18/6.

Dear Nick

GREEN PAPER "PAYING FOR LOCAL GOVERNMENT"

Since E(LF) is to meet later this week to consider some aspects of our proposals for rating reform you will be interested to see beforehand the enclosed letter I have received from the Director of the CBI Wales in support of our proposals. This is the first major response I have received in Wales and it is encouraging to see that they are behind us. You will note, too, that the CBI Wales are firmly against a discretionary element for local authorities in non-domestic rates and would prefer some safeguards to be built into the existing system to prevent large tactical rises in non-domestic rates before the new system comes in. These are very real concerns which we will need to give some thought to in due course.

I am copying this letter to the Prime Minister and other members of E(LF).

Yours ever

Nick

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

Prudential Assurance House
Greyfriars Road
Cardiff CF1 3JR
Telephone 0222 32536
Telex 497843 (CBICAR-G)

Director Welsh Office
Ian Kelsall OBE

CBI INDUSTRY YEAR 1986

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Cathays Park
CARDIFF
CF1 3NQ

IMK/SJB

16 June 1986

Mr C L Jones

SOS reply

GREEN PAPER "PAYING FOR LOCAL GOVERNMENT"

I write so as to confirm the report which was given to you at the CBI Welsh Council meeting on Friday last regarding the view of the Council on the Green Paper.

Revaluation

The Council recognised that there must be a revaluation and, indeed, supported revaluation on a regular quinquennial basis. There was, however, real concern about what happened in Scotland and about the possible effects on some industries, particularly those which are capital intensive. I should add that members of the sub-committee which reported to the Council were worried about the proposal that newer properties will face a disproportionately heavy burden. This may lead some companies to consider the renovation of existing premises rather than building new factories and this could have implications for future efficiency as well as for the building industry and related professions.

Non-domestic Rates

Although some concern has been expressed that another Administration might be able to mis-use a centrally decided Uniform Business Rate, a considerable majority of members who have been consulted at several meetings in Wales have supported the concept and this was the decision of the Welsh Council also.

There is, however, total opposition to the proposed discretionary element which our members considered to be unnecessary to ensure continuing liaison between local authorities and the business community.

WELSH OFFICE
16 JUN 1986
CARDIFF

CBI Wales feels that there must be safeguards to ensure that local authorities do not introduce massive rate increases during the transitional period before the introduction of a Uniform Business Rate. The imposition of a ceiling for non-domestic rates would meet that requirement.

The Community Charge

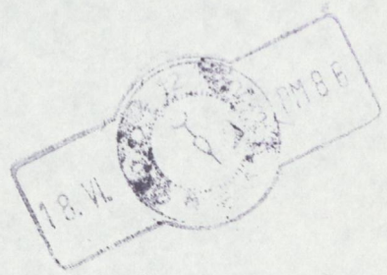
There was a substantial majority in favour of the proposed Community Charge on the grounds detailed in paragraph 18 of the summary of the Green Paper, namely that the charge would be better related than are rates to the use made of local services and since local accountability would be greatly increased.

Central Finance and Control of Education

Overall the Council did not support this concept.

In conclusion, may I say how much we have appreciated the assistance given to us during our deliberations by Welsh Office staff, in particular by Mr Colin Jones and Mr David Pritchard.

Ian Kelsall
Director CBI Wales



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU391
Secretary of State for Trade and Industry

30 May 1986

RESTRICTED

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland
Scottish Office
Whitehall
London SW1A 2AU

NBPM.

Dear Malcolm.

"PAYING FOR LOCAL GOVERNMENT": 1986/87 SCOTTISH LEGISLATION

Thank you for copying to me your letter of 8 May to Willie Whitelaw, inviting comments on your proposals for grant arrangements and non-domestic rates.

I have seen a copy of Kenneth Baker's response of 21 May and I very much agree with the points he made.

I am copying this letter to the recipients of yours.

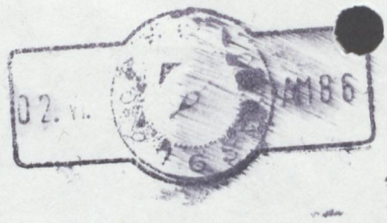
Yours,

PAUL CHANNON

Paul

999-1

LOCAL GOVT Rating PTY.



papers please.

Prime Minister

Agree to write as proposed?

DRN 2/6.

22 May 1986

Too soon - prefer discussions first MT

MR NORGROVE

PAYING FOR LOCAL GOVERNMENT: 1986-87 SCOTTISH LEGISLATION

Malcolm Rifkind and the DoE are corresponding about the arrangements for grants and non-domestic rates in the Scottish legislation.

The DoE letter makes three points.

Capping non-domestic poundages for an indefinite period

We are planning to move to a non-domestic rate uniform across the whole of Great Britain. Scottish non-domestic rates tend to be higher than in England. The Scots therefore need to work out a way of financing a reduction in their non-domestic rates without getting subsidies from English taxpayers or ratepayers. This is a tricky task, and the DoE are afraid that the Scots will shirk it and never get beyond the interim solution of capping the non-domestic rates.

Capping non-domestic rates is fine as a temporary measure: it does ensure that variations in spending will fall on the community charge. But the Prime Minister might want to back the DoE in pressing the Scots to think carefully about what comes after it.

Local authority responsibility for collecting non-domestic rates

It would be very odd if local authorities ceased to be responsible for collecting non-domestic rates. We don't want central government to get into this game. The DoE are right to be worried. I recommend the Prime Minister back them.

Can authorities levy less than the poundage set?

This is an interesting possibility. Imagine that a prudent council is elected in place of a spendthrift one. They cut their expenditure so much that they can lower the non-domestic poundage to below what is required for the central pool and meet the balance from their low-rated householders. They can thus encourage business into their area. This is attractive, and the DoE are wrong to want to rule it out.

Their worry is that a new spendthrift council can increase their spending without increasing the community charge if they have headroom on the non-domestic rate. This problem can be met by a requirement that non-domestic poundages should not be increased suddenly by more than the rate of inflation. I recommend that the Prime Minister propose this compromise so that local authorities remain free to levy less than the set non-domestic poundage.

David Willetts

DAVID WILLETTS

LOCAL GOVT

RATES

PTY

cc BS

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

CF
Pse ask Ponag Unit if any comments.

21 May 1986

Dear Malcolm,

PAYING FOR LOCAL GOVERNMENT: 1986/87 SCOTTISH LEGISLATION

Thank you for copying to me your letter of 8 May to Willie Whitelaw, with which you enclosed a paper setting out your proposals for grant and non-domestic rates. I have no comments on your grant proposals, but three on your proposals for non-domestic rates.

While I understand your wish to move to a GB poundage and harmonize the valuation system, I must continue to reserve my position at this stage about the implications for England. When this subject was discussed by E(LF) on 19 December, the conclusion was that "there was a strong view that the existing financial balance between Scotland, England and Wales should not be disturbed".

Rather than introduce a uniform poundage, the CBI in England are arguing for permanent capping on non-domestic poundages. Unless it is presented very carefully, an announcement that you intend to do just that for an unspecified, but perhaps lengthy, period will cause people to doubt our commitment to uniform poundages. If the harmonization of valuation systems north and south of the Border is to be the public reason for the interim position in Scotland, we should be making efforts to identify what changes are needed to existing practices, and how those changes could be achieved. Ideally, we should consider whether anything could be done in the run-up to the 1990 re-valuation.

The arrangements you describe in paragraph 4 of your note for sharing out non-domestic rating capital will have broadly the same practical effect as those set out in the initial Green Paper, although the presentation of what is happening will be more difficult. I have two worries, however. First, you imply that once non-domestic rate income is centrally pooled, local authorities must cease to be responsible for collecting it. That would mean central government setting up separate collection arrangements, with all that entails. I would certainly not want to go down that path for England.

Secondly, you seem to envisage authorities being able to levy less than the poundage set. Variations in the extent to which authorities make use of this facility from year to year would undermine the link between changes in spending and changes in the

level of charge. I also wonder whether in setting the poundage to be levied by authorities, it might be better to start to narrow the gap between the high rated and low rated areas by expressing the annual increase in rate as a flat rate poundage amount, rather than a percentage of the previous year's rate.

Our officials are already working closely together. I suggest that they should also take on board the points in this letter.

I am copying this to Willie Whitelaw, to members of E(LF), to Kenny Cameron and to Sir Robert Armstrong.

Yours ever Kenneth.

KENNETH BAKER

The Rt Hon Malcolm Rifkind MP

LOCAL GOVT: Rating revaluation: Pt 4

CC BC

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

14 May 1986

NSP7

Dear Malcolm

RATES REFORM

In your letter of 8 May to Willie Whitelaw you invite colleagues to comment on your draft E(LF) paper summarising the proposed arrangements for grant and non-domestic rate income in Scotland.

In general I believe that what you propose is fine. However, there are two aspects which I think it would be useful for officials to discuss prior to issuing detailed instructions to draughtsmen.

First, there is the implication in paragraph 4 of your paper that when a uniform non-domestic poundage is introduced the actual collection of non-domestic rates will be taken out of local authorities' hands. This is not my understanding of what is proposed in the Green Paper - see, for example, paragraph 2.35 of the Green Paper - and any such arrangement would present considerable administrative and presentational difficulties for us.

Secondly, the idea of allowing for a measure of resource equalisation during the interim period, combined with the use of existing powers to safety net grant, appears to be slightly at odds with Green Paper thinking. I would have thought that exactly the same result could be achieved by deploying just one safety net - as suggested in the Green Paper - covering not only the changes flowing from the capping of business rates, but also shifts in grant. The advantage of an all-embracing safety net of this sort is that it is easier to understand and more perceptible.

Finally, while we all agree that at some stage a Great Britain-wide non-domestic rate poundage would be desirable, the Green Paper deliberately does not quote a target date for this. It is, therefore, quite possible

/that in the ...

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

that in the early years of the new system there will be a separate uniform non-domestic rate poundage in each country. However, the absence of a target date for harmonisation of the business rate throughout Great Britain should not, of course, affect the drafting of your Bill.

/ Copies of this letter go to Members of E(LF), Kenny Cameron and to Sir Robert Armstrong.

ORN

Please see SS. Scotland to LPC of 8.5.86 - at the top of the file.

David Willetts verbal comment is as follows

"It is entirely consistent with the Green Paper proposals and therefore should cause no problems for the Prime Minister"

Amanda
13.5.86

020

Cg 85

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

BF

B/F 13/5.
Any comments from D. Willetts?

RESTRICTED

The Rt Hon Lord Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

8 May 1986

PU advise that this is entirely consistent with the Green Paper proposals.
NBPR DRN 13/5.

Dear Willie,

For the meeting of E(LF) that was proposed for 13 May I had it in mind to circulate a paper relating to the financial framework of my legislative proposals, with particular reference to grants and non-domestic rates. I understand that since Norman Fowler's paper which was also to be on the agenda is not ready you are unwilling to convene a meeting on 13 May. I quite understand your thinking.

It is however of importance that if the timetable for the preparation of instructions to the draftsman is not to be put at risk I can be quite clear without much more ado that colleagues are content with what I have in mind in these respects. I therefore attach a draft of my E(LF) paper and should be grateful if colleagues would let me have by 15 May any comments which they wish to make.

Copies of this letter go to members of E(LF) to Kenny Cameron and to Sir Robert Armstrong.

Yours ever,

Malcolm

MALCOLM RIFKIND

HMP12807

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

LOCAL GOVERNMENT FINANCE STUDIES: SCOTLAND: PROPOSED GRANT ARRANGEMENTS

Memorandum by the Secretary of State for Scotland

1. This paper deals with the changes to the grant distribution arrangements needed with the introduction of a community charge in Scotland. The arrangements described are interim in the sense that they deal with the period during which non-domestic rates have been frozen and their further increase linked to the rate of inflation. They do not deal with the full implementation of the Green Paper proposals which involve a centrally set non-domestic rate poundage, accruing centrally. The proposals described in this paper elaborate the arrangements outlined in the Scottish chapter of the Green Paper. (A subsequent paper will deal with issues affecting the community charge itself.)

Specific Grants

2. At present Scottish local authorities receive central government support in the form of specific grants and rate support grant. Specific grants represent 12% of total grant (about half the English proportion). Four specific grants have just been abolished following a review. Specific grants will continue within the criteria set out in the Green Paper and subject to further review.

Revenue Support Grant

3. Rate support grant is at present distributed in three elements: needs element, resources element and domestic element. It is proposed that rate support grant should be replaced by a single revenue support grant which would contain, in line with the Green Paper, a needs equalisation element and a standard per capita element. The needs of local authorities would be equalised on the basis of the assessments of expenditure need which at present form the basis of the distribution of the needs element of rate support grant. An attempt would be made to simplify the assessments in advance of the change in order to make them more comprehensible. In each tier the equalisation of need would be carried out

by compensating every authority with an amount equal to the difference between its expenditure need per adult and that of the authority with the lowest expenditure need per adult. This amount would constitute the needs element of the new revenue support grant. The remainder of the grant would be distributed on a per capita basis. This would be the standard element of the grant. It is proposed that, as under existing Scottish legislation relating to rate support grants, the amount of the revenue support grants payable to local authorities should be prescribed in an order which would be laid before the House of Commons for affirmative resolution, together with a report setting out the considerations upon which the amount of the grant, including its two elements, is based, although those considerations would not be specified in the primary legislation.

Non-domestic rate income

4. As described in para 8.31 of the Green Paper, during the interim period non-domestic rates would be frozen and index linked to inflation. Not until there was a common basis of valuation and a common non-domestic rate poundage throughout Great Britain, would the non-domestic rates be pooled centrally. Until that time non-domestic rates would continue to be collected by the local authorities as being obviously the most economic solution given the existing rate collecting machinery. The authorities would also remain responsible for setting the rate within the maximum figure set by the Government each year. There would thus continue to be variations in the rating resources available to authorities and resource equalisation would in this interim period continue to be necessary. This would be achieved by taking non-domestic rate income into account in calculating entitlement of each authority to revenue support grant. This would be done by subtracting from the needs assessment an estimate of non-domestic rate income, before equalising needs in the way described in para 3 above. In making this calculation on an estimate of non-domestic rates based on full collection, authorities will have an incentive to collect non-domestic rates efficiently. Annex A shows how the grant calculations described would be carried out. Special arrangements would, as indicated in the Green Paper, be needed for Orkney and Shetland, but there are precedents for these.

Safety Netting

5. Changes of the scale involved are bound to mean significant movements of grant and it will be necessary to have safety netting arrangements (para 8.38 of the Green Paper). There are already arrangements within the present grant

distribution arrangements for rate support grant designed to prevent excessive swings in grant from one year to another. In recent years these arrangements have been necessary to manage the phasing in of the client group method of rate support grant distribution. The present arrangements derive from the Secretary of State's general power to prescribe rate support grant and are described fully in the Report on the Rate Support Grant Order. The arrangements are not based on a specific statutory power to safety net. This present arrangement allows the maximum flexibility and is satisfactory to the local authorities. It is proposed that safety netting should continue on this basis for revenue support grant. In the base year, the effect would be to ensure that in relation to the change in the method of financing local government the total claim on domestic taxpayers was unchanged from the preceding year, if spending remained constant. Thereafter the aim would be to contain yearly movements in grant within acceptable limits while remaining able to react flexibly to the significant changes which may come about and which may at this stage be difficult to predict.

Selective Action

6. The Secretary of State has at present a power to take action to reduce the rate of any local authority planning "excessive and unreasonable" expenditure. The Green Paper (para 8.41) envisages this continuing with the reduction being made in the community charge instead of the rate. It is proposed that a similar procedure should be followed, including approval of the House of Commons before a reduction is made in the community charge.

Conclusion

7. The Committee are invited to agree to the detailed proposals described. They are consistent with the Green Paper and in line with existing Scottish legislation on this subject, which is much less detailed than the English. In particular the Committee are invited to agree to:

i. a single revenue support grant with a needs element and a per capita element

ii. the retention of non-domestic rates by local authorities in the interim period prior to a uniform Great Britain non-domestic rate poundage

iii. an adjustment to the revenue support grant to take account of the variation in resources during this interim period

iv. safety netting to take account of changes in grant during the transition to the new arrangements

v. the continuation of selective action in cases of excessive and unreasonable expenditure leading to a reduction in the community charge.

ANNEX A

EXAMPLE OF GRANT CALCULATION PROPOSED FOR INTERIM PERIOD FOR AN IMAGINARY SCOTTISH REGION WITH ADULT POPULATION 200,000

1.	Assessment of Expenditure Need	£150 million
2.	Assumed non-domestic rate income	£50 million
3.	Resource equalisation by subtraction of non-domestic rate income from assessment of expenditure need to produce needs net of non-domestic rates (1 - 2)	£100 million
4.	Needs per adult (3 ÷ 0.2)	£500
5.	Needs per adult of lowest region	£400
6.	Needs equalisation by multiplying difference between imaginary region and lowest region by adult population. Needs grant of imaginary region = (4 - 5) x population or (£500 - £400) x 200,000	£20 million
7.	Standard grant of all regions £300 per adult multiplied by adult population of region	£60 million
8.	Total revenue support grant entitlement Needs element plus standard element (6 + 7) or £20 million plus £60 million	£80 million

The safety net is not included in this calculation since it will depend on a number of factors in particular the grant received by the authority in the preceeding year.

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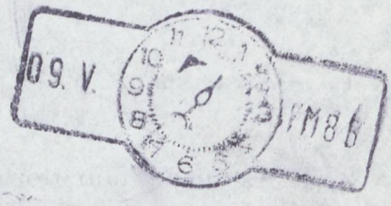
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1986

5/3/86

HOUSE OF COMMONS

Mr David Sumberg (Con - Bury South):

161 To ask the Secretary of State for the Environment, whether he is yet in a position to give further guidance to local authorities about the recycling of rate support grant 1986-87 as a result of the latest information on local authority budgets.

MR KENNETH BAKER

In the debate on the RSG Settlement in January I provided the House with purely illustrative tables showing the additional grant each authority in England could receive if £400 million of grant was available to be recycled in 1986/87.

On the evidence now available to me about local authority budgets in 1986/87, I am satisfied that there will be a grant underclaim of at least £500 million. I am willing to guarantee that authorities in receipt of grant at budgeted expenditure will receive at least the sums of grant shown in the following table, in addition to their entitlement under the rate support grant settlement, as a result of grant recycling. All prudent authorities will wish to take this into account in reaching their decisions on budgets and rates for 1986/87. I have written to the local authority associations giving them this information.

Wednesday 5 March 1986
Department of the Environment

1594/85/86
(15)

5/3/86

HOUSE OF COMMONS

Mr David Sumberg (Con - Bury South):

161 To ask the Secretary of State for the Environment, whether he is yet in a position to give further guidance to local authorities about the recycling of rate support grant 1986-87 as a result of the latest information on local authority budgets.

MR KENNETH BAKER

In the debate on the RSG Settlement in January I provided the House with purely illustrative tables showing the additional grant each authority in England could receive if £400 million of grant was available to be recycled in 1986/87.

On the evidence now available to me about local authority budgets in 1986/87, I am satisfied that there will be a grant underclaim of at least £500 million. I am willing to guarantee that authorities in receipt of grant at budgeted expenditure will receive at least the sums of grant shown in the following table, in addition to their entitlement under the rate support grant settlement, as a result of grant recycling. All prudent authorities will wish to take this into account in reaching their decisions on budgets and rates for 1986/87. I have written to the local authority associations giving them this information.

Wednesday 5 March 1986
Department of the Environment

1594/85/86
(15)

5/3/86. cc TJ DN PRESS PLI PIC

GRANT RECYCLING

With permission Mr Speaker I shall make a statement.

The House will be pleased to know that my Rt Hon Friend the Secretary of State for the Environment was yesterday able to tell the Local Authority Associations he could guarantee that £500 million of grant would be available to be recycled in 1986/87 and that authorities would be able to take this into account in fixing lower precepts and rates.

As the House will recall in the RSG debate on 20 January My Rt Hon Friend explained that if local authorities budget to spend more next year than we allowed for in the RSG Settlement, the grant forfeited by overspenders would go into a pool which would then be recycled to all authorities. He illustrated the grant gains to authorities if the pool were to be £400 million. Those figures could only be illustrative at that stage, because they depend on authorities' budget decisions.

This week, in the light of the latest figures available, we are now in a position to go much firmer than that. It is clear that the pool of grant to be recycled is going to some £500 million. That means the grant gains will be bigger than those illustrated in January and that authorities will get more grant than they have assumed. Moreover, to avoid all doubts, the Government is prepared formally to guarantee that £500 million of grant will be recycled. My Department has written to all authorities telling them the amount of extra grant they will receive from that amount of recycling, in addition to their grant entitlement under the RSG Settlement announced in December. I am placing a copy of the table in the Library.

Councils will now know the size of their grant entitlement more clearly and this will allow them to make a lower call on their ratepayers. Where the rate making has not been completed, I hope that hon Members will urge their local authorities to revise their rating plans in the light of these figures.

My Rt Hon Friend wrote to the Local Authorities Associations as soon as he was in a position to confirm the level of recycled grant that would be available. Local authorities are now making their raing and precepting decisions and it was essential to provide them with this information immediately. I am sure that all Hon Members will agree that rate increases should be no higher than absolutely necessary.

Subject
" Master

CONFIDENTIAL

DA

DCAABI

cc David Willetts

10 DOWNING STREET

From the Principal Private Secretary

4 March 1986

Dear Robin,

RATES

The Prime Minister held a meeting yesterday to consider the notes that had been prepared on the correspondence she had received about prospective rate increases in the metropolitan districts of Wirral, Sefton and Bury. The Lord President, the Secretary of State for the Environment, the Secretary of State for Transport, the Chief Secretary, Treasury, the Chief Whip, the Minister of State, Home Office (Mr. Shaw), the Minister of State, Department of the Environment (Mr. Waldegrave) attended. Mr. F.E.R. Butler and Mr. A.C.S. Allan (Treasury), Mr. C.J.S. Brearly (Department of the Environment), Mr. K. Sheehan (Home Office), Miss C. Egerton (Department of Transport) and Mr. A.J. Langdon (Cabinet Office) were also present.

The Prime Minister said that she was most grateful for all the work that had been done at short notice to devise options for action since the preliminary meeting that she had held on the previous Friday. Many of the options would doubtless need to be swiftly discarded, but she was very glad that such a wide range of possibilities had been explored.

The Prime Minister asked whether there were any special factors at work in the areas under dicussion. She had been particularly struck by the size of the rate increase proposed at Bury, and by the impression given by the letter from the Leader of the Council there that well-motivated members of the Council had become demoralised by the working of the rate support grant system. Your Secretary of State explained that, while the strength of feeling in the three boroughs was not to be doubted, there were no very unusual features about the demands on the services for which they were responsible. Their spending plans, and the rate increases that would flow from them, were illustrative of local authorities throughout the country. Some authorities, of which Leicester and Nottingham were examples, were

SRW

proposing rate increases that would be substantially higher even than Bury. Leicester was just about to emerge from having been rate-capped. The statutory machinery for rate-capping involved a complex series of procedures, and hence a lead-time of several months; it was not possible to take short cuts with this machinery so as to impose rate-caps on authorities late in the day and without having gone through the preparatory steps. That was true whether or not an authority had previously been subject to a rate-cap.

The Prime Minister said that she reluctantly accepted that the deployment of rate-capping powers was limited in the way that had been described. Government supporters, however, would show fierce resentment if the Government did not take effective action to protect them from the effects of unreasonable local authority spending.

Whatever shape the 1987-88 Rate Support Grant Settlement took (and the meeting noted that decisions would be needed in the summer on the level of Aggregate Exchequer Grant) it was essential that a more flexible and effective rate-capping machinery should be devised as a matter of urgency. What was needed was a restraint that could if necessary be applied to unco-operative authorities for a number of years. The need for effective restraining machinery was not confined to the short term: it was vital that the reformed local government finance system being developed under the Green Paper proposals should embody clear and effective arrangements to enable the community charge to be capped.

Turning to the options that had been identified for relieving the situation in Wirral, Sefton and Bury, the meeting agreed that the most promising possibilities were allowing residuary bodies to use capital receipts and guaranteeing that a specified amount of block grant would be recycled. The options of allowing secession from Transport Joint Boards and providing 100% grant for highway projects were specifically discussed and decided against.

Your Secretary of State assured the meeting that allowing residuary bodies to use capital receipts and to borrow to spread the cost of redundancy compensation, after taking account of balances, would not attract any of the problems of double-counting that had become apparent in the capital control system. A dispensation on those lines could be worth about 3p rate in Wirral and Sefton, but would not affect Bury. The more substantial option was to guarantee now - before local authorities finalised their budgets - the amount of block grant money that would be recycled in 1986-87 under the arrangements that were now replacing holdback. He had already mentioned a figure of £400 million recycled money in Parliament, but in his view it would be

perfectly safe to guarantee £500 million. Some authorities (including Wirral and Sefton) would have made some allowance for recycled money, but a guarantee at this stage would be the most significant action the Government could be seen to be taking at short notice to influence local authorities to keep their budgets low.

Summing up, the Prime Minister said that she agreed that your Secretary of State should proceed forthwith to announce both the authorisation of residuary bodies using capital receipts and borrowing to spread the cost of redundancy compensation, and the guarantee of recycled block grant money. The amount to be guaranteed should be not less than £400 million and could be £500 million if the Chief Secretary, Treasury agreed. It was important that the Government should get the maximum effect from these announcements and your Secretary of State should discuss the handling with the Chief Whip.

Finally, the Prime Minister emphasised again that work should be put in hand to improve the effectiveness of rate-capping machinery in the short term, even if that involved legislation, and to ensure that there were effective arrangements similarly to limit unreasonable local authority charging under the reformed local government finance system proposed in the recent Green Paper.

I am sending copies of this to Joan MacNaughton (Lord President's Office), Stephen Boys Smith (Home Office), Richard Broadbent (Chief Secretary's Office, Treasury), Richard Allan (Department of Transport), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

Nigel Wicks

(N.L. WICKS)

Robin Young, Esq.,
Department of the Environment.

Covering CONFIDENTIAL

NIGEL WICKS

I attach a note of yesterday's rates meeting, in the form of a draft letter for you to send to Robin Young.

A J LANGDON

CABINET OFFICE

4 March 1986

CONFIDENTIAL

To Robin Young

DRAFT

Rates

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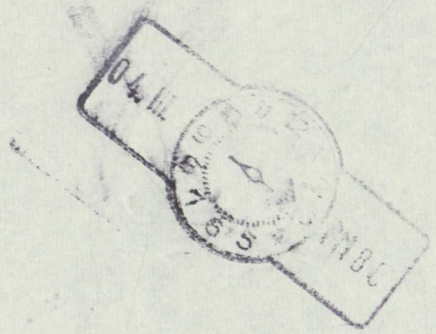
blind copy

J W Mallett

DCABAI



CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 March 1986

Dear Nigel,

PRIME MINISTER'S MEETING: 4.00 PM, 3 MARCH

As requested in your letter of 28 February to Joan McNaughton, I am circulating herewith a series of notes for this afternoon's discussion. They mainly cover the options for action which were identified at the meeting with the Prime Minister on Friday. They have been prepared by officials here in consultation with other directly interested Departments; they have not yet been seen by my Secretary of State. I also attach a note on options rejected on Friday, and a list of key facts.

The following options are covered in the notes:

3P/

i allowing residuary bodies to use capital receipts and to borrow to spread the cost of redundancy compensation, after taking account of balances;

ii providing for secession from the Transport Joint Boards;

iii providing 100% grant, through TSG or otherwise, for highway projects;

iv additional assistance through specific grant, in particular the Urban Programme;

v redefining "total expenditure" to exclude certain items in 1986/87 - a quasi-disregard;

vi disregarding further MCC/GLC expenditure in 1985/86 to increased balances transferred to the residuary bodies;

vii central Government grant to residuary bodies to pay redundancy compensation costs not met by balances;

viii phasing the adjustments needed to the Advanced Further Education pools following the ILEA judgement;

ix a Government guarantee that £400 million of block grant will be recycled in 1986/87 to allow authorities to count on this money in finalising their budgets.

We can provide draft letters as necessary for the Prime Minister to send immediately after the meeting.

I am copying this letter and enclosures to the private secretaries to the Lord President, the Home Secretary, the Secretary of State for Transport, the Chief Secretary, and to Michael Stark in Sir Robert Armstrong's office.

Yours sincerely,
Robin Young

R U YOUNG
Private Secretary

Nigel Wicks Esq

USE OF CAPITAL RECEIPTS / BORROWING BY RESIDUARY BODIES FOR STAFF COMPENSATION COSTS

Description

Residuary bodies will have to meet both redundancy and detriment costs resulting from abolition. They have been told that balances of the outgoing authorities may be used for that purpose. Where balances are inadequate, costs will on present plans fall on the levy.

Allowing use of capital receipts would remove compensation costs so covered from the levy for good, at the expense of successor authorities' ability to finance additional capital expenditure from distribution of the receipts.

Allowing use of borrowing would reduce the first-year impact on the levy very considerably, limiting it to debt charges.

Effect in Merseyside/Greater Manchester

Merseyside: No balances expected, so full £5.5m costs fall on levy at present. Capital receipts unlikely to be significant, especially in first year, but borrowing could save great majority of cost, equal to 3p rate.

Greater Manchester: No help. No compensation costs included in levy anyway, because County Council intends to meet costs before abolition.

Knock-on Effects

Precedent: Existing Government attitude to local authority compensation costs generally is that such costs may properly be capitalised, but that special steps by Government to facilitate capitalisation are not usually justified (and that too much borrowing for such a purpose could unsettle the market). So consent to use of capital receipts is regularly given. Requests for extra borrowing approval are normally turned down, though Secretary of State for Transport has made exceptions for port closures at Bristol and Preston. No difficulty of precedent

with allowing use of capital receipts, but Chief Secretary has opposed in this case because of grant effects (see below). Borrowing approval would make standard line somewhat more difficult to hold in future.

Other metropolitan areas: No effect for London where balances will be adequate. Of other four areas, only West Yorkshire RB is counting (in part) on balances. Amounts presently included in levy for compensation are: West Midlands £3.6m (0.9p rate), South Yorkshire £3.0m (2.2p rate), West Yorkshire £5.3m (2.5p rate), Tyne and Wear £1.6m (1.3p rate). Extent to which this could be met from capital receipts is uncertain. Borrowing (instead or as well, preferably only as fallback if receipts are inadequate) would be more certain.

Elsewhere: The two steps together would remove £19m from levies. This benefit could be taken by the districts in reduced "total expenditure" and rates, or in higher spending on their own services. Reducing their "total expenditure" would increase their entitlement to block grant at the expense of the shires. If these steps are adopted, RBs should still be required to use balances as first preference where available; otherwise LRB could borrow despite the balances and give London boroughs the balances for extra spending.

Option: Secession from the Passenger Transport Authority.

Description: S42 of the Local Government Act 1985 allows the Secretary of State to make an order excluding a met. district from a PTA for all or some of the PTA's functions. There are a number of possibilities which need to be considered separately:

a) Secession in respect of bus revenue support. Realistically, districts could not take over this responsibility until deregulation on 26 October. Thereafter, they would take on the function for contracting tendered services in the district's area where subsidy was required. Savings would be available if the district were prepared to make reductions in service levels over and above the 10% being suggested by the PTA. This would imply additional redundancies in the PTA/PTE (about 1150 have already been assumed in Merseyside), which could be funded by borrowing. Some additional administrative costs would need to be incurred by the seceding district in setting up a tendering and planning structure.

b) Secession in respect of rail revenue support. Stated policy has been to discourage such secession. If the district opted to fund its own rail services no significant savings are likely. If they did not the PTA would withdraw support for lines in the seceding district. This would require a year's notice and in the meantime extra costs would fall on the non-seceding districts.

c) Secession in respect of concessionary fares. Districts already have power to run their own concessionary fares scheme. If districts are prepared to introduce charges for concessionary passes for their own pensioners they could now do so and receive the resulting revenue.

d) Secession in respect of other functions. Merseyside PTA expenditure on tunnel, airport and debt will be small in 1986/7 (about £5m). A further £5m is projected for PTE redundancies. Arguably it would be inequitable to load such expenditure, which is largely the result of past County-wide expenditure, on a few districts.

Financial Effects: Seceding districts would not benefit from these options unless they were prepared to make savings over and above the large savings already being imposed on the PTA. The savings would be through reductions of bus service levels or limitations on the concessionary fares scheme. By their nature, such savings are unpredictable. Nor is it possible to forecast the effects on grant to the districts: if for example expenditure was brought down to GRE level there might be significant grant benefits, while if a district did not reduce expenditure beyond the amount assumed for the PTA its grant position might worsen.

Other Problems

a) A secession order requires consultation with all affected bodies. We cannot be certain that Sefton or Wirral would wish to secede and take direct responsibility for substantial service reductions.

b) There would be practical problems in deciding how much Sefton or Wirral's share, if any, of the PTA precept should be, and serious legal complexities in ensuring that only that proportion of the precept was actually levied.

c) District Councils have no experience in planning public transport services and would face difficulties in decision-making even given six months' notice.

d) Secession would be likely to result in residual costs falling on the PTA in redundancies and possibly additional administration. This would mean severe risk of successful legal challenge to the precept limit already set for the PTA.

e) The PTE have under the Transport Act 1985 to submit a scheme for an initial bus company by the end of March. It will be exceedingly difficult to meet that timetable with new assumptions about the area of coverage and number of tendered services.

f) Allowing secession from the PTA would increase pressure to secede from other joint authorities, in particular the Waste Disposal authority in Merseyside.

HIGHWAYS CAPITAL GRANTS

Description

A. More TSG (i) Increase rate from 50%

(ii) Accept more of bids

(iii) Extend coverage to roads of only local importance

B. Use specific grant powers in 1980 Highways Act (S.272) [at present used only for roads about to be trunked]

C. Increase Capital Allocation

Grant Effects [TSG or Specific Grant, before RSG effect]

£m	A(i) 100%	A(ii) Whole Bid	A(iii) Whole Capital Alloc'n	B 100% Grant	C Whole Bid	Most Favourable Combination
Wirral	0.3	0.8	0.4	0.6	0	1.1
Sefton	0.1	0.3	0.4	0.2	0	1.0
Bury	0.8	0.8	0.2	1.5	0	1.2

[redacted]

Gross effect - poundage

	A(i) 100%	A(ii) Whole Bid	A(iii) Whole Capital Alloc'n	B 100% Grant	C Whole Bid	Most Favourable Combination
Wirral	0.2p	0.4p	0.4p	0.2p	[redacted] N/A	0.6p
Sefton	0.1p	0.2p	0.3p	0.1p		0.7p
Bury	1.0p	1.0p	0.3p	1.0p		1.5p

The net effects would be much smaller because their block grant would be reduced because the capital spending GREs would be reduced equivalent to the TSG/specific grant increase.

Knock-on Effects and other Problems

A(i) - Need to make same change to all other authorities /cost £164m/: /differential rate of TSG illegal/

- Windfalls for other authorities - eg + £32m for London boroughs

- Difficulties of justifying, and recouping position in later years.

- complex RSG redistribution effects /changes in share-out of GRE for new capital expenditure/

A(ii) - Reopens TSG settlement: probably have to ask all authorities to reconsider all bids.

- Could be done without increasing TSG total, but would be difficult to justify at expense of reducing TSG allocations already given to other authorities /who have set their budgets/

- Total sum bid (England) £584m TSG @ 50% = +£128m grant

A(iii) - Need to make same change to all other authorities

- reopens TSG settlement - all authorities to bid again on new basis

- Total sum thus eligible (capital allocation bid) £520m: TSG @ 50% = +£96m grant

- Destroys rationale for national TSG grant

- future year effects?

- complex RSG effect through changes in GRE balance between authorities.

B. - could be done differentially in theory - but plausible reasons needed to avoid legal dangers

- has to be for specific schemes. Only one or two sizeable schemes sufficiently prepared.

C. - reopens block grant settlement

- possible small addition to transport allocation total to cover (Tsy/DOE agreement?). Otherwise, as PES is fixed, would have to be done by reducing some other authorities' allocations. Plausible reasons needed to avoid legal dangers.
/Wirral have proposed capitalising some structural maintenance - but would open door to similar bids by other authorities./

- again complex RSG effects through changed balance of GREs.

- create commitments for future years.

URBAN PROGRAMME

Wirral are a Programme (2nd tier) Authority - allocation £3.67m; Sefton an Other Designated District (3rd tier) - allocation £0.5m. Bury no longer eligible following concentration of Traditional Urban Programme - list of invited authorities is highly visible.

Options

i. accept a different balance of schemes within allocations for 1986/87 - more revenue and renewing more time-expired schemes

ii. additional allocations for 1985/86 to be used to fund main programme schemes retrospectively;

iii. additional allocations for 1986/87 to be used to fund main programme schemes.

Benefits to Wirral/Sefton

i. Only available for Wirral, magnitude would need study, maximum £200-£300,000;

ii. sum available for additional allocations nationally about £200,000; carries 75% grant;

iii. no resources available.

Difficulties

i. Directly counter to Ministerial Guidelines: these authorities are not pressing in this direction, but others would use the precedent;

ii. counter to urban programme rules on two counts (main programme; retrospective);

iii. all resources fully allocated with waiting list; additional allocations at this stage of year unprecedented and would be highly contentious.

5 EXCLUSION FROM DEFINITION OF TOTAL EXPENDITURE
QUASI-DISREGARD

By removing items from 'total expenditure', total expenditure is reduced and the authorities concerned gain grant. This example shows what would happen if in each Metropolitan County and the GLC area, the Residuary Body's levy (minus compensation payments) was defined out of 'total expenditure'.

BENEFITS Wirral would gain £.148m (0.36p rate) from such a move, Sefton £0.058m. (02p rate) and Bury £.008m. (.04p rate) Other Metropolitan Districts and London Boroughs also gain (many London boroughs gain significantly)

DISADVANTAGES

There are very substantial drawbacks. The gains for the boroughs/districts come from **losses** in the Shire Counties (£28.32m) Shire Districts (£3.8 m) and joint boards (on Merseyside £0.122m). Rate limited London boroughs would gain and the rate limit discipline be slackened. The floodgates would be opened to requests for similar exclusions from total expenditure to replace the disregard system which Ministers have taken a firm view is no longer appropriate in 1986/87 without targets and penalties.

6. Disregard in 1985/86 for metropolitan counties preparatory costs for abolition

Districts in the metropolitan counties have been granted a disregard in 1985/86 for holdback purposes of £100,000 of expenditure on preparatory costs for abolition. The metropolitan counties and AMA have asked for a similar disregard (West Yorkshire have asked for £100,000 for each district, i.e. £500,000).

If a disregard of up to £500,000 were granted it would increase Greater Manchester's block grant by about £1.21million and Merseyside's by about £913,000. The total cost to the Exchequer in reduced holdback would be about £6million. Even if all the disregard fed through to balances it would still, on Merseyside, leave £4.3million to be funded by the levy (or, for instance, the borrowing option (Option 1). In Greater Manchester some £80,000 of extra balances could be distributed to Bury.

The principal problem with this option is that Ministers' decision not to grant the disregard was announced on 26 February. While such a disregard would allow Metropolitan Counties to add to their balances they could equally choose to increase their expenditure in the run-up to abolition. (This option should not affect the GLC, who are planning to spend below target in 1985/86.)

THIS OPTION IS DIFFERENT FROM OPTION 5 IN THAT THE GRANT GAINS FOR THE AUTHORITIES CONCERNED ARE FOUND FROM HOLDBACK WHICH THE TREASURY RETAINS, NOT GRANT LOSSES TO OTHER AUTHORITIES.

7. Exchequer funding of metropolitan county redundancy costs:

1. The government could offer to meet redundancy costs (net of balances) as a total Exchequer cost of about £23million and thereby enable the RBs to reduce the levy by £5½ million on Merseyside.

2. This would benefit Wirral and Sefton to the extent of a 3p rate but since all compensation is being met from balances in Greater Manchester there would be no benefit to Bury.

3. Agreeing to meet these costs would mean resiling on Ministers' stated public policy. They have argued that redundancy costs should be met locally and that these costs would be offset by the savings from abolition. If Ministers gave way on this, there would undoubtedly be a flood of requests to meet other bits of abolition-related expenditure which would cast doubt on the argument that abolition would lead to significant net savings. The option has a very similar effect in the short term to Option 1 (allowing Residuary Bodies to borrow for compensation costs) but it means there will be no long term financing costs, to be met by a levy.

4. The Abolition Act does not empower the government to pay compensation and Exchequer funding of redundancy costs would presumably have to be done under the Appropriation Act.

Advanced Further Education Pooling (AFE)

In 1985 DES lost a court case to ILEA on the method of calculating contributions to AFE pools. A new (legal) arrangement was introduced in the 1986/7 RSG Settlement. Corrections in respect of 1985/6 will be made in a Supplementary Report in April/May 1986. That report will adjust the block grant entitlements of authorities to compensate for the changes in AFE contribution. If all education authorities were in receipt of block grant, changes to block grant would exactly match changes to AFE contributions. Because ILEA is out of grant and its AFE contributions are reduced by £31¾m there is an imbalance which has to be met by an across the board increase in rates of 0.4p. The figures for Sefton, Wirral and Bury are:

	Increased AFE Contribution	Increase in Grant	Cost
Sefton	£1,836,000	£1,694,000	£142,000
Wirral	£1,859,000	£1,693,000	£166,000
Bury	£ 773,000	£ 697,000	£ 76,000

Option: Increase block grant by £31¾m to ensure no losers as a result of the AFE change. Sefton, Wirral and Bury gain £142,000, £166,000 and £76,000, respectively, equivalent to a 0.4p rate.

Guarantee Grant recycling

Local authorities that spend above the spending assumption used in the 1986/87 RSG Settlement, receive less grant than assumed in the Settlement. If in aggregate authorities overspend and hence underclaim grant the grant entitlements will be increased across the board in July 1986. This is known as grant recycling or grant close-ending.

In the debate on the RSG Settlement the Secretary of State for the Environment laid before the House figures which showed the effect of recycling £400m of grant, and advised authorities to take account of this when setting their rates. Local authorities, however, are generally very prudent in financial matters and many will not be prepared to allow fully for grant recyling in setting their rate.

Option

Ministers could guarantee that the amount of grant claimed by authorities will be increased by at least £400m in July, so that all authorities should allow for this in setting their rates.

From information on shire county budgets available to us it is most unlikely that grant recycling will be less than £400m so this guarantee should be costless. We therefore strongly recommend this option. The benefits to Sefton, Wirral and Bury are:

Sefton	£1,953,000
Wirral	£2,344,000
Bury	£1,127,000

OTHER POSSIBILITIES - NOT RECOMMENDED

There are some other possibilities, mentioned here for completeness. We do not believe they should be pursued.

Police Grant

Following Ministerial discussion last month, it was agreed that the rate of specific police grant should be increased from 50% to 51% (costing £28 million) and that Rate Support Grant (RSG) should be increased by £22 million. The result is to give more grant to all Police Authorities, while ensuring that no other authorities lose grant on this account. The effect in Merseyside is equivalent to 1.5p at ratepayer level.

One possibility would be to do more of the same e.g. increase the rate of police grant to 52% with a commensurate increase in RSG. This would have a further benefit of about 1.5p in Merseyside at a cost of £50 million nationally. It would, however, be very difficult to explain this additional step given the very recent decision to go up to 51%.

Increase in Rate Support Grant

For 1986/87, Aggregate Exchequer Grant has been set at 46.4% of relevant expenditure. Increasing this percentage to 48% (about the 1985/86 percentage before holdback) would benefit Wirral by £2.3 million (5.7p rate) and Sefton by £1.9 million (5.5p rate) at a cost nationally of £400 million. All authorities receiving grant would benefit. It would be a windfall gain to those authorities (mostly shire counties) that have already set their precepts, and would relieve the pressure on the expenditure of the highest spending, rate-capped, authorities whose rate limits have now been set by Parliament.

DOE

3 March 1986

REPORTED INCREASES IN RATE POUNDAGES IN 1986-87

SHIRE COUNTIES			CHANGE IN PRECEPT	
AVON	*	(NOC)	+27.5%	
BEDFORDSHIRE		(NOC)	+27% TO +31%	SPECULATIVE
BERKSHIRE	*	(CON)	+13.1%	
BUCKINGHAMSHIRE	*	(CON)	+30.0%	
CAMBRIDGESHIRE		(NOC)	+32.9%	
CHESHIRE		(NOC)	+10%	SPECULATIVE
CLEVELAND	*	(LAB)	+11.9%	
CORNWALL	*	(NOC)	+20.0%	
CUMBRIA		(NOC)	+36%	SPECULATIVE
DERBYSHIRE		(LAB)	+19%	SPECULATIVE
DEVON	*	(NOC)	+19.8%	
DORSET	*	(CON)	+20.1%	
DURHAM		(LAB)	+21%	SPECULATIVE
EAST SUSSEX		(CON)	+19.9%	
ESSEX		(NOC)	+18.8%	
GLOUCESTERSHIRE		(NOC)	+17.6%	
HAMPSHIRE	*	(NOC)	+14.6%	
HEREFORD & WORCESTER		(CON)	+10.9%	
HERTFORDSHIRE		(NOC)	+21.9%	
HUMBERSIDE	*	(NOC)	+13% TO +16%	RECOMMENDATION TO FINANCE COMMITTEE
ISLE OF WIGHT	*	(LIB)	+20.0%	
KENT		(CON)	+12.7%	
LANCASHIRE		(NOC)	+18.9%	
LEICESTERSHIRE	*	(NOC)	+32%	SPECULATIVE
LINCOLNSHIRE		(CON)	+22.0%	
NORFOLK		(CON)	+18.9%	
NORTHAMPTONSHIRE		(CON)	+12.5%	
NORTHUMBERLAND	*	(NOC)	+22.9%	
NORTH YORKSHIRE		(NOC)	+15.9%	
NOTTINGHAMSHIRE	*	(LAB)	+19.4%	
OXFORDSHIRE		(NOC)	+27.9%	
SHROPSHIRE		(NOC)	+19.1%	
SOMERSET		(NOC)	+26.5%	
STAFFORDSHIRE		(LAB)	+9.8%	
SUFFOLK		(CON)	+17.7%	
SURREY	*	(CON)	+12.0%	
WARWICKSHIRE	*	(NOC)	+18% TO +28%	SPECULATIVE
WEST SUSSEX		(CON)	+19.1%	
WILTSHIRE		(NOC)	+25.9%	

(*) AUTHORITIES ARE NEW ENTRIES SINCE THE LAST MONITOR OR A CHANGE TO A PREVIOUS ENTRY

BACKGROUND NOTE

Receipts from property

1. Merseyside

County Hall is the upper part of a tower block, held on lease. Over half will be occupied by joint authorities and the Residuary Body's own staff, but the RB are hoping for an early deal with an institution for at least some of the space. No estimate is available of receipts, but the Liverpool market is very depressed.

2. Greater Manchester

County Hall is a central Manchester block, held freehold and worth perhaps £1-2m. Over half will be occupied by successors including the Residuary Body, and it will take time to dismantle the computer system, so that sale in 1986/87 is unlikely.

BACKGROUND NOTE ON FINANCIAL POSITION

	SEFTON	WIRRAL	BURY
Total Expenditure/Block Grant			
1. 1985/86	£93.989m/£43.9m	£117.653m/£53.6m	£59.690m/£29.8m
2. 1986/87 - RSG Settlement Assumption (a)	£111.346m/£55.2m	£137.637m/£67.2m	£69.610m/£32.2m
3. - Real Terms Standstill (b)	£112.500m/£54.8m	£139.064m/£66.6m	£70.436m/£32.0m
4. - Authority's Plan	£117.500m/£53.5m	£149.000m/£63.4m	£73.840m/£31.1m
5. Growth in spending on existing services implied by 4 above from 1985/86 to 1986/87	9%	12%	9.7%
Rates			
6. 1985/86 - Local rate	140.64p	155.50p	144.11p
7. - County Council precept	73.00p (c)	73.00p (c)	50.00p (d)
8. - General Rate	213.64p	228.50p	194.11p
9. 1986/87 - Joint Authorities' precepts	76.69p	76.69p	48.03p
10. - Residuary Body levy	7p	7p	3p

Notes

(a) 1985/86 plus 3.4%
(b) 1985/86 plus 4.5%
(c) Merseyside CC used £10.5m reserves to hold down the precept in 1985/86 by 10p
(d) Greater Manchester CC used £32.6m to hold down the precept in 1985/86 by 30p

KEY DATES

Sefton's Policy Committee is to meet on 11 March. The Council is to approve a budget for 1986/87 on 20 March

Wirral's Policy and Resources Committee meets this evening to discuss the district rate. The Council budget meeting is on 19 March.

Bury's Finance Committee is to meet tomorrow, 4 March. The full Council is due to meet to set a rate on 18 March.

Home Office and DTp have no information about when the new fire, police and transport authoroities are due to set their precepts, but there is a statutory requirement to do so by 10 March. The Merseyside Police Authority is to melt on 7 March.

MR. NORGROVE

MR. ADDISON

DUTY CLERK

RATES MEETING: 1600: 3 MARCH

The following will be attending:

Mr. Baker

Mr. Waldegrave + Chris Brealey

Mr. Ridley + Charlotte Edgerton

Mr. Shaw + ? Mr Sheehan.

Lord President

Chief Whip

Chief Secretary + Robin Butler and Alex Alan

Anthony Langdon, Cabinet Office.

CR

3 March, 1986.

PRIME MINISTER

SEFTON, WIRRAL, AND BURY

The problem underlying your meeting today is surely that high spending Labour-dominated metropolitan authorities can transmit their extortionate bills to the electorate through Conservative-controlled district councils. So Tory Wirral carries the can for the Labour-dominated Merseyside Transport Authority.

That is the case for separate billing by Transport Authorities. It fits in with the Green Paper's stress on accountability. Of course the total bill might not change, but at least the blame would rest on the right shoulders.

David Willetts

David Willetts
28 February 1986

LOCAL GOVT. Rates PE 4

PRIME MINISTER

You will remember that I told you about the rating problems of Bury. I enclose a letter which the Conservative Leader of the Council has sent you, and for which I am arranging a draft response to be provided by Kenneth Baker's Office. As you know, I have organised for David Sumberg and Alistair Burt to take Councillor Little, the Bury Leader, to see Norman Tebbit. But I think you will want to be aware of the appalling figures disclosed in this letter.

MA

MICHAEL ALISON
28.2.86

fe VC

cc D. Willetts

cc D. Norgrove

10 DOWNING STREET

From the Principal Private Secretary

28 February 1986

I have already been in touch with you about the meeting which the Prime Minister wishes to have at 5.30 this afternoon to discuss the issues raised in the letters attached. I am now sending copies of the correspondence to Richard Allan (Department of Transport) and Paul Pegler (HM Treasury) so that their representatives at the meeting can be aware of the correspondence.

N.L. WICKS

Robin Young, Esq.,
Department of the Environment.

METROPOLITAN
BOROUGH OF
BURY

OFFICE OF THE LEADER
OF THE COUNCIL

Town Hall
Bury
Lancashire
BL9 0SW

Telephone : 061-764 6000
Telex : 669853 (CorpBury)

My Ref.

Your Ref.

My dear Mrs. Thatcher,

May I at once establish my 'credentials'. I have always been an admirer of your stewardship - as Minister of Education and now as Prime Minister. Indeed, I was described in the national press at the N.U.T. Annual (1973) Conference as your sole supporter - "1 against 2,000" was one headline.

I now find myself in an impossible position.

This Conservative controlled town, an oasis in a Labour desert, has, since re-organisation of local government and the establishing of the Metropolitan Boroughs, constantly followed the best Tory principles in its financial affairs.

In 1984/85 our expenditure was 14% below the average of Metropolitan Boroughs. Last year, 1985/86, it was 12% below the average. We made tremendous cuts in our services to get down to the Government's target and were told that by doing so, we would be in a favourable position to keep our rate demand in line with inflation. This year our expenditure estimates point to an increase of between 7% and 8%. However, such is the fantastically unfair Rate Support Grant that we should have to levy a rate increase of 32% or 66p in the pound just to stand still with our existing service requirements.

Even if we accept the Government's G.R.E. figure, we face an increase of 20.8% - an increase of 42.5p!

Not included in these latest estimates is a further £1,000,000 which we will need to raise in order to finance Sir Keith Joseph's new examination system.

Year by year the standard of many of our services has fallen because of our frugality and compares badly with those of our neighbouring towns - all Labour controlled.

We have now reached a position where the Conservative Group feels that it cannot carry on and yet maintain any degree of credibility.

To reach a figure in line with our G.R.E. we would have to make cuts of £3,672,000 and still have to levy a rate increase of 20.8%.

The Policy Advisory Group - comprised of the Chairmen of all Committees - all Conservative - decided last night that it just is not worth the hassle of re-examining our estimates making a paltry cut here and there,

when we are already 12% below average, to get down to what? An increase of 21%!

They unanimously agreed that, come what may, they will levy a rate showing a 7% increase which is in line with the Government's increase in our Rate Support Grant.

They agreed to take this step realising that by doing so, they will inevitably expose themselves, individually and collectively, to punitive surcharges and possibly prison sentences for setting an illegal rate.

Their defence will be that it is in line with the Government's policy as indicated in its rate support.

Mr. Alistair Burt and Mr. David Sumberg, the Members for Bury North and Bury South respectively, have been informed of this decision.

They are both aware that, since 1975, we have made repeated representations to the Ministers of the Environment, all of whom have expressed their sympathy that with each change of emphasis in the Rate Support Grant, Bury has consistently fared badly!

We are not another Marxist Republic of South Yorkshire, nor a Militant dominated Liverpool.

You have, in Bury, a Conservative foothold which has suffered without exception under the Rate Support Grant system, and yet we view with dismay the antics of more profligate councils which, for ten years, have openly flouted the directives of successive Governments, and still, year by year, under the application of different Rate Support Grant formulæ, have always been more favourably treated.

We very much regret having to take this step, but you will appreciate that we have no real alternative.

Yours sincerely,

A Little

Albert Little O.B.E.
Leader of the Council

cc. Alistair Burt M.P.
David Sumberg M.P.
Kenneth Baker M.P.

P.O. COPY.
P25

THE NATIONAL UNION OF
CONSERVATIVE AND UNIONIST ASSOCIATIONS

North Western Provincial Area
(Woolton House, 31 Byrom Street, Manchester M3 4PJ)

Area Local Government Advisory Committee
Wirral District Co-ordinating Committee

Chairman
K.G. Allen

Hon. Secretary
F.S. Dawson M.B.E.

Please reply to ;
c/o Birkenhead
Conservative Association
20 Hamilton Square
Birkenhead L41 6AY
051 647 9131

The Rt. Hon. Margaret Thatcher F.R.S. M.P.,
10 Downing Street,
London.

Dear Mrs. Thatcher,

I write on behalf of the Chairmen of all four Constituencies who operate under the control of Wirral Borough Council, i.e., Birkenhead, Wirral South, Wirral West and Wallasey, to express our very great concern at the projected Rates increase in Wirral, which we believe will be in excess of 25%. This is without any growth in services and after all the efforts over the past six years by our Conservative controlled Council to consistently follow Government policy and guidelines.

We were the largest Authority to privatise refuse collection and street cleansing, all departments have been examined on a "value for money" basis, either through internal exercises or by outside consultants. All repairs, maintenance and capital contracts are open to competition.

From a very low base during this period, we were featured for two consecutive years in the Financial Times as the Authority making the largest reductions in manpower. Out of 36 (thirty six) Metropolitan District Councils, we stand 34th (thirty fourth) in expenditure terms and out of 105 (one hundred and five) Education Authorities, we are the lowest in expenditure. We have done all we can. We were virtually promised that for next year our efforts over the years would be recognised and our Grant Related Expenditure figure would be adjusted to take account of the realities instead of being based upon past target figures which bear no resemblance to the problems we face as an inner area Authority. This has not happened and, as a consequence, our expenditure will be in excess of the GREA figure and we shall be in a grant losing situation.

In addition, we are having counted against our GREA figure, the costs of the residuary body which includes £1.5 million in respect of compensation payments for Merseyside County Council staff redundancies. What worsens the situation is that the Secretaries of State for the Home Office and Transport have allowed permitted expenditure levels for the Police and Transport Joint Boards respectively, in excess of the GREA figures for these boards, by amounts of £16,000,000 and £38,000 ,000. This means that for Transport for example, no grant at all will be received. Either the GREA's are too low or the Secretaries of State have allowed excessive expenditure levels which is contrary to the promise made to control the expenditure of these joint boards and which was the purpose of taking appropriate powers under the Abolition Act.

../ ....

It is our firm belief that what has happened is beyond the power of Wirral Borough Council to control and unless urgent corrective action is now taken, the loss of control of Wirral Borough Council by our Party is absolutely inevitable. Add to that the destruction of morale amongst our workers and the consequent damaging implications for our three Members of Parliament come the next General Election.

Prime Minister, we appeal to you, at this late stage, to do all in your power to right this wrong.

Yours sincerely,

Secretary to the Wirral
District Co-ordinating Committee

on behalf of :

K.G. Allen — Chairman Birkenhead Constituency
Miss K. Hobson - Chairman Wallasey Constituency
A.H. Duncan - Chairman Wirral South Constituency
Mrs. I. Whitehurst - Chairman Wirral West Constituency

From: Mrs. Lynda Chalker, M.P.

HOUSE OF COMMONS
LONDON SW1A OAA

3 February 1986

The Rt Hon Mrs Margaret Thatcher MP
Prime Minister
10 Downing Street
London
SWIA

Dear Prime Minister,

You will probably be surprised to learn that I am still nominally Chairman of the Merseyside Conservative Local Government Co-ordinating Committee. In this role I am called upon to chair meetings usually intermittently, but particularly when they feel they are approaching a crisis situation. We have now had two such meetings inside the last three weeks and I have been instructed to tell you of the anxiety of the meeting and indeed of the two Conservative Groups who currently narrowly hold the Metropolitan Boroughs of Sefton and Wirral. Whilst you may regard this as a matter of personal pleading, I can assure you that without the demand of these Groups I should not have written this letter, but I think you ought to know the complications of current Local Government financing for the forthcoming Local District elections.

At the present time Sefton District has a majority of three seats, all of which are extremely vulnerable to the Alliance. Wirral has a majority of one seat, one Ward being held by five votes and the second by ten votes, both in Wallasey. In addition to the four vulnerable Westminster seats, two in Sefton and two in Wirral (David Hunt's and mine), it is these two last bastions of Conservative Local Government control which I now have to say, I do not believe we can hold in May given the anticipated rate rises.

Kenneth Baker has been working hard for many months to help both Wirral and Sefton who have for the last eight and eleven years been financially very prudent indeed. The crazy workings of the current rate support grant system are really what lies at the heart of it and, whilst we are contemplating our changes in Local Government finance, none of this comes in time to save a critical situation in these two Metropolitan Districts. I now understand from the leaders of Sefton and Wirral, Cllr Ron Watson and Cllr John Hale, that the worst difficulty facing them in setting the rates is to do with the redetermination of the permitted expenditure level on transport in Merseyside. Originally the

Surgery appointments: telephone 051 630 1338
or write to: 8 Rake Lane, Wallasey, Wirral

level was set at some £45 million but they applied for redetermination. Whilst they were given a redetermination of £81 million, they were told at the same time that because of the RSG system and its contradictory moves, the outcome would be that they would lose in excess of £25 million of grant money. The effect of this clearly shown in the Sefton case where at present the Leader is contemplating a rate rise of 23%, 13% of which is due to this direct loss of grant as it works out for us. There are no reserves on which either Sefton or Wirral can draw to correct this for they have been so careful in their spending, and cut back so far in their services, that there is simply nothing more to be found in the local coffers.

This is not normally a matter in which I would concern you but Kenneth Baker has done all within his power to help and Angela Rumbold and I, who discussed this briefly earlier last week, both know that our room for manoeuvre is totally constricted except in three possible ways. It is these three ways which need to be examined on political grounds with which I am troubling you. The political grounds will be clear to you knowing the continuing battle we have against the Militants. They are not only in Liverpool but also in Sefton and Wirral as well, and we believe it vital that we retain both of the two Conservative controlled Metropolitan Districts in our fight to stop the whole of this area being taken over in a way that perhaps people in the south of the country simply do not understand.

The three avenues which seem to me to be open to us as a Government all cost money and I am well aware that this letter will be seen by you, as a failure on my part to encourage Local Government in Merseyside to put its own house in order. The point is that Sefton and Wirral have been doing that for eleven and eight years, and it is the system which is working so badly against them which caused this Conservative crisis meeting to come forward in such strong terms. The three considerations that the Conservative Merseyside Leaders are asking for are

1 That the £25 million plus grant on Transport should be restored but eventually phased out which would help to enable the rates to be held down at least to a more reasonable level.

2 That the advanced and further education pool money should not be loaded on the Education Authorities all in one year as seems to be the intention at the moment, but it should be be spread over several years.

3 That we should be able to phase the redundancy and compensation costs of staff made redundant from the County Council over at least a three year period rather than taking them all into the costs of the first full year post abolition. This would make a very considerable financial difference to us.

This seems a crucial political position, and locally Conservatives insist that you know. They apologise for troubling you, especially at this time, as I do most sincerely.

Yours ever

Lynda

cc The Rt Hon the Lord Whitelaw CH MC
Rt Hon Norman Tebbit MP
Rt Hon Kenneth Baker MP
Rt Hon Nicholas Ridley MP
Cllr Ron Watson, Leader of Sefton Borough Council
Cllr John Hale, Leader of Wirral Borough Council
Rt Hon Sir Ian Percival MP
David Hunt Esq MBE MP
Barry Porter Esq MP
Malcolm Thornton Esq MP

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

CONFIDENTIAL

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

5th February 1986.

Dear Prime Minister,

You will have received Rhonda Challen's letter of 3rd Feb. written on behalf of Merseyside Conservatives and I write this brief note to add my personal comment and support.

I know that you will not in any way see her letter "as a failure on (her) part to encourage local Government in Merseyside to put its own house in order" - that would be a travesty - but rather as the measure of her concern - which I share.

None of us wishes to add a single ounce to your personal work-load. But does however seem unavoidable both (a) because our problems do not result from the actions of any one Department alone, and the solutions do seem to need co-operation between several Departments at the very highest level, and (b) because those problems really are both very serious and very urgent, and do call for a co-ordinated solution at a very early date.

The nub of the problem here - and the reason why it seems to me

that the Liverpool and Sefton Councils have a right to look to the Government - is that the immediate problems are in no way due to failure by those Councils "to put their own houses in order", or to lack of control by them over the things over which they do have control. Some in a limited sense so far as Education is concerned what is happening is that expenditure is being determined or approved by others (see in particular ministerial decisions as to expenditure on Transport and Policing in Merseyside) and we are being left to raise greatly increased sums to pay for that approved spending.

We are finding it increasingly difficult to justify the rate increases which must result (23% + in Sefton). The true answer, that we have to raise all this money to pay for Government approved expenditure in other parts of Merseyside, is not attractive to us any more than it would be to the voters. It is all especially difficult remembering all we have said about the advantages of "abolition".

We shall do our very utmost to retain control but I do hope that you and your colleagues will not underestimate the dangers. They are very real. And how sadly is an awful irony in the fact that those who have so faithfully carried out our policies over the years may now be floored by our own actions.

Every good wish
as always
Yours

Mr. Alison

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

Thursday 6th
at 5.00pm

24th February 1987

Dear Prime Minister,

May I please come & have a word with you about Merseyside, urgently.

Of course I know and accept the reasons for G.R.E., grant penalties etc. - but the short fact of the matter is that the whole scheme has totally misfired in Merseyside and is killing the very "birds".

Labour controlled authorities suffer no penalty, the vast majority of those who vote them into power suffer no penalty - it is the hard pressed rate payers (not least in Southport), such as the nursing Sister earning £140 and already paying £40 of it in taxes and insurance, the small (or large) businessman working all hours to expand (or just to stay in business), the retired who have worked hard and saved hard and always do their utmost never to call on the State for help - these are the ones we are allowing our Labour & Liberal enemies to kill.

That is desperately unfair to the very kinds of people we are so concerned to help. They have no way of controlling the Labour spendthrifts. Our way of trying to do so, in order to protect them, is in fact clobbering them and only them.

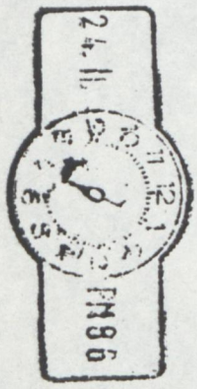
And, with respect it seems to me to be so easily avoidable. The grant money has been provided for, so no extra expenditure would be incurred by in fact paying it.

So why can we not come straight out and say that by their deliberate and totally irresponsible behaviour, local Labour politicians, so frequently supported by the Rebels, have turned the whole thing of the system on to the very people whom it was intended to protect, and that we are not going to allow them to get away with that, and that the £25m will be made available, not to the P.T.A but to the rate payers, by paying it direct to the Electric Councils on condition that they use it to reduce rates, not increase expenditure.

As before I am writing to you personally and asking for a meeting both because I believe the matter to be of such importance and because several Departments are concerned. I am copying this letter to Kenneth Baker and Ramsd Mitchell, who I understand to be the Ministers most concerned, and to Norman Tebbit,

Yours ever

JM



PRIME MINISTER

cc.
Mr. Wicks
Duty Clerk

The people attending this meeting are:

Treasury

Mr. Robin Butler

Mr. Alex Allan, Principal, Local Government Division.

Environment

Mr. T. Heiser, Permanent Secretary.

Mr. Christopher Brearley, Under-Secretary, Local Government Finance.

Transport

Secretary of State

Miss Charlotte Egerton, Assistant Secretary, Public Transport.

Duty Clerk

FP. NLW

28 February, 1986.

CONFIDENTIAL

file MA(10)

10 DOWNING STREET

From the Principal Private Secretary

28 February 1986

Dear Joan,

In connection with the meeting on rates which the Prime Minister is holding on Monday afternoon, I attach copies of some letters which provide some of the background. I am sending copies also to Private Secretary to the Home Secretary and to the Chief Whip and John Wiggins in the Cabinet Office who are also invited. (Ministers from the Treasury, Department of Transport and DOE who will also be coming already have the papers.)

Department of Environment will be circulating a paper in time for the meeting, and I should be grateful if Robin Young in DOE, to whom I am copying this letter, would ensure that all the Departments attending have a copy of that paper.

Yours sincerely,
Nigel Wicks

N. L. WICKS

Miss Joan MacNaughton,
Lord President's Office.

CONFIDENTIAL

file

JA

10 DOWNING STREET

From the Principal Private Secretary

28 February 1986

Dear John,

When I wrote to Joan MacNaughton earlier this evening I was under the misapprehension that you were the Secretary of E(LA). This of course is Anthony Langdon. Could I therefore ask that Anthony should attend the Prime Minister's meeting on Monday afternoon. Please could you pass to him the papers attached to my earlier letter together with the DOE paper when it arrives. Apologies.

I am sending a copy of this letter to Anthony Langdon.

Nigel Wicks

(N. L. WICKS)

JA

John Wiggins, Esq.,
Cabinet Office.

Prime Minister
The tables attached are worth studying.

cc DW
DN

2

PRIME MINISTER

DRN 28/2

27 February 1986

RATE INCREASES

The attached tables show increases in rate poundages in 1986-87. They make pretty grim reading.

The shire counties have to set their precepts by 10 March, so we now have pretty solid information. Average increases work out at about 20%. I have highlighted the worst and least bad shires. The rough political breakdown is as follows:

Conservative control	+17%
Labour control	+16%
No overall control	+22%

These are not comforting figures. Perhaps their main message is that coalition government is worst of all.

The tables for district rates are more speculative, as they have until 1 April to set their rates.

David Willetts

DAVID WILLETTS

REPORTED INCREASES IN RATE POUNDAGES 1986-87

MET DISTRICTS		CHANGE IN GENERAL RATE	
GREATER MANCHESTER			
BOLTON	* (LAB)	+20%	SPECULATIVE
ROCHDALE	* (NOC)	+30%	
STOCKPORT	* (NOC)	+15%	SPECULATIVE
MERSEYSIDE			
LIVERPOOL	* (LAB)	+15%	RATE LIMIT
SOUTH YORKSHIRE			
SHEFFIELD	* (LAB)	+20% TO +35%	SPECULATIVE
TYNE AND WEAR			
NEWCASTLE-UPON-TYNE	* (LAB)	+5%	(2% below RATE LIMIT)
WEST MIDLANDS			
BIRMINGHAM	* (LAB)	+14% TO +15%	SPECULATIVE
COVENTRY	* (LAB)	+19%	
SOLIHULL	* (CON)	+25% TO +30%	SPECULATIVE

REPORTED INCREASES IN RATE POUNDAGES IN 1986-87

		CHANGE IN PRECEPT
I.L.E.A.	* (LAB)	0%
MET POLICE PA	*	+12%
LONDON REG TRANSPORT	*	-9%

INNER LONDON BOROUGHS		CHANGE IN GENERAL RATE	CHANGE IN DOMESTIC RATE	
CAMDEN	* (LAB)	0%	0%	RATE LIMITS
GREENWICH	* (LAB)	+1%	+1%	RATE LIMITS
HACKNEY	* (LAB)	-11%	-12%	RATE LIMITS
ISLINGTON	* (LAB)	-18%	-20%	RATE LIMITS
LAMBETH	* (LAB)	-3%	-3%	RATE LIMITS
LEWISHAM	* (LAB)	+7%	+7%	RATE LIMITS
SOUTHWARK	* (LAB)	-7%	-8%	RATE LIMITS

OUTER LONDON BOROUGHS				
EALING	* (CON)	-3%		SPECULATIVE
HARINGEY	* (LAB)	-10%	-10%	RATE LIMITS
NEWHAM	* (LAB)	+15%		SPECULATIVE

REPORTED INCREASES IN RATE POUNDAGES IN 1986-87

SHIRE DISTRICTS		CHANGE IN LOCAL RATE	CHANGE IN GENERAL RATE	CHANGE IN DOMESTIC RATE	
AVON					
BATH	* (CON)	-9%	+26%	+29%	
BRISTOL	* (NOC)	+9%	+25%	+27%	SPECULATIVE
BUCKINGHAMSHIRE					
CHILTERN	* (CON)	+4%	+27%	+31%	
CHESHIRE					
MACCLESFIELD	* (CON)	+5%			
WARRINGTON	* (LAB)	+15%			
EAST SUSSEX					
HOVE	* (CON)		+10%	+11%	
LEWES	* (CON)		+17%	+20%	
ESSEX					
BASILDON	* (LAB)	+5%	+15%	+17%	RATE LIMIT
TENDRING	* (CON)	+11%	+18%	+20%	
HAMPSHIRE					
PORTSMOUTH	* (CON)	+4%	+13%	+15%	
HERTFORDSHIRE					
DACORUM	* (CON)	+12%	+21%	+23%	
KENT					
ASHFORD	* (CON)	+20%	+14%	+15%	
LANCASHIRE					
RIBBLE VALLEY	* (CON)	+9%	+18%	+19%	
LEICESTERSHIRE					
LEICESTER	* (LAB)	+80%			
NORFOLK					
BRECKLAND	* (CON)	+6%	+18%	+20%	
NORWICH	* (LAB)	0%	+15%	+16%	
SOUTH NORFOLK	* (CON)	+13%	+18%	+21%	
NORTHUMBERLAND					
CASTLE MORPETH	* (IND)	+5%	+21%	+23%	
NORTH YORKSHIRE					
HARROGATE	* (CON)	+8%	+15%	+16%	
SHROPSHIRE					
BRIDGNORTH	* (IND)	-1%	+17%	+19%	

REPORTED INCREASES IN RATE POUNDAGES IN 1986-87

		CHANGE IN LOCAL RATE	CHANGE IN GENERAL RATE	CHANGE IN DOMESTIC RATE	
STAFFORDSHIRE					
EAST STAFFORDSHIRE	* (NOC)	+13%	+10%	+11%	
SOUTH STAFFORDSHIRE	* (CON)	+5%	+9%	+10%	
SUFFOLK					
FOREST HEATH	* (NOC)	+19%	+18%	+20%	
WILTSHIRE					
THAMESDOWN	* (LAB)	-4%	+17%	+19%	RATE LIMIT

Urgent, cc BLP
cc D Willetts

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref: M/PSO/1792/86
Your ref:

Sir Ian Percival QC MP
House of Commons
LONDON
SW1A OAA

Dear Ian,

27 February 1986

You wrote to me on 6th February about the precept which will be levied in 1986/87 by the new Passenger Transport Authority. I am sorry for the delay in replying. Since then we have of course had a debate about the Precept Limitation Order and I hope that at least some of the points in your letter will have been answered by my explanations during the debate. I have also seen a copy of your letter of 24th February to the Prime Minister.

I entirely sympathise with the position of ratepayers in your constituency. As you pointed out so clearly during the debate, it has been grossly unfair that they have been forced to contribute enormous sums over a number of years to allow others to travel at absurdly low fares. Our objective in subjecting the new Passenger Transport Authority to precept control is to ensure that this imbalance between the needs of travellers and the needs of ratepayers will be rectified within three years.

If it were possible to take immediate action to reduce the severe burden on ratepayers then I assure you we would not have hesitated to take that action. But I am afraid that the extent of the present County Council's extravagance is such that it is likely to take the full three years of precept control to reduce expenditure to acceptable levels. In the meantime I fully recognise that the merits of our policies may be difficult to present to your constituents.

This is particularly the case in the light of the present campaign by the outgoing County Council to suggest that the effect of abolition will be to increase rates. This propaganda is highly misleading. In the first place, Merseyside's precept for 1985/86 was substantially reduced by profligate spending of reserves, both those held by the County Council and those of the PTE. Without such use of reserves, and had Merseyside not been precept limited, the County Council precept might have been some 30% higher than the 73p which was actually levied in 1985/86. Comparisons between ratepayers' bills in 1985/86 and 1986/87 are thus severely distorted.

Second, I must assure you that if rate bills do go up this is not the effect of abolition. We have in fact taken special measures in the 1986/87 block grant settlement to ensure that the total amount charged to ratepayers is no greater as a result of the new organisational arrangements than it would have been if the County Council had continued to exist. Although the new precepting arrangements mean that for the first time the ratepayer can clearly distinguish just how much overspending on public transport is costing him, he is not actually having to pay any more in total than he would have done if the County Council had remained responsible for public transport and spent at the same level (£81.3m) as we have proposed for the PTA. They have spent their accumulated reserves and so have to raise what they spend!

The ratepayer is however benefitting significantly from the control which we have placed on the PTA's spending. If the PTA had been allowed to go down its preferred route and spend as it liked, which would have meant the continuance of the old County Council policies, the PTA would have had to levy a precept of nearly 60p, rather than the 44.8p maximum which we have set.

Turning to the detailed points in your letter, you asked me why Merseyside PTA could not be allocated the £25m block grant for which it would have been eligible if it had spent at its GRE of £45.4m. First let me explain that although we have for the purposes of calculating the maximum precept estimated the PTA's grant entitlement if they spend £81.3m, and at this level of spending no grant is receivable, the actual grant received by the PTA will in the event depend on their spending decisions. If the PTA decide that savings can be achieved more quickly than we have assumed it is quite possible that they can reduce spending and become entitled to grant.

Second, I should explain that the process of calculating an individual authority's block grant entitlement is essentially a process of allocating a fixed total of grant between all authorities. Thus the £25m block grant which Merseyside PTA estimate they "lose" by spending so far in excess of their GRE, is not returned to the Exchequer as your letter implies; but is, in effect, distributed among other local authorities. This system also implies that if we were to make special adjustments to ease the burden for Merseyside, this could only be at the expense of local authorities elsewhere.

GREs and Expenditure Levels (ELs) are in fact two quite different concepts, set under different legislation and according to different principles. It is not only in Merseyside that the PTA's EL is substantially different from its GRE. This is also true of all the other PTAs.

An authority's GRE (Grant Related Expenditure) is an assessment of the level of spending required to obtain a standard level of service and its use is restricted to the calculation of its block grant entitlement. Authorities are free to spend more or less than their GRE, and for many authorities spending on public transport is well below GRE. Because GREs are used to calculate an Authority's entitlement to block grant the legislation requires that they be set according to principles applicable to all authorities. These principles are discussed annually with the local authority associations and cannot be changed easily. Certainly they cannot be changed simply to favour one authority.

An authority's EL is something quite different from its GRE. ELs are set under the Rates Act 1984 and are a stage in the process of setting the Authority's maximum rate, or precept. ELs for the new PTAs were set on the basis of an assessment of the PTA's actual need to spend in 1986/87 taking into account all the particular circumstances of that Authority, including the level of spending of the outgoing County Council. Thus where County Councils have been pursuing low fares policies, as in Merseyside and South Yorkshire, their ELs recognise that they will need more than one year to reduce their expenditure to a sensible level. But in the meantime it would scarcely be appropriate for ratepayers in other parts of the country to have to pay for Merseyside's continued over-provision, which would be the effect of your proposal. It seems to me only right that where an Authority is still spending a far greater amount on services than comparable authorities elsewhere, then the main burden should fall on ratepayers locally. I hope of course that those same ratepayers will make their views very plain to the responsible authority.

I apologise for the length of this letter but felt you would wish for a full explanation of our policies. I am copying this letter to the Prime Minister, in view of your request for a meeting, and to Kenneth Baker and Norman Tebbit for information.

Yours ever

DAVID MITCHELL David

3.F

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.
HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

Miss Egerton
Advice please
for Mr Mitchell

6th February 86.

Merseyside – Transport precept

Dear David,

It was good to be able to have a word with you last night. Thank you for looking into it so quickly – and please excuse me. I am afraid I was rather abrupt. I am sorry.

The problem as we see it looks like this.

In September 85 the "Notice of the Determination of an Expenditure Level" for the Merseyside P.T.A. stated that the "Secretary of State for Transport in accordance with Sec III (iii) of the Rates Act 1984 hereby gives notice that the level for the total expenditure of the Authority in the financial year beginning on 1st April 1986 shall be £75,200,000." Following receipt of representations by the P.T.A. the Secretary of State increased that figure to £81.3m".

In those circumstances it seems unlikely that the P.T.A. will

spend much, if any, less than £81.3 and difficult to see how we can criticise them if they do spend the sum authorised.

Against that the P.T.A. component of the GRE as determined by D of E. is about £45.4.

The consequences of all that seem to us to be that if, but only if, the P.T.A. were to keep within the figure of £45.4 m the Government would give £25 million towards that expenditure, but if the P.T.A. spend the sum which it has apparently persuaded your Secretary of State should be authorised, that saves the Government £25 m in grant and costs the ratepayers of Merseyside not only the extra £36 m. expenditure but also the £25 m lost grant.

No doubt the Government will be glad to save that £25 m, but it does seem strange to us your friends that you should put us in this position by taking as the GRE a figure which could never realistically have had any effect but to deprive us of any chance of receiving the £25 m. supposed to be available, quite what the other decisions in the hands of the Government (the £81.3) was anything like what it has been.

Put another way, to fix

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

GRE at £45.4 m, with the accompanying promise of £25m grant, loses all meaning when another arm of the Government accepts that reasonable expenditure is likely to be so far in excess of that.

In practise it amounts to a transfer to us of £25m of the cost of transport which the Government purports to be willing to bear if we play our part, but in fact makes it impossible for us to earn by tying it to a figure (£45.4) which on the basis of your own assessment of expenditure (£87.3 m) is quite unrealistic.

Nothing is saved in terms of public expenditure. The £25m has presumably already been allowed for in next year's estimates and will stay in them, so there will be no effect on the raising of revenue. The one practical consequence will be a big addition to our rates with all that that entails.

As one of the only two authorities in Merseyside who have kept spending down

we do not find that easy to accept. We are also fearful of the electoral consequences, not only because we would much prefer to retain control but because it seems to us to be as plain as a pikestaff that if we lose control there will be a further increase in spending. True that will no doubt help us to regain control in a year or two but that will not be much comfort to either businesses or householders.

That is how we see it. If you think we have it wrong please tell me. Of course I will look most carefully at what you say.

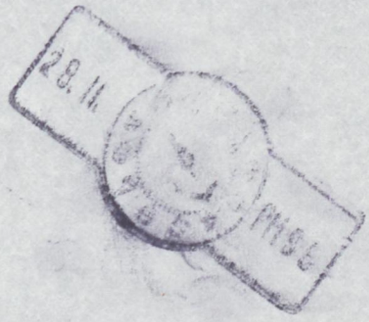
Excuse longhand. I want to get this to you as quickly as possible.

As GRE is a matter for Kenneth Baker I am sending a copy of this to him - also to Malcolm Thornton and the leader of my Council.

Warmest regards

as ever

[signature]


28.11.

PRIME MINISTER

Lynda Chalker is coming to see you tomorrow (Friday) to discuss rates on Merseyside. This follows letters to you about the subject from Lynda Chalker, Sir Ian Percival (whom you are seeing next Thursday) and a letter you have just received from the Chairmen of the four Conservative Associations which operate under Wirral Borough Council.

Lynda Chalker wrote to you as Chairman of the Merseyside Conservative Local Government Co-ordinating Committee, and she explains that she has been instructed to tell you of the anxiety of the two Conservative Groups who narrowly hold the Boroughs of Sefton and Wirral (Sefton has a majority of three seats, Wirral a majority of one). The view is that these Boroughs will not be held with the anticipated rate rises.

In her letter of 3rd February (Flag A), Lynda Chalker lists (on pages 2 and 3) the three requests local Conservative leaders are putting forward, all of which would cost money.

The following papers are attached:

Flag A	Letter of 3rd February from Lynda Chalker plus handwritten note of the same date
Flag B	Letter of 5th February from Ian Percival
Flag C	Letter of 24th February from Ian Percival
Flag D	Letter from four Constituency Chairmen.

STEPHEN SHERBOURNE
27.2.86

CC85

A

From: Mrs. Lynda Chalker, M.P.

HOUSE OF COMMONS
LONDON SW1

3.ii.86

Dear Margaret,

My most sincere apologies for troubling you with this local government matter, but by writing I hope you may not get a "demand" to see you. This row has gone on for over six months, and I have done all I can to hold the line.

I know and understand the difficulties and am fully prepared to face what comes with the electorate but it is the Party attitude that is turning against us as a Government which concerns

me so deeply.

I will help however I can, but my grass roots are determined that you should hear their problems.

Please let me know, if I can help in any other way.

Yours ever

Lynda

From: Mrs. Lynda Chalker, M.P.

HOUSE OF COMMONS
LONDON SW1A OAA

3 February 1986

The Rt Hon Mrs Margaret Thatcher MP
Prime Minister
10 Downing Street
London
SWIA

Dear Prime Minister,

You will probably be surprised to learn that I am still nominally Chairman of the Merseyside Conservative Local Government Co-ordinating Committee. In this role I am called upon to chair meetings usually intermittently, but particularly when they feel they are approaching a crisis situation. We have now had two such meetings inside the last three weeks and I have been instructed to tell you of the anxiety of the meeting and indeed of the two Conservative Groups who currently narrowly hold the Metropolitan Boroughs of Sefton and Wirral. Whilst you may regard this as a matter of personal pleading, I can assure you that without the demand of these Groups I should not have written this letter, but I think you ought to know the complications of current Local Government financing for the forthcoming Local District elections.

At the present time Sefton District has a majority of three seats, all of which are extremely vulnerable to the Alliance. Wirral has a majority of one seat, one Ward being held by five votes and the second by ten votes, both in Wallasey. In addition to the four vulnerable Westminster seats, two in Sefton and two in Wirral (David Hunt's and mine), it is these two last bastions of Conservative Local Government control which I now have to say, I do not believe we can hold in May given the anticipated rate rises.

Kenneth Baker has been working hard for many months to help both Wirral and Sefton who have for the last eight and eleven years been financially very prudent indeed. The crazy workings of the current rate support grant system are really what lies at the heart of it and, whilst we are contemplating our changes in Local Government finance, none of this comes in time to save a critical situation in these two Metropolitan Districts. I now understand from the leaders of Sefton and Wirral, Cllr Ron Watson and Cllr John Hale, that the worst difficulty facing them in setting the rates is to do with the redetermination of the permitted expenditure level on transport in Merseyside. Originally the

Surgery appointments: telephone 051 630 1338
or write to: 8 Rake Lane, Wallasey, Wirral

PTA
GRE £45m
Amount £100m £81m

level was set at some £45 million but they applied for redetermination. Whilst they, the Labour controlled Council, were given a redetermination of £81 million, they were told at the same time that because of the RSG system and its contradictory moves, the outcome would be that they would lose in excess of £25 million of grant money. The effect of this clearly shown in the Sefton case where at present the Leader is contemplating a rate rise of 23%, 13% of which is due to this direct loss of grant as it works out for us. There are no reserves on which either Sefton or Wirral can draw to correct this for they have been so careful in their spending, and cut back so far in their services, that there is simply nothing more to be found in the local coffers.

This is not normally a matter in which I would concern you but Kenneth Baker has done all within his power to help and Angela Rumbold and I, who discussed this briefly earlier last week, both know that our room for manoeuvre is totally constricted except in three possible ways. It is these three ways which need to be examined on political grounds with which I am troubling you. The political grounds will be clear to you knowing the continuing battle we have against the Militants. They are not only in Liverpool but also in Sefton and Wirral as well, and we believe it vital that we retain both of the two Conservative controlled Metropolitan Districts in our fight to stop the whole of this area being taken over in a way that perhaps people in the south of the country simply do not understand.

The three avenues which seem to me to be open to us as a Government all cost money and I am well aware that this letter will be seen by you, as a failure on my part to encourage Local Government in Merseyside to put its own house in order. The point is that Sefton and Wirral have been doing that for eleven and eight years, and it is the system which is working so badly against them which caused this Conservative crisis meeting to come forward in such strong terms. The three considerations that the Conservative Merseyside Leaders are asking for are

1 That the £25 million plus grant on Transport should be restored but eventually phased out which would help to enable the rates to be held down at least to a more reasonable level.

2 That the advanced and further education pool money should not be loaded on the Education Authorities all in one year as seems to be the intention at the moment, but it should be be spread over several years.

3 That we should be able to phase the redundancy and compensation costs of staff made redundant from the County Council over at least a three year period rather than taking them all into the costs of the first full year post abolition. This would make a very considerable financial difference to us.

This seems a crucial political position, and locally Conservatives insist that you know. They apologise for troubling you, especially at this time, as I do most sincerely.

Yours ever

Lynda

cc The Rt Hon the Lord Whitelaw CH MC
Rt Hon Norman Tebbit MP
Rt Hon Kenneth Baker MP
Rt Hon Nicholas Ridley MP
Cllr Ron Watson, Leader of Sefton Borough Council
Cllr John Hale, Leader of Wirral Borough Council
Rt Hon Sir Ian Percival MP
David Hunt Esq MBE MP
Barry Porter Esq MP
Malcolm Thornton Esq MP

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

B

CONFIDENTIAL

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

5th February 1986.

Dear Prime Minister,

You will have received Rhonda Challen's letter of 3rd Feb. written on behalf of Merseyside Conservatives and I write this brief note to add my personal comment and support.

I know that you will not in any way see her letter "as a failure on (her) part to encourage local Government in Merseyside to put its own house in order" - that would be a travesty - but rather as the measure of her concern - which I share.

None of us wishes to add a single ounce to your personal work-load. It does however seem unavoidable both (a) because our problems do not result from the actions of any one Department alone, and the solutions do seem to need co-operation between several Departments at the very highest level, and (b) because these problems really are both very serious and very urgent, and do call for a co-ordinated solution at a very early date.

The nub of the problem here - and the reason why it seems to me

that the Wirral and Sefton Councils have a right to look to the Government - is that the immediate problems are in no way due to failure by those Councils "to put their own houses in order", or to lack of control by them over the things over which they do have control. Same in a limited sense so far as Education is concerned what is happening is that expenditure is being determined or approved by others (see in particular ministerial decisions as to expenditure on Transport and Policing in Merseyside) and we are being left to raise greatly increased sums to pay for that approved spending.

We are finding it increasingly difficult to justify the rate increases which must result (23% + in Sefton). The true answer, that we have to raise all this money to pay for Government approved expenditure in other parts of Merseyside, is not attractive to us any more than it would be to the voters. It is all especially difficult remembering all we have said about the advantages of "abolition".

We shall do our very utmost to retain control but I do hope that you and your colleagues will not underestimate the dangers. They are very real. And how sadly is an awful irony in the fact that those who have so faithfully carried out our policies over the years may now be floored by our own actions.

Every good wish
as always

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

Mr. Alison
C.

Thursday 6th
at 5.00pm

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

24th February 1987

Dear Prime Minister,

May I please come & have a word with you about Merseyside, urgently.

Of course I know and accept the reasons for G.R.E., grant penalties etc. - but the short fact of the matter is that the whole scheme has totally misfired in Merseyside and is killing the very "birds".

Labour controlled authorities suffer no penalty, the vast majority of those who vote them into power suffer no penalty - it is the hard pressed rate payers (not least in Southport), such as the nursing Sister earning £140 and already paying £40 of it in taxes and insurance, the small (or large) businessman working all hours to expand (or just to stay in business), the retired who have worked hard and saved hard and always do their utmost never to call on the State for help - these are the ones we are allowing our Labour + Liberal enemies to kill.

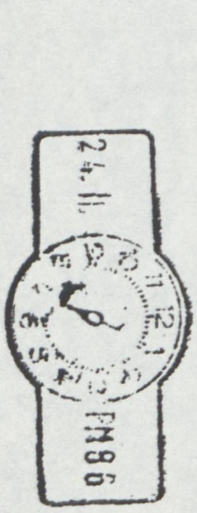
That is desperately unfair to the very kinds of people we are so concerned to help. They have no way of controlling the Labour spendthrifts. Our way of trying to do so, in order to protect them - is in fact clobbering them and only them.

And, with respect it seems to me to be so easily avoidable. The grant money has been provided for, so no extra expenditure would be incurred by in fact paying it.

So why can we not come straight out and say that by their deliberate and totally irresponsible behaviour, local Labour politicians, so frequently supported by the Liberals, have turned the whole thing of the system on to the very people whom it was intended to protect, and that we are not going to allow them to get away with that, and that the £25m will be made available, not to the P.T.A. but to the rate payers, by paying it direct to the Electric Councils on condition that they use it to reduce rates, not increase expenditure.

As before I am writing to you personally and asking for a meeting both because I believe the matter to be of such importance and because several Departments are concerned. I am copying this letter to Kenneth Baker and Ronald Mitchell, who I understand to be the ministers most concerned, and to Norman Tebbit,

Yours ever



P.O. P25 COPY D

THE NATIONAL UNION OF
CONSERVATIVE AND UNIONIST ASSOCIATIONS

North Western Provincial Area
(Woolton House, 31 Byrom Street, Manchester M3 4PJ)

Area Local Government Advisory Committee
Wirral District Co-ordinating Committee

Chairman
K.G. Allen

Hon. Secretary
F.S. Dawson M.B.E.

Please reply to ;
c/o Birkenhead
Conservative Association
20 Hamilton Square
Birkenhead L41 6AY
051 647 9131

The Rt. Hon. Margaret Thatcher F.R.S. M.P.,
10 Downing Street,
London.

Dear Mrs. Thatcher,

I write on behalf of the Chairmen of all four Constituencies who operate under the control of Wirral Borough Council, i.e., Birkenhead, Wirral South, Wirral West and Wallasey, to express our very great concern at the projected Rates increase in Wirral, which we believe will be in excess of 25%. This is without any growth in services and after all the efforts over the past six years by our Conservative controlled Council to consistently follow Government policy and guidelines.

We were the largest Authority to privatise refuse collection and street cleansing, all departments have been examined on a "value for money" basis, either through internal exercises or by outside consultants. All repairs, maintenance and capital contracts are open to competition.

From a very low base during this period, we were featured for two consecutive years in the Financial Times as the Authority making the largest reductions in manpower. Out of 36 (thirty six) Metropolitan District Councils, we stand 34th (thirty fourth) in expenditure terms and out of 105 (one hundred and five) Education Authorities, we are the lowest in expenditure. We have done all we can. We were virtually promised that for next year our efforts over the years would be recognised and our Grant Related Expenditure figure would be adjusted to take account of the realities instead of being based upon past target figures which bear no resemblance to the problems we face as an inner area Authority. This has not happened and, as a consequence, our expenditure will be in excess of the GREA figure and we shall be in a grant losing situation.

In addition, we are having counted against our GREA figure, the costs of the residuary body which includes £1.5 million in respect of compensation payments for Merseyside County Council staff redundancies. What worsens the situation is that the Secretaries of State for the Home Office and Transport have allowed permitted expenditure levels for the Police and Transport Joint Boards respectively, in excess of the GREA figures for these boards, by amounts of £16,000,000 and £38,000 ,000. This means that for Transport for example, no grant at all will be received. Either the GREA's are too low or the Secretaries of State have allowed excessive expenditure levels which is contrary to the promise made to control the expenditure of these joint boards and which was the purpose of taking appropriate powers under the Abolition Act.

.. / ....

It is our firm belief that what has happened is beyond the power of Wirral Borough Council to control and unless urgent corrective action is now taken, the loss of control of Wirral Borough Council by our Party is absolutely inevitable. Add to that the destruction of morale amongst our workers and the consequent damaging implications for our three Members of Parliament come the next General Election.

Prime Minister, we appeal to you, at this late stage, to do all in your power to right this wrong.

Yours sincerely,

Secretary to the Wirral
District Co-ordinating Committee

on behalf of :

K.G. Allen – Chairman Birkenhead Constituency
Miss K. Hobson - Chairman Wallasey Constituency
A.H. Duncan - Chairman Wirral South Constituency
Mrs. I. Whitehurst - Chairman Wirral West Constituency

PRIME MINISTER

cc Mr Alison

LYNDA CHALKER

BF I have arranged for Lynda Chalker to see you at 1230 on Friday. The diary today and tomorrow is appalling.

Lynda does wish to raise the matter of Merseyside rates with you.

J. Bowers

RP Caroline Ryder

26 February 1986

b.f. for meeting.

1

1/ Mr Wicks

24. **PRIME MINISTER**

SIR IAN PERCIVAL AND LYNDA CHALKER

Attached is a letter from Sir Ian Percival seeking a meeting with you about RSG etc on Merseyside. I imagine that you will wish to agree to this request with a DOE Minister present. Agree? Yes MT

More difficult is a request from Lynda Chalker for a meeting which her office at the FCO has conveyed to us now on two occasions. I understand that she has written privately to you about this. Personally I think it rather odd that a Government Minister should seek to lobby you about another Department's business and strictly speaking therefore I think her request for a meeting is out of order. If you agree to see Sir Ian Percival however we can make that clear to Lynda Chalker and ask her to make sure that Ian Percival is aware of her views before any such meeting.

Agree to proceed in this way? I do not think Lynda writes to pursue the point. She wants to see me about general political matters. MT

NLW

(Timothy Flesher)

25 February 1986

cc PS/Sir B. Young NI 7/10

LRB London Residuary Body

Chairman's Office
St. Vincent House
30 Orange Street, WC2H 7HH

Telephone: 01-930 0613

PRESS RELEASE February 25, 1986

LRB BUDGET - "BONUS FOR RATEPAYERS" SAYS CHAIRMAN

A financial bonus for London ratepayers was forecast today (Tuesday) by Sir Godfrey Taylor, Chairman of the London Residuary Body, as he announced the LRB's first budget 34 days before abolition of the GLC.

The LRB, formed to wind up the affairs of the GLC, will be receiving £48 million by levy across the 33 London Boroughs - a major reduction from the provisional estimate in November of £182 million.

And there is a further benefit to ratepayers: at least £71 million in GLC balances will be distributed to boroughs by the LRB - £23 million more than they are paying - plus a possible £18 million more (see attached table 5).

The LRB's gross expenditure for 1986-87 on carrying on services to the boroughs after abolition, and on its own costs for clearing up GLC functions, is £617 million. This will be met by the levy, charges for services to the boroughs and successor bodies, income from grants, mortgage repayments and rents, and inherited GLC balances.

The lower levy figure - roughly equivalent to a 2.5p rate, although it will be calculated not on rateable value but on population (see attached table 4) - has been achieved because Environment Secretary Kenneth Baker accepted that GLC home loans repayments should be used to repay debt, and that £45 million inherited from GLC balances should be used to finance redundancy payments, and for contingencies. The lower-than-expected levy will help boroughs attract more Government grant and so contribute to keeping rate levels down in 1986-87.

Sir Godfrey said today: "This is good news at last for the hard-pressed London ratepayer. The LRB has pushed hard to achieve it and with Government goodwill and the use of GLC balances which are rightfully going to the benefit of Londoners across the capital, we have managed to hold down the LRB levy to a very satisfactory level."

mf

The boroughs will also pay to the London Fire and Civil Defence Authority, the London Waste Regulation Authority and the Department of Transport for the urban traffic control system. They will pay directly for current GLC services such as waste disposal, planning, highways, entertainments licensing, magistrates' courts, housing and concessionary fares.

Sir Godfrey said: "When you add up all the costs which the boroughs are already paying anyway, they should be considerably less than the GLC's current 34p precept. And in addition the boroughs can look forward to a further distribution of GLC balances.

"It adds up to a bonus - the first stage of the money-saving exercise that abolition of the GLC always promised to be."

The budget document shows a total LRB staff of 4,331 at abolition. But this includes staff to clear up GLC offices, Thamesmead staff who will transfer to the Trust, staff engaged in services whose costs are recoverable in the charges, and apprentices who will move on when their training is completed; the LRB's own staffing requirement is less than 2,000.

Sir Godfrey added: "In the longer term there will be more savings as staff finish their jobs with us and take retirement or move on."

ENDS

CONTACT : Terry Collcutt, Press Officer, London Residuary Body,
Tel: 930 0613

James Bradley
LGR-2
P1/129

From: The Rt. Hon. SIR IAN PERCIVAL, Q.C., M.P.

HOUSE OF COMMONS
LONDON, SW1
Secretary's Tel. No.: 01 219 4065

24th February 1987

Dear Prime Minister,

May I please come & have a word with you about Merseyside, urgently.

Of course I know and accept the reasons for G.R.E., grant penalties etc. - but the short fact of the matter is that the whole scheme has totally misfired in Merseyside and is killing the many "birds".

Labour controlled authorities suffer no penalty, the vast majority of those who vote them into power suffer no penalty - it is the hard pressed rate payers (not least in Southport), such as the nursing Sister earning £140 and already paying £40 of it in taxes and insurance, the small (or large) businessman working all hours to expand (or just to stay in business), the retired who have worked hard and saved hard and always do their utmost never to call on the State for help - these are the ones we are allowing our Labour + Liberal enemies to kill.

That is desperately unfair to the very kinds of people we are so concerned to help. They have no way of controlling the Labour spendthrifts. Our way of trying to do so, in order to protect them, is in fact clobbering them and only them.

And, with respect it seems to me to be so easily avoidable. The grant money has been provided for, so no extra expenditure would be incurred by in fact paying it.

So why can we not come straight out and say that by their deliberate and totally irresponsible behaviour, local Labour politicians, so frequently supported by the Liberals, have turned the whole sting of the system on to the very people whom it was intended to protect, and that we are not going to allow them to get away with that, and that the £25m will be made available, not to the P.T.A but to the rate payers, by paying it direct to the District Councils on condition that they use it to reduce rates, not increase expenditure.

As before I am ~~writing~~ writing to you personally and asking for a meeting both because I believe the matter to be of such importance and because several Departments are concerned. I am copying this letter to Kenneth Baker and Ravid Mitchell, whom I understand to be the Ministers most concerned, and to Norman Tebbit,

Yours ever

[signature]

24.11.
PM 86

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: B/PSO/11040/86

Your ref:

13 February 1986

Prime Minister 2
A pity, but nothing to be done I'm afraid.
DCW
18/2

Dear Whitelaw

"PAYING FOR LOCAL GOVERNMENT"

Shortly before the Green Paper was published, it was agreed that there should be a common consultation date of 31 July for the proposals in England, Scotland and Wales (same for those on capital expenditure). However, as your private secretary's letter of 21 January to David Norgrove records, we also agreed that I should be free to announce an extension if this proved necessary. WITH DRN?

I was pressed by the local authority associations in the morning of publication of the Green Papers to agree to an extension of the consultation period, and I briefly referred to my willingness to do so in exchanges on my statement. I have now been asked by the Association of Metropolitan Authorities to announce a formal extension of the consultation period. In reply, I am today writing to all the local authority association leaders, telling them that I am willing to extend the consultation period to 1 October, on the understanding that this is necessary to allow detailed responses to be formulated. I am also making the point, however, that the earlier we can have those responses, the better it will be.

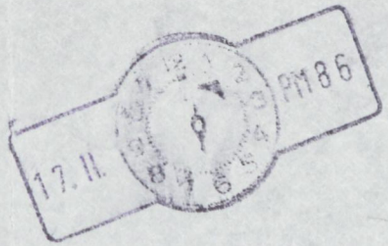
I am copying this letter to the Prime Minister, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever

Kenneth

KENNETH BAKER

The Rt Hon the Viscount Whitelaw PC CH MC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Local Government (Financing)

3.41 pm

The Secretary of State for the Environment (Mr. Kenneth Baker): With permission, I should like to make a statement. Together with my right hon. Friends the Secretaries of State for Wales and Scotland, I have today presented to Parliament a Green Paper entitled "Paying for Local Government". It makes major proposals for the future financing of local government in Great Britain.

The central theme is the need to bolster local democratic accountability. To do so, we need a way of paying for local government which narrows the gap which exists between those who use, those who vote for and those who pay for local government services.

The three fundamental weaknesses in our present arrangements are: the complex and uncertain effect of Government grants to local authorities; the way in which businesses can be heavily taxed to pay for excessive local spending; the unfair burden on householders of domestic rates.

May I deal with non-domestic rates? Business and commercial ratepayers foot 60 per cent. of the local tax bill but have no vote to influence local elections. For businesses, rates are uncontrollable overhead costs which can and do vary from year to year very significantly. Increased business rates lead to higher costs; to lower pay or job prospects; or to reduced investment. Those who are ultimately affected are quite unaware of how these extra burdens arise.

For all those reasons, non-domestic rates should not be a local tax. We propose therefore that a uniform non-domestic rate poundage should be set centrally. Businesses will be protected by indexing the poundages to inflation so that they can predict their liability with confidence. All of the yield of non-domestic rates would continue to support local government expenditure but it would be pooled and redistributed as an equal amount per adult in all authorities. Transitional arrangements would be required in each of the three countries to allow for an orderly move to the new system. We are setting in hand a revaluation of all non-domestic properties so that new rateable values will be available from April 1990.

I turn to the question of Government grants. The present grant arrangements are unstable and complex. They obscure the link between what people pay for local services and what they get for their money. But the clarity of that link is essential to local accountability.

We therefore propose a new two-part grant structure. First, a needs grant to compensate authorities for their different needs. Secondly, a standard grant—to reduce local tax bills by a standard amount per adult. Both grants would be fixed in cash, in advance, for the year in question. Local authorities would then know where they stood. We would remove the whole paraphernalia of schedules, tapers, multipliers and close ending.

Taken together with our proposals on the non-domestic rate, these grant arrangements would produce the clearest possible relationship between changes in spending and changes in tax bills. Every extra pound spent will be met in full by local domestic taxpayers. Every pound saved would benefit them in full. And that would be true in every authority in the country.

On the subject of domestic taxes, at present in England around 35 million adults are eligible to vote in local elections. Only 18 million are directly liable as ratepayers. Of these, 3 million have their bill met in full by housing benefit. In many authorities well over 50 per cent. of the voters pay no local rates and therefore have little interest in restraining spending by the local authority; indeed, they have a clear interest that it should spend more.

Under the new social security proposals, every ratepayer will have to pay part of their rate bill. That still leaves 17 million adults with no liability to pay for the local services they use. It still means that the single pensioner or the single parent will face the same bill for local services as the house next door with four earners.

Rates are a tax on property. They are unpopular because the rates burden is carried on too few shoulders and needs to be spread more widely and fairly. There are broadly three alternatives—a sales tax, local income tax, or a flat-rate community charge. The Green Paper sets out the many difficulties we see both in sales tax and in local income tax, and the reasons why we prefer a community charge. It would be more closely linked to the use of local services and would give all adults a stake in local spending decisions. As with rates, there would have to be assistance for those on low incomes. Each local authority would set its own charge and there would have to be registers of all adults. The registers would be entirely separate from the electoral register.

This proposal would lead to the same local tax bill for the same standard of service in all areas. that would lead to significant changes in the distribution of local tax burdens between authorities. There would have to be transitional and safety net arrangements.

In England and Wales the community charge would start at a low level, with a corresponding cut in rates. The whole burden of any increased spending would fall on the community charge from the start, so that a clear link would exist between higher spending and higher community charges. In subsequent years there would be further transfers from rates to the community charge. In some areas rates would disappear within three years, and they would be eliminated in all areas within 10 years.

Under the proposals some people would be paying local taxes who presently pay nothing. But those living on their own who presently pay more than their fair share, including many of the poorest households, would be better off.

The Green Paper illustrates the effects of the proposals, had they been in force in 1984-85. The illustrations show that the changes would be modest for most people, and that the shift to the new tax would be both gradual and manageable in terms of household incomes.

There are also proposals in the Green Paper to reform the capital control system on which I am inviting comments.

Those proposals amount to the most thorough reform of local government finance this century. It is right that there should be a substantial period of consultation. My right hon. Friend the Secretary of State for Wales and I have asked for comments by 31 July. My right hon. Friend the Secretary of State for Scotland will make a statement tomorrow. The pace of further developments in England and Wales will depend on the outcome of the consultation process.

The message from our studies is clear; the way we now pay for local government undermines local accountability. That is no basis on which to run democratic local government. It has drawn central Government deeper into

[Mr. Kenneth Baker]

conflict with local government. The alternatives are clear. We can continue down the present path—that is the road to closer central involvement in local affairs and increased central control—or we can face up to the weaknesses in our present arrangements and provide local government with a financial system to bolster local democracy. The Government prefer that course, and I commend it to the House.

Dr. John Cunningham (Copeland): The Secretary of State has made a major statement on what is by any test a very important Green Paper. Will he accept that the Opposition are prepared to support any genuine attempt to increase local accountability and to return to local government the freedoms and local democratic control that have been consistently eroded during the seven years of the Prime Minister's Administration?

Is the right hon. Gentleman aware that the Opposition welcome the Government's recognition that after seven years of Conservative Government local authority finance is in a bigger mess than ever before? Does he realise that we agree with his message last week in a letter to Tory councillors nationwide that the system that his Government have created is unfair and stifles local accountability?

Does the Secretary of State recognise that, after seven years of successive failure in local government finance, the Green Paper announces yet again the abandonment of the Prime Minister's oft-repeated promise to abolish domestic rates altogether in this Parliament? Is it not clear that the Prime Minister has comprehensively ratted on that promise to the ratepayers? Is not the general proposition at the heart of the Green Paper a proposal to introduce a poll tax to be imposed on every adult regardless of income or ability to pay? Will that not also be a tax on the right to vote, as the Green Paper makes abundantly clear? Is the right hon. Gentleman aware that no other Western industrial democracy employs such a grotesquely unfair system as the basis of the major source of local government income?

What has changed since the Government rejected these very proposals in their 1983 White Paper on rate reform? The Government rejected the proposals then on the basis that they were expensive and bureaucratic to administer, bearing harshly on low-income families and a tax on the right to vote. That was revealed in the Government's White Paper two years ago.

Is it not the case that every ratepayer, regardless of means, will have to pay a minimum flat-rate charge under the Government's proposals? Why has the Secretary of State, in his statement and in the Green Paper, been so obscure about the proposals to help low-income families get over the major impact of the new impositions?

Will the Secretary of State confirm that his proposals for a uniform business rate are a further huge centralisation of power which will undermine local democracy and accountability and not enhance it? It will leave in the hands of Ministers massive additional controls over local authorities regardless of their political persuasion. Will not this mean higher business rates in many Tory local authority areas? I ask Conservative Members to study the proposals carefully, because that is the implication. That is what is at stake, especially if the yield is to remain the same as at present.

Why do not the right hon. Gentleman and his right hon. Friends address themselves to the far higher costs to industry and commerce of interest rate charges which result from the Government's policies? What are the distributional effects of changes on people in different circumstances in different local authority areas? The figures that he has given relate to regions and national situations, not to specific local authority areas. In that sense, the figures quoted are nothing short of misleading.

Is not the right hon. Gentleman asking his right hon. and hon. Friends to accept a time bomb ticking away under them in their constituencies and local authorities? These proposals will bring shock waves of horror to many Conservative Members who believe in some craven way that they and their constituents will benefit from them. Will the right hon. Gentleman publish the data and studies that he and his right hon. Friends have used and made to give the examples in the Green Paper?

Is not this exercise a vain attempt to redeem the pledges of the Prime Minister and to cast a cloak of obscurity over the failure of the Prime Minister in seven years in government to deliver that simple, if not cynical, promise to abolish domestic rates? Is not the reality right through the Green Paper simply that rates will be here long after the Government have gone?

Mr. Baker: The hon. Gentleman asks my hon. Friends to study the Green Paper carefully. I hope that he takes such advice himself, because rarely has the House heard such a thin and empty comment. I have tried in the Green Paper to set forward the central issue of what I hope will be a great debate upon the future of local accountability in local government. During the course of that great debate the Labour party will have to say what system of local government finance it will support. From the hon. Gentleman's concluding comments, and from those of his hon. Friend the Member for Blackburn (Mr. Straw) recently, I assume that he will favour the retention of the rating system.

Dr. Cunningham: Answer my questions.

Mr. Baker: I shall answer the hon. Gentleman's questions. The hon. Gentleman argued that the community charge is unfair and regressive and will hit the poor, but I remind him that rates are also regressive and unfair and bear little relationship either to ability to pay or to the use of local government services. If rates are to be kept, there will have to be a major revaluation and that will create a turbulance in family incomes much greater than what I am proposing to the House.

The hon. Gentleman asked me about those who will benefit. Let me consider those who will face lower bills under my proposals. Eighty-six per cent. of all single pensioners will receive lower bills. Eighty per cent. of single adult householders will face lower bills. Businesses in the north, the midlands and the north-west will face lower bills. Areas of high unemployment will face lower bills.

The hon. Gentleman asked me whether the proposal was a tax on the right to vote. It most certainly is not. The registers will be separate. There will be people on the community charge register who will be liable to the community charge who do not have the right to vote—for example, foreigners resident in our country. What I

have made clear and what I do not disguise is that we are widening the tax base. We are spreading the burden more widely and more fairly to increase local accountability.

Most of us here subscribe to the notion of no taxation without representation. The hon. Gentleman believes in representation with no liability to taxation. He wants a right for those who contribute nothing to impose the full cost of their demands on those who contribute everything. I should be careful about going out to dinner a la carte with the hon. Gentleman because, under his system, I would be left with the bill.

Sir Hugh Rossi (Hornsey and Wood Green): Does my right hon. Friend accept that the return, after many decades and not just the last seven years, of the nexus between taxation and representation will be widely accepted and welcomed in the country both by those who have to pay and those who are conscious of their democratic rights? A far greater control over local authority spending will be achieved by the payer through the ballot box if taxation and representation are equated than by a cumbersome central Government apparatus.

Mr. Baker: I endorse what my hon. Friend has said; it goes to the nub of the question. The choice before the country in financing local government is whether one depends upon the constraints operated through the ballot box with a wider base of taxpayers or whether one goes for more central control. I reject the move towards more central control.

Mr. Barry Jones (Alyn and Deeside): Why are there no plans for the Secretary of State for Wales to make a statement on a matter of great importance for the Principality? Why is the Secretary of State for Wales hiding behind the Secretary of State for the Environment? I happen to know that the Secretary of State for Wales is at least part author of this iniquitous proposal of a poll tax.

Mr. Baker: There are important differences between the proposals as regards England and Wales and Scotland. However, the proposals for England and Wales are substantially the same and we thought it appropriate for one statement to be made. The hon. Gentleman's comments have been noted, and he may wish to pursue the matter through the usual channels.

Mr. John Heddle (Mid-Staffordshire): My right hon. Friend's announcement of the introduction of a national business tax will be welcomed widely by industry and commerce which has no voice, no sanction, no vote and no say in the way that profligate councils spend their money. Will my right hon. Friend accept that the introduction of a community charge may create some losers as well as some winners? To avoid any possibility of retrogression, will he extend the consultation period beyond 31 July so that the consultation may be as wide as possible?

Mr. Baker: I entirely agree that the proposal for a national business tax will be widely welcomed. The proposals are well founded.

As regards the consultation period, the local authority associations have already represented to me their wish for a longer time than 31 July. I am prepared to consider the matter, but I would not want to extend the period beyond October.

Mr. Eric S. Heffer (Liverpool, Walton): If the right hon. Gentleman is serious in what he said about no taxation without representation, why have the Government not brought in a concept of local income tax? This has been argued for a long time and is extremely successful in Sweden. Is it not clear that the right hon. Gentleman and the Government are proposing to put further burdens on the shoulders of ordinary working people and not on those who can afford to pay? Is it not clear that the Government's proposals for registration are leading to a situation where criminal sanctions — I should like to know what the criminal sanctions are—will be against people who, for various reasons, may decide not to register.

Mr. Baker: We have looked at the various proposals for a local income tax. There are several variations and varieties, but all are administratively complex and would require a register, as the local community charge requires a register. If one moved to a form of local income tax, it would on average put an extra 4½p on the basic rate. The rate depends on the spending of various authorities and would range from an extra 2p to an extra 11p on the standard rate. I do not believe that many people would welcome the prospect of an uncontrolled capacity to raise local income tax which would be left in the hands of Mr. Bernie Grant or Mr. Hatton. In their hands it would be confiscatory.

Mr. Charles Morrison (Devizes): Is my right hon. Friend prepared to say whether there are any interim, short-term proposals in the Green Paper which will help to ensure that shire counties are not faced with the same difficulties next year and ensuing years as they face this year? May we assume that the business tax will ensure that there are virtually no businesses which will be worse off under that tax than they are at present?

Mr. Baker: I announced today that there would be a revaluation of business properties starting at once and coming into effect in April 1990. That will lead to an adjustment between the older properties, probably in the north, and the newer properties, probably in the south. That will have to be phased in over five years.

As for striking the average at national poundage, we put forward the idea in the Green Paper that, taking the mathematical average, the poundage could be reduced by 5 per cent. or indeed by a lower figure. The discretionary 5 per cent. will be left to the local authorities if they wish to charge it.

My hon. Friend asked whether there would be any special transitional arrangements, for the three years from 1987 to 1990 before the new operation comes in. Clearly there will have to be transitional arrangements even before this operation starts to avoid the type of debate that we had last week which I do not want to have again.

Mr. John Cartwright (Woolwich): The great debate is not starting today—it began in 1974 with the setting up of the Layfield committee whose recommendations were rather better based than those before the House today. Does the Secretary of State recall his own Government's White Paper of August 1983 which, after extensive consultation, totally rejected the idea of a flat rate community charge because it would be unfair, complicated and expensive to administer? Why is the right hon. Gentleman now recommending something which his Government rubbished two and a half years ago?

Mr. Baker: The reasons set out in the 1983 White Paper for rejecting a community charge were largely

[Mr. Baker]

operational. The hon. Gentleman will see that if he studies the White Paper. The new grant system introduced in 1981 did not check the high spenders because there was insufficient local accountability under the rating system. That led to the introduction of rate capping and greater central control. A path has to be chosen by all parties in the country: do they want further central control, more control from Whitehall, or do they want to increase local accountability for the domestic taxpayer? That is the central issue.

Mr. Ian Gow (Eastbourne): Is my right hon. Friend aware that few, if any, local authorities which are profligate in the use of taxpayers' money would have been elected, let alone re-elected, if there had been a closer relationship between those who vote and those who pay? The broadening of the tax base will be widely welcomed not only by Conservative Members but in the country as a whole. My right hon. Friend's proposals constitute a great advance in equity of taxation.

Mr. Baker: I thank my hon. Friend, and agree with him. When the local elector goes to the ballot box and tries to make up his mind whether he should support the council, it is very difficult for him to determine whether the rates have gone up as a result of the high spending of the local authority or as a result of what has happened to the grant. There is no clear link. The new grant system which I have announced today will allow that link to be established. The local elector will be able to make his own judgment. In future, as a result of the new grant system and the standard national business rate, all the spending decisions will depend upon the council and upon it saying to its electorate, "This is what you want, so vote for us".

Mr. Frank Field (Birkenhead): As a sizeable number of poor people will be made worse off under these proposals, what measures does the Secretary of State propose to introduce to compensate them?

Mr. Baker: The Green Paper says that there will have to be a system of support for people on low incomes. One of the features of a community charge is that it will reduce average bills for the lowest income households with net incomes below £75 a week. There will be a rebate system that applies to the community charge as it applies to rates. For people on the lowest incomes, the community charge would be 2·4 per cent. of net income whereas rates would be 3 per cent. of net income.

Mr. David Howell (Guildford): Does my right hon. Friend agree that our objective is genuine independence and genuine accountability in local government? Does he agree that his plans take considerable strides in that direction? Will he reassure us that his plans for new grants and for the community charge, which I warmly welcome, will not be put at risk or overthrown by short-sighted Treasury intervention in the name of vague and hazy macroeconomic goals?

Mr. Baker: I think so. I welcome my right hon. Friend's support for increasing local accountability. I hope that the system will produce the checks and balances which I believe are necessary. We say that some form of selective rate capping may be needed for the transitional period, but I hope that it will be possible to phase that out.

Mr. Terry Davis (Birmingham, Hodge Hill): How will the cost of preparing a community charge register and collecting this new tax compare with the present system?

Mr. Baker: We estimate that it will cost about £30 million a year to prepare the register. The cost to the valuation office of domestic properties alone is about £30 million a year. If we were to keep the rating system and had a domestic revaluation, it would cost about £65 million.

Mr. Robert Rhodes James (Cambridge): Is my right hon. Friend aware that the proposal to include higher education students in the new community charge would be acceptable if it were not for the fact that they are already suffering from loss of grant and benefits, as proposed by the Secretaries of State for Education and Science and for Social Services? Are they covered by the low-income provisions?

Has my right hon. Friend discussed this with my right hon. Friend the Secretary of State for Education and Science?

Mr. Baker: The answer to my hon. Friend's latter question is yes, of course.

It is proposed in the Green Paper that students should also be liable to the community charge. I should like to say something about this as the circumstances regarding students and rates are complicated. There is an allowance in students' grants for housing costs. In addition, universities pay local authorities something for rates for students who live in halls of residence. In addition, students in digs who pay rent contribute towards the rates in their rent. Students who live at home may or may not pay their parents. We shall have to explore such factors much more fully during the consultation period.

Mr. Allen McKay (Barnsley, West and Penistone): Is the right hon. Gentleman saying that registration will be done on the basis of the electoral register? If so, how will he calculate for people who do not register? His answers have implied that industry will be better off, that pensioners will be better off and that the poor will be better off. In areas such as mine, where there is 20 per cent. unemployment, who will pay?

Mr. Baker: I have made it clear that we are broadening the tax base and that more people are to be brought into tax. The Green Paper sets that out fully. There will be a separate community charge register, which will not be the same as the electoral register.

Mr. James Couchman (Gillingham): Is my right hon. Friend aware that there are many small business men, including me, who will be profoundly grateful for his announcement about the business rates? That is especially true for those of us who were forced to stop trading in areas where rates had risen so much as to make our businesses unviable. What are the implications for the precepting authorities such as the Inner London education authority and the police?

Mr. Baker: The arrangements for precepting will remain the same. District councils will levy and collect the community charge. I strongly agree with what my hon. Friend said about the national business rate. Businesses pay £1·50 for every £1 paid by domestic ratepayers. In some areas, local authorities have milked businesses. For example, in Camden, businesses pay £4 for every £1 paid

by domestic ratepayers. Moreover, we shall link any increases in the national business rate to the rate of inflation.

Mr. Simon Hughes (Southwark and Bermondsey): Is the Secretary of State aware that the alliance parties accept his two premises — that the rating system and rate support grant system are indefensible, and that there must be more accountability? Is he further aware that the policy conclusions that he reaches show that the Government are unsound in policy, just as yesterday's announcements showed that they are unsound in their practices, as the poll tax is the most reactionary proposal since 1601?

Does the right hon. Gentleman agree that the majority of ratepayers will be worse off? Does he agree that Government control will be increased? Will he confirm that local income tax would provide better accountability, reduce local government's dependence on the Government, and reduce Government-imposed income tax?

Mr. Baker: I do not know which brand of local income tax the Liberal party will eventually settle on, but it does little for extra accountability. Before the hon. Gentleman gets too enmeshed in supporting local income tax, perhaps I might tell him what it would do to tax rates in his constituency. I have taken the rate for Southwark and calculated what it would represent in extra income tax. The standard rate for taxpayers in Southwark would increase from 30p to 41p.

Sir David Price (Eastleigh): Is my right hon. Friend aware that, for those of us who have called for rate reform for at least 20 years, my right hon. Friend's statement is most welcome? In view of the long history of Green Papers and the failure of Lord Wilson, when Prime Minister, to allow the Redcliffe-Maud commission even to consider local finance or local taxation, why do we have to waste a year on a Green Paper rather than proceed immediately to a White Paper and to a Bill?

Mr. Baker: I entirely appreciate my hon. Friend's impatience, and I thank him for what he has said about the proposals. This is the most fundamental change in local government finance this century. It changes the grant system, the business rates system and——

Dr. Cunningham: Has the right hon. Gentleman already decided, then?

Mr. Baker: No. These are the proposals which the Government are putting before the country. All interests should have adequate time to comment on our proposals.

Mr. Hugh Brown (Glasgow, Provan): Many of us are aware that the financing of local government is too complex and far from perfect, but does the right hon. Gentleman agree that if some people, groups, or categories pay less, others will have to pay more? Why is it right for the 3 million poorest families in the country to pay more?

Mr. Baker: I made it clear that there will be assistance for those on low incomes. There is a high level of poverty in single-person households and those people will benefit from a community charge. For those on low incomes the community charge is less regressive.

Mr. Gwilym Jones (Cardiff, North): I join the welcome for my right hon. Friend's statement, as I welcome any movement towards the abolition of that dreadful anachronism, rates, especially with the excessive increase of 25 per cent. that is facing my constituency. Does my right hon. Friend accept that we in Wales view with concern the suggestions in the press that the Principality is to be used as a proving ground for rate reform? Does he accept that we would need to scrutinise closely any such idea?

Mr. Baker: I assure my hon. Friend that, from the point of view of timing, the changes in England and Wales will run in harmony. There is no proposal in the Green Paper that changes should be made in Wales prior to being made in England. My right hon. and learned Friend the Secretary of State for Scotland will be making a statement tomorrow about rates in Scotland.

Mr. Chris Smith (Islington, South and Finsbury): Is it not the central philosophy of the Green Paper that only the votes of those who pay will have any real validity? Is that not an outdated concept? Is it not better to embrace the concept of one-person, one-vote, which is a much more democratic principle?

Mr. Baker: One reason for the breakdown between voting and paying for local services is evident in the borough of Islington. In that borough, as a result of excessive spending, the average rate bill is now almost £700. I do not believe that it would have reached that figure if more people——

Mr. Heffer: Is that all?

Mr. Baker: I am sure that the hon. Member for Liverpool, Walton (MR. Heffer) has even higher ambitions to increase the rate bills in Liverpool.

I do not believe that that high figure would have been reached if there had been a better connection between those who vote and those who pay for local services.

Mr. Patrick McNair-Wilson (New Forest): Is my right hon. Friend aware that his proposal to spread the cost of local government services more widely will be welcomed by the hard-pressed ratepayers in my constituency and more widely still? However, as the teachers' dispute has shown that local authorities alone cannot pay for the cost of teachers' salaries, has he given any consideration to taking that biggest single item of expenditure out of local finance and putting the responsibility on the central Exchequer?

Mr. Baker: We have considered that possibility, as have previous Governments. It would appear to be a simple and seductive answer to take a large part of expenditure off local government rates and meet it through the central Exchequer, which would involve higher income tax or higher VAT. However, there is a great disadvantage. If the annual financing of education is removed from the local authorities, ultimately the power will end up with a central education service. I know that some hon. Members have favoured that solution, but if the financing of education is moved to the Department of Education and Science or to a central agency, it is taken away from local government. It is not only a matter of allocating money. A central agency would have to decide how many teachers there should be in a primary or secondary school and it would have to decide on all sorts of expenditure. I ask my hon. Friend and those who feel that that is an easy answer, to consider and reflect what that would mean to local government. The powers and responsibilities of local government would be considerably diminished.

Mr. John Evans (St. Helens, North): Does the Secretary of State expect that the standard business rate will lead to the introduction of rate equalisation under which money would be transferred from the prosperous local authorities in the south of England which have much industry to those local authorities in the north, which have lost most of their industry?

Mr. Baker: Two matters will affect the distribution of the business rate. The first is the revaluation of industrial property. Much property in the midlands, Manchester and the north of England was valued in 1973, when those areas were relatively more prosperous. For that reason adjustments must be made. They will run alongside the second factor, which is the movement towards a national business rate, to be phased in over five years.

Sir William Clark (Croydon, South): Rate reform will be widely welcomed in the country and I urge my right hon. Friend to reject the party political points made by the Opposition. Does he agree that the present rating system is a poll tax in that a single occupant of premises pays a similar amount in rates as the person next door in similar accommodation, who shares with four of five adults? Does he agree that it is essential to have a different register from the electoral roll? Many foreigners should be paying rates but they are not on the electoral roll. It is essential that we do not use only the electoral roll.

Mr. Baker: I agree completely with my hon. Friend's point about the position of foreigners. There is also a proposal in the Green Paper for a collective community charge, for example, for boarding houses, which have a rapid turnover of occupation. The landlord or the owner would be responsible for registering the occupants. That is an important point.

On the matter of basic unfairness I agree entirely with my hon. Friend. In two houses, side by side, one occupant could be paying the full rates while four are paying them in the next house. They are all using local government services, but the four occupants, who could be earners, are getting an excessively good deal compared with a single person living alone.

Mr. James Lamond (Oldham, Central and Royton): If the Secretary of State believes that rates are a harsh tax on the one-parent family and old-age pensioners, why have the Government spent their last seven years transferring as much of the burden as possible from central Government to local government, thus worsening the position? If the Secretary of State believes that those who vote at local government elections consist of a mixture of those who have no need to pay rates, but expect to get a bonanza from the local council, and those who are worried because the rates are so excessive that they cannot pay them, why is the turnout only 35 per cent. to 40 per cent.?

Mr. Baker: We have tried to improve local accountability by reducing the support that flows from central Government. The system can only operate with an effective, wider tax base, which is what we are proposing.

Mr. Nicholas Winterton (Macclesfield): Does my right hon. Friend accept that while all of us will study carefully the radical proposals, the likely result of his announcement is that rural counties, such as Cheshire, will suffer from the standard business rate levy? The majority of middle-income earners in the rural county of Cheshire will pay considerably more. Is that a correct assessment?

Mr. Baker: I urge hon. Members to reflect upon the consequences of the proposals on the business rate and the figure at which the national average is struck. On that depends whether there will be more gainers or losers in the business world. The Green Paper proposes to strike the rate at the national average — 180p, in 1984-85. It further proposes that that should be reduced by 5 per cent. which would bring in many of those who are close to the national average who would have to pay more if it were struck at a higher level—[HON. MEMBERS: "Answer".] The answer depends upon the level at which the national average business rate is set. That is a matter upon which we shall take advice and consult.

Regarding the incidence of the tax burden upon people in different areas, the broad result of the proposals will be a transfer of the tax burden from householders to non-householders.

On the question of resource equalisation, the answer to my hon. Friend's question lies in chapter 4 and annex J.

Several Hon. Members *rose*——

Mr. Speaker: Order. I have to protect the business for today, because there is the introduction of Members, a Ten-minute Bill and an important debate. I shall allow questions to continue for a further 10 minutes, but then we shall have to move on.

Mr. William O'Brien (Normanton): Is the Secretary of State aware that the Government's proposals mean that people who are now granted concessions because of their low incomes will have to pay rates in the future? Will that not be seen by the elderly, especially elderly widows, as a further tax upon their incomes, and almost as a standing charge? Would not the aged and widows be better served by allowing them the existing concession of complete or partial rate rebates according to their incomes?

Mr. Baker: The hon. Gentleman's comment is more appropriate to the Social Security Bill, which we shall discuss later today, since that proposal is enshrined in the Bill.

Mr. Fred Silvester (Manchester, Withington): Does my right hon. Friend realise that many of us share his objective of reducing the conflict between central Government and local government? Two areas of chief conflict have been the Government's desire to control aggregate local authority expenditure and the method of distribution of the rate support grant. Does the Green Paper mean that the Government have abandoned their objective of controlling the aggregate of local government expenditure? How will the needs element be distributed?

Mr. Baker: The answer to my hon. Friend's penultimate question is, not entirely. The distribution of grant will be much simpler and clearer under the new system. It will consist of two elements: a standard grant which all authorities will receive on a per capita basis as of right, and a needs grant. The present grant amounts to about £8 billion. About £4 billion will be available for the standard grant, and about £4 billion will be available for the needs grant. On the needs grant, we shall have to devise a system that is simpler and clearer than the present GREAs.

Ms. Clare Short (Birmingham, Ladywood): Will the Secretary of State answer the important question asked by my hon. Friend the Member for Islington, South and Finsbury (Mr. Smith)? When the right hon. Gentleman

talked about no taxation without representation, he meant no representation without taxation. That principle goes to the heart of democracy. The logic of the right hon. Gentleman's position is that the unemployed and non-taxpayers will have removed from them the right to vote in elections.

Mr. Baker: No right to vote will be removed, but it cannot be right that, in some authorities, 50 or 60 per cent. of those who vote make no contribution to the payment for local services.

Mr. Richard Holt (Langbaurgh): Does my right hon. Friend accept that throughout Langbaurgh, Middlesbrough and the whole of Cleveland and the north of England his proposals will be welcomed, especially if they mean the elimination of the current practice in Cleveland of appointing political assistants to the leader and other members of the council?

Mr. Baker: Such incidents happen because there is no effective ballot box control on excessive expenditure. We must move to a better system. I thank my hon. Friend for his support.

Mr. Dave Nellist (Coventry, South-East): How will those who are involved in properties or land that is currently derated be affected by the proposals? Will the proposal for a local income tax be extended to those who currently pay no rates? Does he accept that the echo that he senses among many working people for reform of rates is not caused by the present method of paying rates but by the fact that, in seven years, the Government have taken £10,000 million from local councils and could halve all rates if they returned grant to the 1979 level?

Mr. Baker: The hon. Gentleman accused me of introducing a local income tax——

Mr. Nellist: A community fine, then.

Mr. Baker: No, it is a community charge, and it is not based upon the ownership and possession of property. It is based upon a people's tax.

Mr. Michael Cockeram (Ludlow): Does my right hon. Friend realise that he has opened a Pandora's box that will affect every household in the land and that we are now launched upon a long-running period of protest beside which the Westland affair will be but a brief interlude?

Mr. Baker: I simply do not believe that the present system of local government finance can continue. That is why we introduced the proposals. The present system contains basic unfairnesses and inequalities. I have published a Green Paper because I want the proposals to be examined and debated throughout the country so that each party can put forward its proposals and be able to justify them.

Mr. Nicholas Brown (Newcastle upon Tyne, East): Why is the Secretary of State inviting us to discuss the matters in the Green Paper after the passage of the Rates Act 1985 and the abolition of the metropolitan authorities rather than before then?

Mr. Baker: As I said in reply to an earlier question, in 1981 we introduced a system which we hoped would act as a brake upon excessive local spending. That did not work, so the further controls were introduced. I have said clearly that that should not be the path forward for local government and that there must be a more equitable base for true local accountability. I favour local accountability, because local democracy will not survive without it. When I am asked about gainers and losers, I always reply that the biggest gainer will be local democracy.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Does my right hon. Friend accept that to many of us it is pleasing that a promise made many years ago by a former Secretary of State for Education and Science, who has now become Prime Minister, that we should consider what changes are to be made has been fulfilled? But does he agree that, as there is no such thing as a free dinner, there is no such thing as a free rating system? Will we have a system whereby the Government not only decide what is spent but are willing to pay for what they impose on local authorities? If not, does he agree that, whatever system we devise, local ratepayers or taxpayers will be unable to afford it?

Mr. Baker: My hon. Friend is right to mention that important point in local government, which is always complaining that central Government impose duties upon it and do not provide it with the cash to carry out those duties. The proposals for standard grant recognise that some national services are required. That should meet my hon. Friend's point. As he comes from the west midlands, I should say that the area does badly under the present system, because its average incomes are about 5 per cent. below the national average, but its average rateable values are about 5 per cent. above the national average.

Ms. Harriet Harman (Peckham): Does the Minister realise that the thrust of his arguments will be deeply offensive to hundreds of thousands of people, many living in Conservative-controlled areas, who cannot pay their full rates? Is he not betraying an insidious attitude to democracy and individual rights when he relates the democratic right to vote to the ability to pay?

Mr. Baker: I have answered those points several times. The hon. Lady, who represents a constituency in a high-spending inner-city authority, should be fully aware of the inequity of the present rating system and what it means to many of her constituents.

Mrs. Edwina Currie (Derbyshire, South): Is my right hon. Friend aware that, in April, the Comptroller and Auditor-General commented that the existing RSG system failed to prevent overspending, failed to protect the priorities of local government spending, and showed a poor distribution of the financial burden among ratepayers in different areas. Does he agree that the system that he is now proposing is clear, will work and is comprehensive? It will be extremely welcome in local authorities and should be introduced as soon as possible.

Mr. Baker: I could not have said it better myself.

Mr. David Winnick (Walsall, North): Is it not true that the proposed poll tax — there is no need for fancy names, because that is what it is—is the most regressive system of revenue-raising that the Minister could have found? Did not all his predecessors as Secretary of State in the Conservative Government reject the proposal for the obvious reason that it is unfair, unjust and will especially penalise those on low incomes?

Mr. Baker: The basic fairness of what I am suggesting is that those who benefit from local government services should be involved in paying for them. The country will not perceive that as an unfair principle.

Mr. Roger Gale (Thanet, North): My right hon. Friend will understand that the many elderly, single, owner-occupiers in my constituency will welcome what they regard as the death knell of an unfair rating system. They will also appreciate the re-establishment of the link between taxation and representation. Will my right hon. Friend assure the House that this will not mean that those who are taxed without representation—small businesses in the south east—will ever again be asked to subsidise profligate inner city councils?

Mr. Baker: My hon. Friend touches upon the national business rate. There will be consultations about that with the representatives of local government. The CBI conference voted against the national business rate. Since then, the CBI tax committee has come out in favour of it, and I believe that the chambers of commerce are on record as favouring a national business rate.

Mr. Frank Dobson (Holborn and St. Pancras): The Secretary of State talked about winners and losers. Can he confirm that one of the winners under this proposition will be the occupants of the Thatcher retirement home in Dulwich?

Mr. Baker: In widening the tax base, which should be widened in this way, one has to ask whether the local government system should be financially redistributive. More than half of local government money comes from the national taxpayer. That is, of course, principally a redistributive source.

Mr. John Powley (Norwich, South): While welcoming the Secretary of State's proposals, may I draw his attention to the tremendous number of abortive man hours, particularly in local government, that were expended on discussion of previous White Papers and Green Papers and the Layfield report? Will he give an assurance that the Government will have the determination to implement the proposals before the House so that the discussions will bear fruit? Does he agree that the proposed reorganisation is not a message for any local authority to increase its spending?

Mr. Baker: I agree with my hon. Friend's last point. I have already said that during the transitional period some control will be necessary to ensure that certain local authorities do not take the opportunity substantially to increase their spending. I also note the point that was made by him and by several of my hon. Friends, that they want the Government to get on with this.

Mr. D. N. Campbell-Savours (Workington): May I congratulate the Secretary of State on his admission that industrial rates in the north will go up? I am sure that that will bring a lot of joy to many industrialists in Cumbria. Will the right hon. Gentleman come clean? He has told us who gains. What about telling us who loses? It is all here in the Green Paper. Will he tell us the key statistics about those who lose? Are the losers not several million people?

Mr. Baker: I have admitted quite openly that if the tax base is broadened more people will pay tax. Slightly more households gain than lose. The figures are clearly set out in the Green Paper.

Dr. Keith Hampson (Leeds, North-West): Will my right hon. Friend accept that businesses in the north will look upon what he says as long overdue, because there is a great need to have a uniform business rate and evaluations? Surely it is also long overdue that we get rid of the holdback, the clawback and targets and all the other panoply of the existing system. However, none of those things needs a poll tax. A poll tax is only tolerable if it is small. Will he therefore look again at education expenditure, and particularly teachers' salaries?

Mr. Baker: I was asked about this earlier. I appreciate that many hon. Members feel it would be an easy solution to take a large part of education expenditure off the rates. That would have profound constitutional implications, because one cannot remove the responsibility for financing a large part of expenditure without moving power to the centre. It is almost impossible to devise a scheme. That is a centrist approach and the way the French system works, but it has enormous implications for local government and I would not want it.

Mr. Dennis Skinner (Bolsover): The Secretary of State will not pull the wool over the eyes of the people, however much he might succeed in doing that to some Tory MPs. Successive Secretaries of State have come to the Dispatch Box year after year for the last seven years, and they have all declared that they have a new system of rate support grant that will be wonderful for everybody. The net result is that £16,000 million has been removed by central Government and ratepayers have had to foot the bill. From our point of view this proposal is a little more helpful, because during the course of the Green Paper consultation and up to the next general election we shall be able to tell every constituent in every target seat how much the rates will go up as a result of this latest blunder by the Tory Government.

Mr. Baker: I do not know what has impinged upon the consciousness of the hon. Gentleman. I am not proposing an increase in rates, I am proposing a replacement of rates.

Mr. Eric Forth (Mid-Worcestershire): Does my right hon. Friend not agree that any system in which 100 voters may vote for increased local expenditure but only 30 of those voters are called to pay for it is utterly iniquitous? What he seeks to introduce is direct accountability between the wish to vote and have a voice in local government, and the willingness to pick up the bill for that vote.

Mr. Baker: My hon. Friend goes to the heart of the matter and I am sure that the country generally agrees with that proposition.

Mr. Jack Straw (Blackburn): If the Secretary of State is aiming to increase local accountability, why is he proposing in the Green Paper to take complete authoritarian control over the capital expenditure of councils? Why is the consultation period so short? The poorest households pay no rates at present, but is it not true that all poor households will be worse of as a result of these proposals? If the Secretary of State can give illustrations by local authority of the impact of a local income tax, why can he not do the same for the impact of a universal business rate and this poll tax by local authority? Is the reason that he is ducking such illustrations the one spotted by the hon. Member for Ludlow (Mr. Cockeram), that business rates and overall burdens in many Conservative heartlands will rise? When Conservative Members read the small print of the proposals they will understand that this is yet another own goal by an incompetent Government.

Mr. Baker: When the hon. Gentleman has had time to read the proposals on capital expenditure, he will realise we are putting forward two proposals and consulting on them. He asked about further information. I cannot think of many Green Papers that have contained as much information as this one. If after studying it the hon. Gentleman or local authorities want more information, I will consider their requests and that information can cover the levels of community charges and the effect of the national business rate.

Several Hon. Members: *rose——*

Mr. Speaker: Order. I will give priority to those hon. Members whom I have not been able to call today when this matter is subsequently discussed.

Standing Order No. 10

Mr. Tony Marlow (Northampton, North): On a point of order, Mr. Speaker. Yesterday we had an important and vital debate. It was so important that it was broadcast in its entirety. I noticed yesterday that before it commenced, a member of the Liberal party made an application under Standing Order No. 10. On previous occasions when we have had important and vital debates that were broadcast it is my recollection that precisely the same thing was done. It is not for me to say that the Liberal party is more interesting in publicity than in politics. Others may say that. May I suggest, however, that in future, when debates are broadcast, Standing Order No. 10 applications, important though they may be, should come after the debate, particularly as in this case it was a Standing Order No. 10 debate?

Mr. Speaker: I have to take a decision about whether an application under Standing Order No. 10 is in order. It was in order to make that application. It would be the same for any hon. Member who happened to choose that day.

Mr. Skinner: May I help, Mr. Speaker.

Mr. Speaker: I do not think I need the hon. Gentleman's help.

Mr. Skinner: It is helpful.

Mr. Speaker: Order. If it is helpful I will hear it.

Mr. Skinner: The secret lay in the moving of Standing Order No. 10. When we had the debate on teachers last week, the Liberal party spokesman was so full of the emergency debated yesterday that he said "I support both sides and wish them well". He was trying to put right the mess that he made only a few days before.

Mr. Speaker: Not all that helpful but I am grateful to the hon. Gentleman.

NEW MEMBERS

The following Members took and subscribed the Oath:

Right hon. John Enoch Powell, for South Down.

Right hon. James Henry Molyneaux, for Lagan Valley.

Rev. Ian Richard Kyle Paisley, for Antrim, North.

James Alexander Kilfedder Esq., for North Down.

Roy Beggs Esq., for Antrim, East.

Peter David Robinson Esq., for Belfast, East

Clifford Forsythe Esq., for Antrim, South.

James Harold McCusker Esq., for Upper Bann.

Rev. Robert Thomas William McCrea, for Mid-Ulster.

Ken Maginnis Esq., for Fermanagh and South Tyrone.

William Ross Esq., for Londonderry, East

Rev. William Martin Smyth, for Belfast, South.

Right hon. John David Taylor, for Strangford.

Alfred Cecil Walker Esq., for Belfast, North.

STATUTORY INSTRUMENTS, &c.

Ordered,

That the draft Importation of Live Fish of the Salmon Family Order 1986 be referred to a Standing Committee on Statutory

Wages Council Orders Enforcement

5.5 pm

Mr. Peter Pike (Burnley): I beg to move,

That leave be given to bring in a Bill to provide for the automatic prosecution of and the publication of the identity of employers who pay their employees wages below wages councils' statutory minimum rates.

I should like to express my thanks to my union, the General, Municipal, Boilermakers and Allied Trade Union, for its help in preparing this Bill and the case for it, and also to my hon. Friend the Member for Jarrow (Mr. Dixon) who has a considerable interest in the Bill. I recognise that the Bill proposes to strengthen the role of wages councils when, regrettably, the Government have chosen at this time to move in the opposite direction.

Most workers in the United Kingdom have a direct influence on their pay levels by means of negotiation and voluntary agreement between their employers and their trade unions. Even in such cases, unfortunately, some unscrupulous employers, such as Silentnight, break agreements and treat their employees in an appalling way. This Bill deals with those who work in industries where it is difficult to establish collective bargaining agreements, and where workers depend on minimum wages and conditions as laid down by wages councils. At present some 2·75 million workers in over 325,000 establishments are protected by wages council provisions.

My union has always fought hard for lower-paid workers, and will continue to do so. Wages councils have existed in one form or another since 1910. There are now some 25, the largest being in the hairdressing, hotel and catering and retail trades, but there are others which are also very important. It is important to acknowledge that those workers are in low-paid industries, which makes it all the more appalling that some employers fail to pay the minimum wage rates. I must stress that those workers are very often in very low-paid jobs.

To put it in perspective, at 7 October 1985 wages in the hairdressing industry were £50·25 a week, in the makeup and textile industry £60·64, and in the hat, cap and millinery industry £60·84. All the other figures show a similar, appallingly low wage level. They are extremely low wages, to put it mildly—and one could be tempted to put it much more strongly than that.

Many workers in industries covered by wages councils are women whose income is essential to the family. It is crucial that the system works on their behalf and that they get at least the minimum wage fixed by the wages council. It is true to say that many are afraid to complain to the wages council inspectorate as they fear unfair dismissal. Working in small units, they feel isolated and are fearful of pressing for their legal entitlement and just right.

At present, it is easy for the unscrupulous employer to get away with cheating his employees of the wages to which they are entitled. The number of wages council inspectors at December 1984, when the inspectorate had been reduced by one-third since 1979, was 222. It stands to reason that the inspectorate cannot control and check 325,000 establishments with only 222 staff. In 1982, only 6 per cent. of those establishments were inspected, but that figure is misleading as only 40 per cent. of that 6 per cent. actually received a visit. Other employers were asked to confirm by questionnaire that they were not guilty of illegal underpayment. What nonsense to ask the employer to make the return himself.

CONFIDENTIAL

CYBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

R U Young Esq
Private Secretary
Department of the Environment
2 Marsham Street
LONDON
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28 January 1986

N Bell

Dear Robin

GREEN PAPER: PAYING FOR LOCAL GOVERNMENT

Thank you for sending me a copy of your letter of 27 January with the revised draft of your Secretary of State's Parliamentary Statement.

As you will have seen from my Secretary of State's letter of 27 January commenting on the earlier draft we take exception to the explicit reference to a uniform non-domestic rate poundage being set centrally in each country. We consider that paragraph 7 of the revised statement still goes beyond the wording in the Green Paper which was agreed after painstaking consideration by Ministers.

We would prefer to see paragraphs 7 and 8 of the statement amalgamated as follows:

> "7 For all these reasons, non-domestic rates are an unsatisfactory local tax. While therefore all of the yield of non-domestic rates will continue to support local government expenditure it will be pooled and redistributed as an equal amount per adult in all authorities. Businesses will be protected by indexing the poundages to inflation. Transitional arrangements will be required in each of the three countries to allow for an orderly move to the new system. We are setting in hand a revaluation of all non-domestic properties so that new rateable values will be available."

I am copying this to David Norgrove, to the Private Secretaries of members of E(LF) and of the Chief Whips in both Houses and to Michael Stark in Sir Robert Armstrong's office.

Yours ever

Robin Gordon

Robert Gordon
Private Secretary

LOCAL GOVT PT 4

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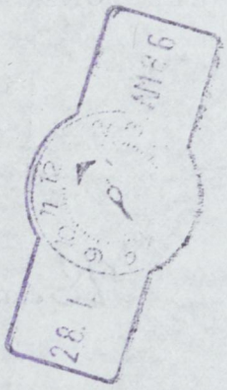

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

28 January 1986

CONFIDENTIAL

NBPM

Dear Robin,

GREEN PAPER - PAYING FOR LOCAL GOVERNMENT

You asked for comments by noon today on your Secretary of State's draft Parliamentary Statement on the Green Paper. My Secretary of State mentioned to Mr Baker last evening the need to associate, in the Statement, the consultation exercise which will be carried out in Wales with that undertaken in England and to have available a form of words lest Mr Baker is asked why no separate Statement is intended for Wales. I enclose a revise of para 20-21 which covers these points.

I am copying this letter to David Norgrove, the Private Secretaries of members of E(LF) and of the Chief Whips in both Houses and to Michael Stark in Sir Robert Armstrong's office.

Yours sincerely

Colin Williams

R C WILLIAMS

Robin Young Esq
Private Secretary
Department of the Environment
2 Marsham Street
London
SW1P 3EB

20. These proposals amount to the most thorough reform of local government finance this century. It is right that there should be a substantial period of consultation throughout Great Britain. We are asking that comments should be received by myself or my Rt Hon Friend the Secretary of State for Wales by 31 July: consultation with the local authority associations will continue beyond that date. The pace of further developments in England and Wales will depend on the outcome of the consultation process. My Rt Hon Friend the Secretary of State for Scotland will make a statement tomorrow.

[IF PRESSED ON WHY NO WALES STATEMENT:

While there are important differences in the proposals for Scotland, the proposals for England and for Wales are substantially the same, which makes a separate Welsh Statement unnecessary.]

LOCAL GOVT PM

Ray

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CONFIDENTIAL

cc BG

Treasury Chambers, Parliament Street, SW1P 3AG

R U Young Esq
Private Secretary to the Secretary of State
Department of the Environment
2 Marsham Street
London
SW1

NBPM

27 January 1986

Dear Robin

GREEN PAPER: PAYING FOR LOCAL GOVERNMENT FILE WITHDRAWN

Thank you for sending me a copy of your letter of 24 January to David Norgrove, with the draft of a statement by your Secretary of State.

The Chief Secretary is generally content with the draft subject to the following points which I gave you earlier on the telephone.

In paragraph 2, some reference to the Government's expenditure control objectives is necessary. He suggests adding:-

"while containing local government spending at levels which the country can afford."

In paragraph 5, it is important not to condemn business rates altogether, since they will remain in much modified form. This could be avoided by inserting:-

"with their present large local variations"

before the second sentence, and replacing "undermine" with "affect" in the last sentence.

In paragraph 7, the reference to "Secretaries of State" should be deleted and replaced by "government".

LOCAL GOVT
RATES
PT 4

After paragraph 18, insert a new paragraph to read:

"To ensure that local authorities do not increase their expenditure excessively the government will retain a power similar to the rate-capping power to prevent irresponsible authorities from imposing excessive burdens on their taxpayers."

In paragraph 26, the order of the last two sentences should be revised to read:-

"The borrowing option has attractions if it can be made to work. But at present the expenditure option looks far more practical."

Paragraph 29 should be revised to read:

"Since we hope it will be possible to legislate more quickly on capital expenditure, we wish to keep this option open. We are therefore asking for comments on that section of the Green Paper by 14 April."

You agreed to let me know if your Secretary of State saw any problems with these suggestions.

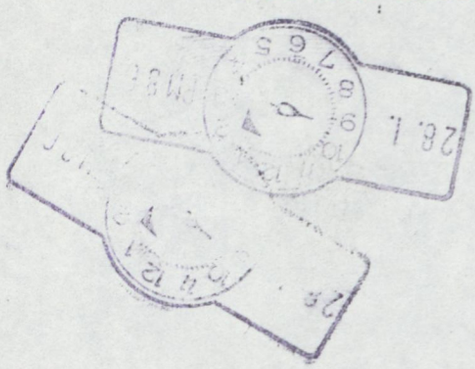
I am copying this letter to David Norgrove, the Private Secretaries of members of E(LF) and of the Chief Whips in both Houses and to Michael Stark in Sir Robert Armstrong's office.

Yours sincerely

Richard Broadbent

R J BROADBENT

Private Secretary



SCOTTISH OFFICE
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CONFIDENTIAL

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

NBPM.

27 January 1986

Dear Ken,

Last Friday your Private Secretary sent mine a draft of your statement on our Green Paper on Local Government, due to be made on Tuesday 28 January.

I have two comments on this. I do not think I can accept as it stands the first sentence in paragraph 9 for the reasons we have already discussed which led to the redrafting of the Scottish paragraphs about the non-domestic rate. I hope you will agree to omit "in each of the three countries" from this sentence; I do not think the description of the Government's proposals in principle is thereby changed, but if this phrase is left in it will cause me some embarrassment.

The second point is factual. Chapter 6 does not relate at all to Scotland, where the existing local authority capital control system works well. I should like to see the words "in England [and Wales]" added at the end of the first sentence of paragraph 25.

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

Yours ever,

MALCOLM RIFKIND

STATEMENT BY THE SECRETARY OF STATE

PAYING FOR LOCAL GOVERNMENT

Introduction

1. With permission, I should like to make a statement. Together with my rt hon friends the Secretaries of State for Wales and Scotland I have today presented to Parliament a Green Paper entitled "Paying or Local Government". It makes major proposals for the future financing of local government in Great Britain.

2. The central theme is the need to bolster local democratic accountability. To do so, we need a way of paying for local government which narrows the gap which exists between those who use, those who vote for and those who pay for local government services.

3. The three fundamental weaknesses in our present arrangements are:

- the complex and uncertain effect of Government grants to local authorities;

- the way in which businesses can be heavily taxed to pay for excessive local spending;

- the unfair burden on householders of the domestic rates.

Non-Domestic Rates

4. Business and commercial ratepayers foot 60% of the local tax bill but have no vote to influence local decisions.

5. For businesses, rates are uncontrollable overhead costs which can and do vary from year to year very significantly.

6. Increased business rates lead to higher costs; to lower pay or job prospects; or to reduced investment. Those who are ultimately affected are quite unaware of how these extra burdens arise.

7. For all these reasons, non-domestic rates should not be a local tax. We propose therefore that a uniform non-domestic rate poundage should be set centrally. Businesses will be protected by indexing the poundages to inflation, so that they can predict their liability with confidence.

8. All of the yield of non domestic rates will continue to support local government expenditure but it will be pooled and redistributed as an equal amount per adult in all authorities. Transitional arrangements will be required in each of the three countries to allow for an orderly move to the new system. We are setting in hand a revaluation of all non-domestic properties, so that new rateable values will be available from April 1990.

Government Grants

9. The present grant arrangements are unstable and complex. They obscure the link between what people pay for local services and what they get for their money. But the clarity of that link is essential to local accountability.

10. We therefore propose a new two-part grant structure. First, a needs grant to compensate authorities for their different needs. Second, a standard grant - to reduce local tax bills by a standard amount per adult. Both grants would be fixed in cash, in advance, for the year in question. Local authorities will know where they stand. We would remove the whole paraphernalia of schedules, tapers, multipliers and close ending.

11. Taken together with our proposals on the non-domestic rate, these grant arrangements will produce the clearest possible relationship between changes in spending and changes in tax bills. Every extra pound spent will be met in full by local domestic taxpayers. Every pound saved would benefit them in full. And that would be true in every authority in the country.

Domestic Taxes

12. At present in England, around 35 million adults are eligible to vote in local elections. Only 18 million are directly liable as ratepayers. Of these 3 million have their bill met in full by housing benefit. In many authorities well over 50% of the voters pay no local rates and therefore have little interest in restraining spending by the local authority - indeed they have a clear interest that it should spend more.

13. Under the new Social Security proposals every ratepayer will have to pay part of their rate bill. That still leaves 17 million adults with no liability to pay for the local services they use. It still means that the single pensioner or the single parent will face the same bill for local services as the house next door with four earners.

14. Rates are a tax on property. They are unpopular because the rates burden is carried on too few shoulders and needs to be spread more widely. There are broadly 3 alternatives - a sales tax, local income tax or a flat-rate community charge. The Green Paper sets out the many difficulties we see both in a sales tax and in local income tax, and the reasons why we prefer a community charge. It would be more closely linked to use of local services and would give all adults a stake in local spending decisions. As with rates, there would have to be assistance for those on low incomes.

15. Each local authority would set its own charge and there would have to be registers of all adults. The registers would be entirely separate from the electoral register.

16. This proposal would lead to the same local tax bill for the same standard of service in all areas. That would lead to significant changes in the distribution of local tax burdens between authorities. There would have to be transitional and safety net arrangements.

17. In England and Wales the community charge would start at a low level, with a corresponding cut in rates. The whole burden of any increased spending would fall on the community charge from the start, so that a clear link would exist between higher spending and higher community charges. In subsequent years there would be further transfers from rates to the community charge. In some areas rates would disappear within 3 years; and they would be eliminated in all areas within 10 years.

18. Under these proposals some people would be paying local taxes who presently pay nothing. But those living on their own who presently pay more than their fair share, including many of the poorest households, would be better off.

19. The Green Paper illustrates the effects of the proposals had they been in force in 1984/5. The illustrations show that the changes would be modest for most people, and that the shift to the new tax would be both gradual and manageable in terms of household incomes.

20. There are also proposals in the Green Paper to reform the capital control system, on which I am inviting comments.

Consultation

21. These proposals amount to the most thorough reform of local government finance this century. It is right that there should be a substantial period of consultation.

22. We have asked for comments by 31 July. My rt hon friend the Secretary of State for Scotland will make a statement tomorrow. The pace of further developments in England and Wales will depend on the outcome of the consultation process.

Summary

23. The message from our studies is clear; the way we now pay for local government undermines local accountability. This is no basis on which to run democratic local government. It has drawn central government deeper into conflict with local government. The alternatives are clear. We can continue down the present path. That is the road to closer central involvement in local affairs and increased central control. Or we can face up to the weaknesses in our present arrangements and provide local government with a financial system to bolster local democracy. The Government prefers that course and I commend it to the House.

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

27 January 1986

NBPR.

Dear David,

GREEN PAPER: PAYING FOR LOCAL GOVERNMENT

Further to my letter of 24 January, I attach a revised draft of my Secretary of State's Parliamentary Statement tomorrow. It takes account of amendments made by Mr Baker over the weekend, and a number of those suggested by you and copy recipients today.

I should be grateful for further comments by midday tomorrow, 28 January. I am copying this letter to those who recieved my earlier one.

Yours sincerely,

Robin.

ROBIN YOUNG
Private Secretary

David Norgrove Esq

DRAFT STATEMENT BY THE SECRETARY OF STATE

PAYING FOR LOCAL GOVERNMENT

Introduction

1. With permission, I should like to make a statement. Together with my rt hon friends the Secretaries of State for Wales and Scotland I have today presented to Parliament a Green Paper entitled "Paying or Local Government". It makes major proposals for the future financing of local government in Great Britain.

2. The central theme is the need to bolster local democratic accountability. To do so, we need a way of paying for local government which narrows the gaps which exist between those who use, those who vote for and those who pay for local government services.

3. The three major sources of weakness in our present arrangements are:

- the effect of non-domestic rate payments;

- the way in which central government grants are paid; and

- the unfairness of the local domestic tax - the rates.

Non-Domestic Rates

4. Business and commercial ratepayers foot 60% of the local tax bill but have no vote to influence local decisions.

5. For businesses, rates are uncontrollable overhead costs which can and do vary from year to year very significantly.

6. Business rates are passed on to consumers as higher costs; to workers as lower pay or job prospects; or to postponed investment. Those who ultimately pay them are quite unaware of how these extra burdens arise.

7. For all these reasons, non-domestic rates should not be a local tax. We propose therefore that a uniform non-domestic rate poundage should be set centrally in each country.

8. Businesses will be protected by indexing the poundages to inflation. All of the yield of non domestic rates will continue to support local government expenditure but it will be pooled and redistributed as an equal amount per adult in all authorities. Transitional arrangements will be required in each of the three countries to allow for an orderly move to the new system. We are setting in hand a revaluation of all non-domestic properties, so that new rateable values will be available.

Government Grants

9. The present grant arrangements are unstable and complex. They obscure the link between what people pay for local services and what they get for their money. But the clarity of that link is essential to local accountability.

10. We therefore propose a new two-part grant structure. First, a needs grant to compensate authorities for their different needs. Second, a standard grant - to reduce local tax bills by a standard amount per adult. Both grants would be fixed in cash, in advance, for the year in question. They will not change thereafter. We would remove the whole paraphernalia of schedules, tapers, multipliers and close ending.

11. Taken together with our proposals on the non-domestic rate, these grant arrangements will produce the clearest possible relationship between changes in spending and changes in tax bills. Every extra pound spent will be met in full by local taxpayers. Every pound saved wouuld benefit them in full. And that would be true in every authority in the country.

Domestic Taxes

12. At present in England, around 35 million adults are eligible to vote in local elections. Only 18 million are directly liable as ratepayers. Of these 3 million have their bill met in full by housing benefit. In many authorities well over 50% of the votes pay no local rates and therefore have little interest in restraining spending by the local authority and indeed have a clear interest that it should spend more.

13. Under the new Social Security arrangements everyone will have to pay at least 20% of their rate bill. That still leaves 17 million adults with no liability to pay for the local services they use. It still means that the single pensioner or the single parent will face the same bill for local services as the family next door with several adults.

14. Rates are a tax on property and are unpopular because they have to bear too much weight. In other countries the property based tax amounts to a much smaller part of local taxation. The rates burden is carried on too few shoulders. To spread it more widely means moving to a personal basis of taxation. There are broadly 3 alternatives - a sales tax, local income tax or a flat rate community charge. The Green Paper sets out the difficulties we see in a sales tax and local income tax and the reasons why we would prefer a community charge. There would have to be assistance for those on low incomes.

15. Each local authority would levy its own charge and would need therefore a register of all the adults. The registers would be entirely separate from the electoral register, as for example foreigners living in Britain would also have to be on the register as they would be liable to the charge.

16. This proposal would lead to the same local tax bill for he same standard of service in all areas. That will lead to significant changes in the distribution of local tax burdens between authorities. There will have to be transitional and safety net arrangements.

17. The community charge would start at a low level. As soon as it is introduced, there will be a corresponding cut in rates. In some areas rates would disappear within 3 years and be completely eliminated within 10 years. The whole burden of increased spending would fall on the community charge, so a clear link would exist from the start between higher spending and higher charges.

18. Under these proposals some people would be paying local taxes who presently pay nothing. The main gainers will be those living on their own who presently pay more than their fair share - that includes a large proportion of the poorest households.

19. The Green Paper illustrates the effects of the proposals had they been in force in 1984/5. The illustrations show that the changes would be modest or most people, and that the shift to the new tax can be both gradual and manageable in terms of household incomes.

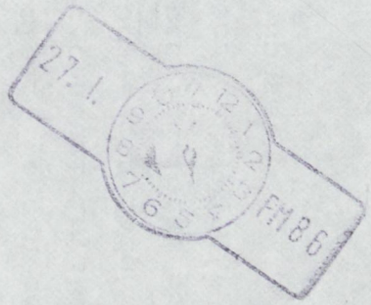
Consultation

20. These proposals amount to the most thorough reform of local government finance this century. It is right that there should be a substantial period of consultation.

21. I hope to receive comments by 31 July. My rt hon friend the Secretary of State for Scotland will make a statement tomorrow. The pace of further developments in England and Wales will depend on the outcome of the consultation process. The wide range of rateable values in England will make the changeover more complex here, and it may be necessary to extend consultations beyond 31 July.

Summary

22. The message from our studies is clear; the way we now pay for local government undermines local accountability. This is no basis on which to run democratic local government. It has drawn central government deeper into conflict with local government. The alternatives are clear. We can continue down the present path. That is the road to closer central involvement in local affairs and increased central control. Or we can face up to the weaknesses in our present arrangements and provide local government with a financial system to bolster local democracy. The Government prefers that course and I commend it to the House.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MR NORGROVE

Local Government Finance Green Paper

We discussed briefly on the telephone the draft statement by the Environment Secretary attached to Mr Young's letter of 24 January. There are two points that I think you might wish to take up.

2. First, the language in paragraph 23 seems to me to expose the losers and gainers in rather unfortunate terms. It seems unnecessary to volunteer the loss effects quite so openly. I would suggest:

> "Under our proposals some people would be paying local taxes who presently pay nothing. But those living on their own who presently pay more than their fair share, including a very large proportion of the poorest households, will be better off."

3. On the period of consultation, I do not see that it is necessary to concede at the outset that consultation in England and Wales may go beyond 31 July. You may wish to say that the Prime Minister would prefer this to emerge in debate, or in separate discussion if the Secretary of State is questioned, and for the references in paragraph 28 of the draft statement to be deleted.

Note for the record.

RY accepted x & Y
(Y subject to agreement of others, but would come back if difficulties).
Understood to consider the Policy Unit proposal.

DHW
27/1

J B UNWIN

27 January 1986
Cabinet Office

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LOCAL GOVT

RATES

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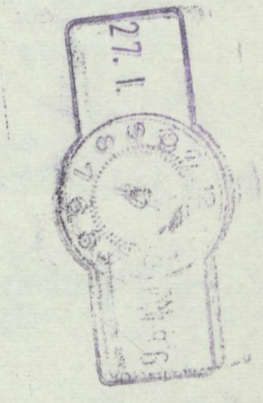


PRIME MINISTER

24 January 1986

RATES GREEN PAPER

Kenneth Baker's statement is fine. It shows that you have been absolutely right to select him and William Waldegrave as the reform team: they understand the policy and are determined to sell it properly.

We have one minor comment. Paragraph 7 needs to be amended slightly to make clear from the start that the non-domestic rate will be automatically frozen in real terms, rather than left to the discretion of the Secretaries of State. The second sentence of the paragraph could read:

> "We propose, therefore, that non-domestic rate poundages should be uniform in each county, and that they should be constrained by an automatic formula, so that businesses can predict their future burden with confidence".

We recommend that you agree to Kenneth Baker's draft, subject to:

- David Norgrove's point on the consultation period.
- Our redraft of paragraph 7.

David Willetts

DAVID WILLETTS

OLIVER LETWIN

PRIME MINISTER

GREEN PAPER: PAYING FOR LOCAL GOVERNMENT

Mr. Baker invited comments on his draft statement on the Green Paper.

I think it is admirably clear. Note the emphasis on the inner cities in paragraph 10. Paragraph 28, on the timing of consultations, seems to go outside the agreement which was reached with the Lord President. I am pursuing that separately.

Agree the draft statement subject to colleagues' comments?

Yes

(Duty Clerk)

pp DN

24 January 1986

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

24 January 1986

Dear David,

GREEN PAPER: PAYING FOR LOCAL GOVERNMENT

I enclose a first draft of the statement which my Secretary of State proposes to make on Tuesday 28 January. He will be working on it over the weekend, but I thought it would be helpful to circulate this draft today.

I should be grateful for any comments on it as soon as possible on Monday. I am sending a copy of this letter and enclosure to the private secretaries of members of E(LF) and of the Chief Whips in both Houses, and to Michael Stark in Sir Robert Armstrong's office.

Yours sincerely,
Robin.

R U YOUNG
Private Secretary

David Norgrove Esq

DRAFT STATEMENT BY THE SECRETARY OF STATE

PAYING FOR LOCAL GOVERNMENT

Introduction

1. With permission, I should like to make a statement. Together with my rt hon. friends the Secretary of State for Wales and the Secretary of State for Scotland I have today presented to Parliament a Green Paper which makes major proposals for the future financing of local government in Great Britain.

2. We have called our Green Paper "Paying for Local Government". It is a substantial document - the outcome of 15 months of intensive consideration. The central theme is the need to bolster local democratic accountability. To do so, we need a way of paying for local government which narrows the gaps which exist between those who use, those who vote for, and those who pay for local government services.

3. Our studies over the past year have revealed three major sources of weakness in our present arrangements:

- the effect of non-domestic rate payments;

- the way in which central government grants are paid; and

- the inadequacies of local domestic taxes - domestic rates.

Non-Domestic Rates

4. Non-domestic ratepayers foot 60% of the local tax bill but have no vote to influence local decisions.

5. For businesses, rates are an uncontrollable overhead cost. They undermine competitiveness and confidence.

6. Business rates are passed on to consumers as higher costs; to workers as lower pay or job prospects; or to shareholders as lower profits. Those who ulimately pay them are quite unaware of how these extra burdens arise.

7. For all these reasons, non-domestic rates should not be a local tax. We propose therefore that uniform non-domestic rate poundages should be set centrally by the Secretaries of State.

8. Both business and local government will require assurances about the operation of these proposals.

- First, all of the yield of the non-domestic rate will continue to be used to support local government expenditure.

- Second, we will provide in legislation for the real burden of non-domestic rates to be frozen by linking them to an appropriate measure of inflation.

- Third, we are setting in hand a revaluation of all non-domestic properties.

- Finally, transitional arrangements will be required in each of the three countries to allow for an orderly move to the new system.

9. We also propose that the yield of the non-domestic rate should be pooled in each of the three countries and redistributed in such a way that the local tax bill is reduced by a common amount per adult in all authorities. This will preserve the

equalisation of non-domestic rateable resources, but get rid of the present non-domestic resources equalisation through block grant which obscures the link between increased local spending and increased local taxes.

10. These proposals will reduce non-domestic rate burdens in the inner cities and the older industrial areas of the North and North West of England. Those are the areas where unemployment is highest. I hope those who have been concerned about the impact of high rates on business and about the need to stimulate the economy of the inner cities will recognise this important aspect of our proposals.

Government grants

11. The present grant arrangements are unstable and complex. They obscure the link between what people pay for local services and what they get for their money. But the clarity of that link is essential to local accountability.

12. We therefore propose a new two-part grant structure. First, a needs grant to compensate authorities for differences in the cost of providing services. Secondly, a standard grant - to reduce local tax bills in each area by a common amount per adult. Both grants would be fixed in cash, in advance, for the year in question. They will not change thereafter. We would remove the whole paraphernalia of schedules, tapers, multipliers and close ending.

13. Taken together with our proposals on the non-domestic rate, these grant arrangements will produce the clearest possible relationship between changes in spending and changes in tax bills. Every extra pound spent will be met in full by local taxpayers. Every pound saved would benefit them in full. And that would be true in every authority in the country.

14. But there is no point having clear signals if they are not given to the right people.

Domestic Taxes

15. At present, in England, around 35m adults are eligible to vote in local elections. Only 18m are directly liable as ratepayers. And of those, 3m have their bill met in full by housing benefit.

16. Under the new Social Security arrangements, everyone will have to pay at least 20% of the rate bill. But that will still leave 17m adults without any liability to pay for the local services they use. And it will still mean that the single pensioner will face the same bill for local services as the multi-adult family next door.

17. We therefore propose that domestic rates should be replaced by a flat-rate charge set by each authority to be paid by all the adult residents in its area. That will spread the burden more fairly and more widely among local electors. The new charge would be known as the "Community Charge". There would continue to be assistance for those on low incomes.

18. All adults would need to be registered in the local authority where they live. The registers would be local and separate from the electoral register. Entitlement to vote would be completely unaffected by these proposals.

Transition

19. Our proposals would lead to the same local tax bill for the same standard of service in all areas. That would cause significant changes in the distribution of local tax burdens between authorities. But it is not our intention to produce large and sudden shifts in the relative burdens of local taxation.

20. We therefore propose to use special safety net arrangements to protect authorities against sudden changes in their income arising from the introduction of the new arrangements for grants and non-domestic rates.

21. We also propose to phase in the new community charge starting at a low initial level. All of the burden of any increased spending will however fall on the community charge so that the benefit of the clear link between changes in spending and changes in the tax bill can begin to take effect from the outset.

22. Arrangements will be made to phase out the remaining element of rates. They will disappear in some areas within 3 years of the introduction of the new proposals will have been completely eliminated within ten years. Separate transitional arrangements are proposed for England, Scotland and Wales.

Results

23. Under our proposals some people would be paying local taxes who presently pay nothing. They will lose. The main gainers will be those living on their own who presently pay more than their fair share - that includes a very large proportion of the poorest households. They will be better off.

24. The Green Paper illustrates the effects of the proposals had they been in force in 1984/85. For most people the changes would have been modest. In the first year of the gentle transition 90% of households would gain or lose less than £1 per week. Even with the full community charge, changes in local tax bills would be less than £2 per week for 70% of households.

Capital Expenditure

25. The Green Paper also makes proposals for reform of the local authority capital control system. Everyone agrees that change is needed, but there are several possible approaches. We are putting forward two options in the Green Paper for comment.

26. The first would involve controlling all external borrowing by local authorities. But they would be free to finance additional capital expenditure in other ways. The other option is a control of gross expenditure. At present the expenditure option looks far more practical. But the borrowing option has attractions if it can be made to work.

Consultation

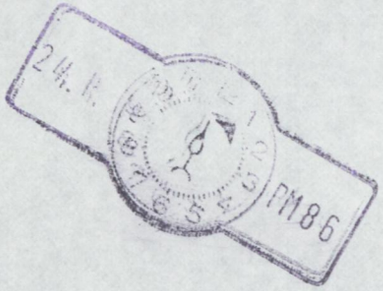
27. These proposals amount to the most thorough reform of local government finance this century. It is right that there should be a substantial period of consultation.

28. We are inviting comments by the 31st July. In the light of consultation, the Government will be seeking to introduce legislation on these matters with respect to Scotland during the next session of Parliament. The pace of further developments in England and Wales will depend on the outcome of the consultation process. The wide range of rateable values in England will make the changeover more complex there and it may be necessary to extend consultations with representatives of local government beyond 31 July.

29. Since it may be possible to legislate more quickly on capital expenditure. We wish to keep this option open. We are therefore asking for comments by 14 April.

Summary

30. The message from our studies is clear; the way we now pay for local government now undermines local accountability. This is no basis on which to run democratic local government. It has drawn central government deeper into conflict with local government. The alternatives are clear. We can continue down the present path. That is the road to closer central involvement in local affairs and increased central control. Or we can face up to the weaknesses in our present arrangements and provide local government with a financial system to bolster local democracy. The Government prefers that course and I commend it to the House.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CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

20 January 1986

Dear Nigel.

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

You wrote to me on 10 January with some further comments on the Green Paper.

So far as the description of the safety net is concerned, you will have seen from my letter of 10 January to Keith Joseph that I have accepted some but not all of his suggestions. As I explained in that letter, to refer to reviewing the safety net "once the new system is in operation" could suggest changing things as early as the second year of the new system. Similarly, your proposed new sentence about ensuring that changes in average tax bills "are not unnecessarily large or disruptive" would imply that we were not intending the safety net to be complete. We would immediately be asked just what size of change we thought was acceptable.

The Green Paper is drafted on the basis that the safety net will ensure that in the first year the new grant arrangements and the introduction of a national non-domestic rate do not cause changes in average tax bills. Having established this, we then go on to show that how limited the effect of introducing the community charge would be. That line would not be sustainable if we threatened to allow some of the grant and non-domestic rate effects to come through. Moreover, the only other options for reducing the impact of the safety net other than freezing the adjustments in cash terms would be some form of cash terms reduction in the adjustments. That would only signal a willingness on our part to consider imposing the corresponding cash terms increases in the tax bills of the losing areas in the North of England. While we may conclude in due course that that is what we should do, we have yet to reach a view and I see little advantage in spelling this out now.

We have previously agreed that the structure of the argument in the Green Paper should remain unchanged, but that we should look further during the consultation period at possible ways of operating the safety net. That must surely be the right approach: apart from increasing the risk of a hostile reaction to the Green Paper, the amendments suggested would require a significant amount of redrafting to other parts of the Green Paper (especially Chapter 5 and Annex J). There is simply not time to do that if

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we are to publish on 28 January. I recognise that you do not want to close off options; but on an issue such as this I do not think we need regard ourselves as being bound hand and foot by the particular proposition floated in the Green Paper.

Your letter also raised a point about spending expressed in volume and in cost terms. I accept the need to draw attention to the latter. I propose, therefore, to include a footnote in Chapter 1 as follows:

> "Expressing the growth of local authority current expenditure in volume terms, which discounts the effects of changes in local authority costs (mainly pay) shows the growth of local authority activity over the period concerned. In terms of the impact on the economy as a whole, it is better to measure the growth in cost terms, discounting the growth in local authority expenditure by the GDP deflator. On this basis, the annual average growth in local authority expenditure in England was 5½% in the 1960s, 5% in the 1970s and 1½% in the 1980s.

It may be helpful to mention one further point, which was raised in the Cabinet discussion of the Green Paper. I was asked to have a further look at paragraphs 5.27 and 5.28, on the future of ratecapping. Having done so, I do not propose to make any changes. The present draft justifies the continuation of these powers in terms of the fact that, in the early years of transition to the new system, new taxpayers would face only modest bills. In my view, this is the only tenable basis on which we can argue for retaining this power in the context of the localist/improved accountability thrust of the Green Paper as a whole. But it deliberately does not say that capping will be dispensed with once the transition is complete.

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

Yours ever

Kenneth

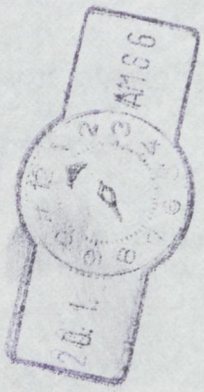
KENNETH BAKER

The Rt Hon John MacGregor OBE MP

LOCAL GOVT

RATES

PT 4



2 pp's.

CPBG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NBPM.

20 January 1986

Dear Secretary of State

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

Thank you for your letter of 20 January about safety net grants and other points I had raised.

I remain concerned about the issue of how safety nets are to be applied and operated. We have not yet had a chance to see detailed analysis of the effects of the various options, and I believe it is essential that we do not commit the Government to any particular course of action yet. My objective here is simply to ensure that we do not set off unnecessarily down a single route, without an escape hatch, that will lead to hostile criticism and indeed opposition - especially from our own supporters - about its effects on different areas. You will appreciate that I am trying to be helpful to you in the period ahead! But on the understanding that the necessary analysis will be done during the consultation period and that none of the options is yet ruled out, I am prepared not to press my amendments.

On the references to spending expressed in "volume" terms, I understand our officials have agreed some minor changes to the text and to the footnote you proposed and on that basis I am content.

On capping the community charge, it has been clearly decided at E(LF) and at Cabinet that capping should be seen as an integral and continuing part of the Government's policy, and not just for the transitional period alone. I do not accept that the only tenable basis for arguing that is in the context of modest bills in the transitional

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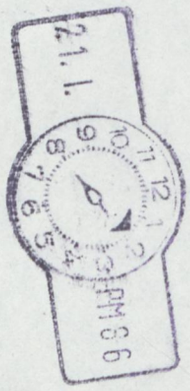
period. You point out that the text does not rule out the possibility of retaining capping after that; the point will be clearer provided you omit "during the transitional period" from the last sentence of paragraph 5.28, as I understand our officials have agreed. If you are pressed on this during consultation you will need to spell out what the Government's agreed position is.

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

Yours sincerely

for JOHN MacGREGOR

[Approved by the Chief Secretary]



CONFIDENTIAL

PRIME MINISTER

LOCAL GOVERNMENT FINANCE GREEN PAPER : FOREWORD

I have just one small comment on the draft foreword circulated by the Secretaery of State for the Environment with his minute to you of 9 January. The second sentence of paragraph 0.2 says that it is a main task of central Government to establish national policies and priorities for .... industry, among other areas. This might be read as implying a shift to a more interventionist industrial policy; this could be avoided, without detriment to the point which the Secretary of State for the Environment is making here, if the word "industry" were omitted.

2 I am copying this to other members of E(LF).

L B

L B

20 January 1986

Department of Trade and Industry

JF5AVD

999-49

LOCAL GOVT PT 4

Rates

PRIME MINISTER

MT

RATES GREEN PAPER

England and Wales have agreed on 1 October as the closing date for consultation. Scotland is sticking on 30 June.

The Green Paper goes to bed on Monday night.

If the consultation periods remain different, it will, as Cabinet recognised, make a nonsense of the months of consultation in England and Wales after Scotland has closed.

The Department of the Environment say the extra time is needed to allow Department of Environment Ministers more opportunities to persuade. I guess they fear they might also be pushed into legislating in the 1986/87 session if consultation closes before the summer, though I have no evidence of this.

If they were both to close on, say 31 July, a delay in legislation for England and Wales beyond 1986/87 could be justified by referring to the greater complexity of the position in England and Wales.

Agree that the Lord President should be invited to bring the three Ministers together urgently on Monday to try to reach agreement? If possible - yes. MT

However, agree also that if he fails, they should be allowed to go ahead with different consultation periods?

If there are different consultation periods, that would again have to be justified by reference to the greater complexity and scale of England and Wales.

Martin Sawer (Duty Clerk)

pp. DN

17 January, 1986.

JD75

CONFIDENTIAL

CCBG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NBPT.

17 January 1986

Dear David,

RATES GREEN PAPER

We spoke this morning about my letter of 16 January to Robert Gordon on this subject.

First, may I correct a rather important error in that letter. I said that comments on the proposals for England and Wales will be sought by 31 October this year. I should have said 1 October. That was of course the date previously mentioned and I hope that typing error did not confuse anybody.

The date of 1 October was subject to agreement with the Secretary of State for Wales. I can now confirm that his office have told me that although he would still prefer an earlier date, he is content to join us with 1 October.

I am copying this letter to the private secretaries of other members of E(LF) and Michael Stark in Sir Robert Armstrong's office.

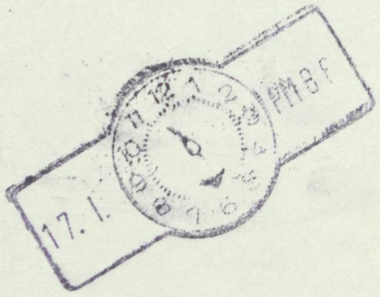
Yours sincerely,

Robin.

R U YOUNG
Private Secretary

David Norgrove Esq

LOCAL GOVT: Rating revaluation: Pt 4



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CCBG

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

16 January 1986

CONFIDENTIAL

NBPM

Dear Kenneth

LOCAL GOVERNMENT FINANCE GREEN PAPER: FOREWORD

WITHDRAWN

Thank you for copying me the draft foreword circulated under cover of your letter of 9 January to the Prime Minister.

In general terms I think the draft is fine. I do, nonetheless, have a number of relatively minor drafting suggestions which could, in my view, tighten up the presentation in a few places.

Paragraph 0.6 The reference to domestic rates understates our dissatisfaction with them. I offer the following alternative to the second sub-paragraph:

> "Domestic rates are paid by only a minority of local electors, and vary in a way that has little or no regard to the use made of the present range of local authority services. The cost of funding local services is carried on far too few shoulders".

The final sentence of paragraph 0.6 reads rather awkwardly. An alternative might be:

> "So in almost every respect the existing local government finance system makes it virtually impossible for local electors to link what they pay to what they - or the community - receive in return."

Paragraph 0.8 Given our firm views on the broad thrust of the reforms set out in the Green Paper, I suggest deleting the word "possible" in the last sentence. Furthermore, as the transitional periods for abandoning domestic rates in Wales and Scotland are far shorter than that proposed for England it would be better if - in the same sentence - "gradually" were replaced by "in a measured way".

Paragraph 0.9 On the same theme the second sub-paragraph would be better expressed as follows:

> "A phased replacement of domestic rates by a community charge paid by every adult resident in each local authority area".

/As some ...

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

As some of the variations between the countries - for example the pace at which domestic rates will be abandoned and the means of achieving this - may not be widely perceived as "detail" I offer the following alternative to the final sentence of this paragraph:

> "The same general principles would apply throughout Great Britain, although within this framework the packages proposed for England, Scotland and Wales differ in a number of respects to take account of their circumstances. The main difference relates to the pace at which domestic rates should be replaced by the community charge, and the detailed mechanisms for achieving this shift. Northern Ireland ....".

As regards the procedure for gathering comments, I feel the following format would best serve to avoid confusion:

> "In England, comments on this Green Paper should be sent to the Department of Environment .....to arrive no later than [ ] 1986.
>
> In Wales, views should be submitted by the same date, to .....
>
> In Scotland .....".

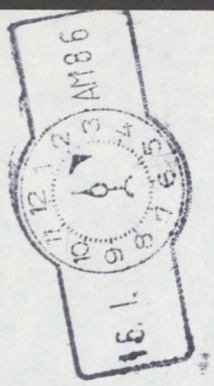
The address for comments in Wales on the capital control proposals will be provided by officials.

Finally I am still very uneasy about the prospect of us having different periods of consultation north and south of the border. When I raised this matter in Cabinet, I suggested that 31 July could well be a date that all of us would be able to live with; and the case for a common date was widely supported by colleagues. I understand that Malcolm Rifkind has now come to the view that 31 July could be accommodated in Scotland. This being so - although I understand your reservations - I urge you to reconsider your attachment to 1 October as the end date for consultation in England. A six month consultation period should be more than adequate to give all the main issues a good airing. Discussion on the technical detail will, of course, need to continue right through to the Bill stage. In my view it would be far easier for us to rationalise a different timescale for legislation in Scotland as against England and Wales than to come up with a plausible explanation of why the period of consultation should vary on a package of reforms which - as we emphasise in the foreword - are founded on the same principles throughout Great Britain. My vote would therefore be for a consultation period ending on 31 July. If you still believe that an 8 month consultation period is absolutely essential in England then we will clearly need to discuss the issue again. In any event I accept that there is no case for varying the date as between England and Wales.

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

Yours ever,

Nick



LOCAL GOVT

RATES

PT 4

CONFIDENTIAL

CC/82

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister 2

To note that the consultation periods have not yet come together.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

16 January 1986

Dear Robert,

RATES GREEN PAPER

Your Secretary of State and Mr Ancram met my Secretary of State and Mr Waldegrave yesterday. They discussed the correspondence about a uniform non-domestic rate in Scotland, which culminated in Mr Rifkind's letter of 14 January, and the question of the different consultation periods for England, Wales and Scotland raised by my Secretary of State's letter of 14 January.

On non-domestic rates, agreement was reached on an amendment at paragraph 8.31 of the Green Paper. The penultimate sentence will now read as follows: "Until such moves took effect the Government would propose to retain industrial de-rating, and to control non-domestic rate poundage increases by linking these to some general index of price movement (see paragraphs 2.27-2.28)." It was of course accepted that the proposal to cap Scottish non-domestic rate poundages would quickly be raised as soon as consultations get under way.

On the consultation period, your Secretary of State decided to seek comments on the Green Paper by 30 June this year. The text is being amended accordingly. Subject to agreement with the Secretary of State for Wales, comments on the proposals for England the Wales will be sought by 31 October this year. It was agreed that our 2 Departments and the Welsh Office will need to consult closely as decisions are formulated on our White Paper and your legislation, and that it would be desirable for the White Paper on England and Wales to be published before the Scottish Bill. Your Secretary of State stressed the importance of publishing the Bill as soon as possible, but considered it unlikely that he would be able to do that before Christmas.

I am copying this letter to David Norgrove at No 10, the private secretaries of other members of E(LF), and Michael Stark in Sir Robert Armstrong's office.

Yours sincerely,
Robin Young.

R U YOUNG
Private Secretary

Robert Gordon Esq

LOCAL GOVT PT

Rating

CONFIDENTIAL

cc BG

10 DOWNING STREET

From the Private Secretary

16 January 1986

Dear Robin,

LOCAL GOVERNMENT FINANCE GREEN PAPER

The Prime Minister is content, subject to the views of colleagues, with the draft foreword to the Local Government Finance Green Paper attached to your Secretary of State's minute of 9 January.

I am copying this letter to the Private Secretaries to the other members of E(LF) and to Michael Stark (Cabinet Office).

Yours ever

David.

David Norgrove

Robin Young, Esq.,
Department of the Environment.

JA

CONFIDENTIAL

CCBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

14 January 1986

NSPN.

Dear Ken,

LOCAL GOVERNMENT FINANCE GREEN PAPER: NON-DOMESTIC RATES IN SCOTLAND

Thank you for your letter of 13 January attached.

Having now had an opportunity to read the E(LF) minutes to which you refer, I am surprised that you should consider that the form of words in the draft Green Paper as considered by Cabinet last week does not reflect E(LF)'s decision. Moreover, my understanding is that Cabinet approved the text of the Green Paper circulated under cover of C(86)1 without amendment. I think it is really too late in the day to be proposing changes to the Scottish Chapter which are quite unacceptable to me because of the major political difficulties to which an explicit commitment to moving to a uniform poundage in all authorities in Scotland will expose me.

We will obviously need to discuss urgently and I understand that our offices have been able to arrange a meeting between you, me, William Waldegrave and Michael Ancram at 5.00 pm tomorrow. I look forward to seeing you then.

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

Yours ever,

Malcolm

HMP01422

LOCAL GOVT (SC)

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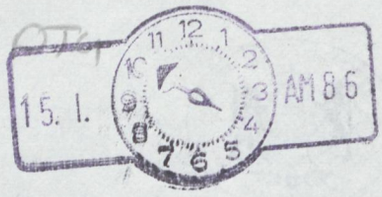

CONFIDENTIAL

CC BG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NBPM.

13 January 1986

Dear Malcolm,

LOCAL GOVERNMENT FINANCE GREEN PAPER: NON-DOMESTIC RATES IN SCOTLAND

In George Younger's letter to me of 8 January, he proposed an alternative form of words for the paragraph in the Scottish Chapter of the Green Paper dealing with the non-domestic rate in Scotland. I am afraid that I cannot accept what he proposed, because it still does not reflect the decision of E(LF) that we should prefer uniform non-domestic rate poundages rather than freezing the existing pattern of non-domestic rate poundages which is the other alternative canvassed in Chapter 2 of the Green Paper.

I understand very clearly the problems which George was trying to circumvent in the draft he suggested, and I do not wish to be unhelpful. I hope therefore that the attached, further revised, draft will meet his points and ours.

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

Yours ever,

KENNETH BAKER

M Rifkind Esq MP

8.31 The Government's objective is to find a fair basis for determining the burden on non-domestic ratepayers in Scotland, both within Scotland and in relation to those in England and Wales. This will mean taking powers to set the non-domestic rate poundage centrally. For the reasons outlined in Chapter 2, the Government prefers the option of moving to a uniform poundage in all authorities in Scotland and, over time, towards a uniform rate poundage throughout Great Britain. However, this will not be possible until rateable values are assessed on the same basis in each country. Separate transitional arrangements will be required in Scotland.

LOCAL GOVT

RATES

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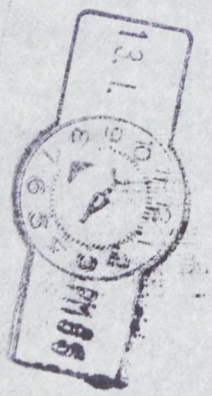

1. It
2. NBPM

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

10 January 1986

Dear Secretary of State

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

At Cabinet yesterday we discussed safety net grants and agreed that there should be further study during the consultation period of what sort of transitional arrangements might be appropriate. I am writing to stress the importance I attach to the point I raised yesterday that the Green Paper should not close off any options, either about how the original safety nets should be applied or about how they might be phased out, and that this should be clearly expressed in the Green Paper.

You circulated new proposals for safety net grants with your letter to Keith Joseph of 3 January. Like Keith, I do not feel we are in a position to decide now that they are definitely preferable to your earlier proposals. They produce large cuts in the potential community charge in some authorities (Kensington, Westminster and the City in particular), but some significant increases elsewhere. I do not think we can agree to these without a full study of the possible pattern of rates and community charge over the whole of the transitional period.

I therefore support Keith's amendments to your proposed re-draft of paragraph 4.43. But I also propose that you add a further sentence after your second sentence, to say:-

> "It is for consideration how these safety net grants should be applied so as to ensure that shifts in the total amount raised in local domestic tax in each rating authority are not unacceptably large or disruptive."

Some consequential amendments are also needed to the Chapters on Scotland and Wales. Paragraph 8.38 should reflect the wording Keith has proposed for paragraph 4.43. And the first sentence of paragraph 9.38 should read "If these changes were allowed to feed

through immediately into local domestic tax bills ..."; "completely" in the second sentence should be omitted; and the final sentence should be amended on the lines Keith has suggested for 9.43: "Once the new system is in operation, the basis of these arrangements could be reviewed."

My officials have made some other detailed drafting points. There is one I should like to mention here. Paragraph 1.27 refers to the "growth in the volume of local authority current expenditure". My strong preference is to give growth figures deflated by the GDP deflator, not by growth measured against specific indices of pay and prices. This is a point which has wider importance, for example in discussions of trends in NHS and defence spending. I think it is important not least for these wider reasons, to change the chart to use figures deflated by GDP deflator.

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

Yours sincerely

JOHN MacGREGOR

[Approved by the Chief Secretary]

CC BC

SECRETARY OF STATE FOR THE ENVIRONMENT

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

10 January 1986

NBPT.

Dear Keith,

Thank you for your letter of 7 January.

I think your proposed draft on the section on specific grants is now broadly acceptable. I would propose, however, to substitute "for example" for "in particular".

The syntax of the first of your suggested amendments on the safety nets entitlement looks a little odd - perhaps there is a typing error? The crucial amendment would seem to be the omission of the reference to "all future years" and I am content to delete that.

Your second amendment on the safety net is a useful improvement and I will incorporate it in the final version; but I think we do need to retain the reference to the time needed to evaluate the safety net. We simply do not have the information needed to conduct a proper assessment now. The crucial question will be what impact withdrawal of the safety net would have on local authority tax bills. That will very much depend on local authority expenditure patterns and the scale of the central Government contribution towards local authority spending at the time, neither of which can be predicted with any accuracy at this distance. Moreover if we refer to reviewing the basis of the safety net "once the new system is in operation" it could suggest that we would radically alter the arrangement as early as the second year.

The figures I circulated were intended to do no more than give an illustration of the sort of range of effects that could be produced by withdrawal of the safety net. I shall of course be presenting worked up policy proposals to colleagues in due course on the full range of issues discussed in the Green Paper.

I am copying this letter to those who received copies of yours.

Yours ever,

KENNETH BAKER

The Rt Hon Sir Keith Joseph MP

CONFIDENTIAL

LOCAL GOVT : Rating System : Pt 4

file BM2ABB

MR. INGHAM

RATES

Suggested line to take is below.

David Norgrove
9 January 1986

POINTS TO MAKE ON RATES

i) Government recognises the very strong case for change. Present system widely recognised to be over-complicated, unfair and increasingly unworkable.

ii) The Government are firmly committed to reform.

iii) The proposals in the Green Paper are radical; the result of extensive discussion.

iv) Designed to strengthen local democracy, creating stronger links between local authorities and local electors, with fair treatment for business.

v) The Green Paper will be published around the end of the month. Consultation will be extensive and genuine. Final decisions when results are known.

vi) Timing of legislation in England and Wales is not yet decided.

vii) Pressures for reform are even greater in Scotland than England and Wales (Scottish revaluation). Legislation for Scotland may be taken forward more quickly, though again results of consultation will be taken into account.

viii) Emphasise again that Government committed to reform, and belief that proposals offer a practicable alternative to the present discredited system.

CONFIDENTIAL

CC BG

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister
Content?
Yes mt
DRN 15/1

PRIME MINISTER

LOCAL GOVERNMENT FINANCE GREEN PAPER FOREWORD

I promised to let colleagues see a draft of the short foreword that I am proposing to include in the Green Paper on Local Government Finance.

The draft is attached. Details of the timing of consultations for Scotland and Wales should be settled next week. It would be helpful if colleagues could let me have any comments quickly so that the material can be prepared for printing.

I am copying this to other members of E(LF).

KB.

K B

9 January 1986

CONFIDENTIAL

FOREWORD

0.1 This Green Paper is the product of a searching re-examination of the way we pay for local government. It began with two fundamental questions. What is the role of local government in this country? Does the present local government finance system help or hinder the performance of that role?

0.2 There is a clear distinction between the roles of central and local government. The main task of central Government is to establish national policies and priorities for defence, foreign affairs, industry and the economy as well as for public services - such as education - which are provided locally but where there is a national interest in standards.

0.3 Within this overall national framework, the main role of local government is to provide services in a way which properly reflects differences in local circumstances and local choice.

0.4 A council's powers to raise taxes locally, and the grant it gets from the national Government, should be designed to ensure that the council can provide adequate services. They should also be designed to ensure that the local electors know what the costs of their services are, so that armed with this knowledge they can influence the spending decisions of their council through the ballot box.

0.5 Effective local accountability must be the cornerstone of successful local government. All too often this accountability is blurred and weakened by the complexities of the national grant system and by the fact that differences arise between those who vote for, those who pay for, and those who receive local government services.

0.6 The present local government finance system does not strengthen local accountability. Local authorities' main income sources are non-domestic rates, domestic rates, and block grant. All of them are unsatisfactory.

- Non-domestic rates are paid by businesses and public institutions to whom local authorities are not directly answerable.

- Domestic rates are not paid by all local electors, and vary in a way that has little or no regard to the use made of local authority services. The burden of rates is carried on too few shoulders.

- Central Government grants are calculated in a very complicated way that conceals the real cost of local services from the local electorate.

So in almost every respect the existing local government finance system makes it very difficult for local electors to see what they pay for what they get.

0.7 We must put this right. If people can understand the costs of the different services provided to them, and if the costs are fairly distributed, they can then make sensible choices not only about the balance between local priorities but also about the overall level of spending.

CONFIDENTIAL

CONFIDENTIAL

0.8 This Green Paper describes a way forward. It recognises that our present position has been reached over many years and that it would not be realistic to seek to overturn the present arrangements, however justifiable the case for doing so, in one wrench. It therefore sets out a possible path for moving gradually to a position where local accountability can again become the determinant of expenditure and priorities in local services.

0.9 The main features of this approach are:

- a national non-domestic rate with the proceeds distributed to local authorities in proportion to the numbers of adults in their area;

- a gradual transition from domestic rates to a community charge which each authority would set to be paid by every adult resident in its area;

- a grant system which compensates for real differences in local authorities' needs, and provides additional help in the form of a flat-rate sum per adult.

The same principles would apply, though with detailed variations, in England, Scotland and Wales. Northern Ireland is not covered by this Green Paper.

0.10 Taken together with other recommendations on capital expenditure, fees and charges, and local authority budgeting contained in later chapters of the Green Paper, these proposals amount to the most radical re-structuring of local government finance this century. They will provide both a new impetus to local democracy and a much fairer basis of local taxation.

0.11 Our thanks are due to the special advisers who contributed to the Studies leading up to this Green Paper: Professor Christopher Foster, Dr. Richard Jackman, Lord Rothschild, Dr. Christine Whitehead, Professor Tom Wilson and, in the early stages, Mr. Justice Hoffman. Their breadth of experience has been invaluable.

KENNETH BAKER
MALCOLM RIFKIND
NICHOLAS EDWARDS

General comments on this Green Paper should be sent to the Department of the Environment, Room N6/12, 2 Marsham Street, London SW1P 3EB, to arrive not later than 1 October 1986.

[Equivalent references to Scotland and to Wales.]

Comments on capital expenditure - Chapter 6 - should be sent by ■ to ■ in respect of England and ■ in respect of Wales.

CONFIDENTIAL

13. 1.
1986

Ref. A086/72

PRIME MINISTER

Local Government Finance Studies: Draft Green Paper

FLAG A —— C(86) 1

BACKGROUND

In October 1984 the Cabinet accepted the view of the then Secretary of State for the Environment that the present local government finance system was suffering severe strains and that present policies could not hold the position very far into the life of the next Parliament. They therefore agreed that he should set in hand a study to identify the best way forward. The study was announced at the 1984 Party Conference.
FLAG B— (CC(84) 32nd Conclusions, Minute 7).

2. Since then the present Secretary of State for the Environment has developed proposals for a fundamental reform of the local government finance system. These have been refined in discussion with the Ministerial Sub-Committee on Local Government Finance (E(LF)). Attached to C(86) 1 is the draft of the consultative Green Paper setting out the proposals agreed by E(LF), which it is proposed to publish on 28 January.

3. The main thrust of the proposals is to rely to a greater extent on local accountability. To this end local authorities will lose their power to raise revenue without limit from non-domestic ratepayers, and the amount of Exchequer grant will be fixed. The whole of the burden of any marginal increase in expenditure, and conversely the benefit of any reduction, will therefore in future fall wholly on domestic local tax payers. A community charge will be introduced and will progressively replace domestic rates, so that all adults will bear their share of the cost of local authority services, not just occupiers.

BRIAAS

1589

MAIN ISSUE

4. The main issue is to endorse in general terms the draft Green Paper as a basis for consultation.

5. The proposals have been subject to extensive discussion in E(LF). They have been carefully constructed so that the impact between areas and on different household types has been judged to be politically acceptable. The Secretary of State for the Environment will no doubt emphasise that it will not be possible at this stage to seek to modify any particular part of the package without reopening the whole.

The Community Charge

6. The proposal likely to attract the greatest public interest - and the fiercest political controversy - is that to replace domestic rates with a community charge. The Green Paper (paragraph 3.41) indicates that the Government expect domestic rates to have been phased out completely within a decade. You will want the Cabinet to endorse the principle underlying the new tax - that all adults will pay - and to recognise that new systems of registration and enforcement will be needed. You will also want them to endorse the commitment that rates should be totally eliminated at the end of the transitional period.

The Safety Net Grant

7. E(LF) agreed to a 'safety net grant' to prevent the very large increases in domestic tax bills which would result from the removal of resource equalisation. The safety net grant will prevent transfers of resources between local authority areas at the outset, and so (at least initially) will perpetuate the present cross subsidy from the south to the north. But, as has been pointed out by the Secretary of State for Education and Science and others, the safety net grant will perpetuate some of the unfairness of the present arrangements, and in particular will blur the relationship between local authority spending and the level of the community charge. The community charge will be

higher in the south than in the north for an equivalent level of service so long as the safety net is there. The Secretary of State for the Environment has proposed in a letter dated 3 January to the Secretary of State for Education and Science that the Green Paper should keep open all the options about the rate at which the safety net grant might be removed. He proposes that the Green Paper should make it clear that the grant will not be increased in cash terms, so that at the very least it will wither on the vine, but that there will be a review once the effects of the new system are clear. Subject to minor drafting points, the Secretary of State for Education and Science is content with this, as will be the other members of E(LF).

8. The Secretary of State for Education and Science may refer to this, but I suggest that there is no need for this complex issue to be discussed in Cabinet: there is probably agreement among E(LF) Ministers about the desirability in principle of moving to a system without the safety net grant, but there are complex technical problems as well as the politics of the north/south issue, and it is not necessary for the Green Paper to be explicit on how or at what pace this is to be achieved.

Scotland

9. The Green Paper (paragraph 8.48) represents the conclusion of E(LF) that it would be acceptable to legislate to introduce the community charge in Scotland in advance of reform in England and Wales. The Cabinet will wish to note that the Secretary of State for Scotland regards this as a political imperative, although it is not without political and practical difficulties. But they should recognise that to introduce legislation in the 1986-87 Parliamentary session, the Secretary of State for Scotland will need to complete his consultation by the end of April, ie in three months rather than the nine months being allowed for England and Wales. (As presently drafted, the date proposed for Welsh consultation is a compromise between those

for England and Scotland, and this will need to be tidied up). The Cabinet will need to consider whether it is defensible to impose a tighter timetable in Scotland, given that the fundamental issues are identical north and south of the border and many organisations - for example the CBI - would normally respond on a Great Britain basis. There must be a risk that allowing only a short period for consultation in Scotland would prejudice the success of the consultative exercise.

10. There is a further difficulty in Scotland, of which you should be aware, although it should not require discussion at this meeting. This is that in E(LF) the Secretary of State for Scotland argued for fixing the Scottish non-domestic rate at the same level as in England (on the grounds of equity to industry). This would, however, lead to a shortfall in yield of at least £250 million, which would either have to be met by the Exchequer, by English or Welsh ratepayers, or by Scottish ratepayers. E(LF) made it clear to the Secretary of State for Scotland that there was no question of the two former courses. We understand that Mr Younger is now reconciled to a higher Scottish non-domestic rate, although the Green Paper (paragraph 8.29) is not explicit on this.

Not so — see flag D of E.

Interaction with the Housing Benefit Scheme

11. The Secretary of State for Social Services has expressed concern about the increased Housing Benefit (HB) case load which will follow from the introduction of the community charge, and proposed at the last meeting of E(LF) that the community charge should be excluded from the HB scheme. There are some difficulties with this proposal, and he and the Secretary of State for the Environment were invited to consider the interaction of the proposals further. In the meantime the Green Paper assumes in the exemplifications that the 20 per cent contribution rule will apply (ie in line with the Social

Security White Paper), while saying that the detailed design of assistance schemes will need consideration (Annex J, paragraphs J.39-43). This should not require detailed discussion.

Capital Expenditure

12. The Green Paper also sets out (in Chapter 6) alternatives for the reform of the capital control system in England and Wales. There have already been discussions with the local authority associations on these issues, which will have much less impact on the public than the proposals for the community charge. The Secretary of State for the Environment is therefore proposing a shorter consultation period, so that the option of legislating next year may be kept open.

Education Funding

13. You will wish to note what paragraphs 1.51-1.52 of the draft Green Paper say about the arguments against central funding of education. The general argument being developed at this point calls for a rebuttal of the idea of central Government taking over a large field of spending from local authorities, and education is the obvious example. Paragraph 4.47 presents the case for a possible extension of specific grants for education. The intention has been not to limit the realistic room for manoeuvre in MISC 122.

HANDLING

14. You will wish to ask the Secretary of State for the Environment to introduce his paper. The Secretaries of State for Scotland and for Wales will wish to comment, as no doubt will the Chancellor of the Exchequer, the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Home Secretary and the Secretary of State for Education and Science among others.

15. On a minor point, you will wish to ask the Secretary of State for the Environment over whose names the foreword might

BRIAAS

appear. It would seem appropriate for it to be in the name of the three territorial Ministers involved.

CONCLUSIONS

15. You will wish to reach decisions:

i. to endorse the principle of local ~~accountability~~ democratic responsibility and the introduction of the community charge as the corner stones of future policy;

ii. to confirm whether a shorter consultation period for Scotland is acceptable; — Operative. 1 Apl 1986 3 or 4 weeks

iii. to agree on the publication of the Green Paper, provisionally on 28 January.

RA

ROBERT ARMSTRONG

8 January 1986

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E E CC BG

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

8 January 1986

Dear Kenneth,

LOCAL GOVERNMENT FINANCE GREEN PAPER

Thank you for your letter of 3 January.

I could not accept the precise form of words you have suggested to cover non-domestic rates. You are asking me to commit myself to a separate Scottish rate whereas the E(LF) minutes are clear that the option of different poundages in different territories should be left open. In the hope of saving time tomorrow I wonder if you would be prepared to accept the further redraft which I attach?

On timing, I have made clear all along and colleagues have accepted the particular urgency of the need for reform in Scotland; paragraph 9 of C(86)1 reflects the position which I am in no doubt I must maintain - consultation period to end of April and the option of a Bill early in the 1986/87 session.

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

Yours ever,

George.

8.31. The Secretary of State's long term objective is to find a fully satisfactory basis for determining the burden that non-domestic ratepayers in Scotland should be asked to bear. This will certainly require him to take powers to fix centrally the poundage that is appropriate in each area. Before he reaches a decision on that however he would want to be able to compare the Scottish basis with what is emerging in England (and that cannot be done validly until after 1990). In the meantime, because the immediate priority is to give the greatest possible reassurance to non-domestic ratepayers in Scotland of a degree of stability in their rate burdens, the Secretary of State proposes that the Scottish legislation should freeze the existing poundages in each area. In the years immediately after the legislation comes into operation, the frozen poundages will be increased in line with one of the general indices of price movements.

local Govt: Rating System Pt 4

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DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon Kenneth Baker MP
Secretary of State for Environment
2 Marsham Street
LONDON
SW1

7 January 1986

Dear Ken.

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

Thank you for your letters of 31 December and 3 January covering various aspects of the Green Paper.

In the light of what you say I do not wish to press further for my suggestions on derating local authority property and on students although I welcome your suggestion for further discussion between our officials on the latter point after publication of the Green Paper. I think that we are now close to agreement on the treatment of specific grants and would be ready to agree to your wording with some small amendment as follows:

> "There will remain a role for certain existing specific grants such as that for police expenditure. There may also be a case for new specific grants - in particular in the education field in support of the Government's objective of raising standards at all levels of ability."

Your letter of 3 January attaches a helpful note on the implications of reducing the safety-net. I welcome your view that we should keep our options open in the Green Paper, given that there is now hardly time to go for substantial changes. Nevertheless I think that your proposed re-draft of paragraph 4.43 could go further in that regard. In particular, the draft still refers to an authority's safety net entitlement being "fixed in cash terms for all future years". I think that that sentence would be better expressed thus:

> "And the real value of an authority's safety net entitlement would progressively decline in future years, perhaps by fixing it in cash terms."

The last two sentences of the paragraph might read:

> "But under these arrangements, if an authority's level

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Continued/...

of spending remained unchanged, the average level of tax bills for its residents would also remain unchanged when the new system was introduced. Once the new system is in operation, the basis of the special arrangements could be reviewed."

I do not think that the clause about "sufficient time elapsing to permit a proper assessment" should be retained: we have the information to conduct a proper assessment now.

If these modest changes to your text can be agreed, the last sentence of paragraph 5.14 should then say that the adjustments "could" (rather than "would") be frozen in cash terms for subsequent years.

I doubt that we could or should decide now on the merits of the new (and substantially different) safety net arrangements illustrated in your note. At first sight, they are not themselves free of difficulty. The effect of equalising the precepts of upper tier authorities on a population basis is borne by the residents of lower tier authorities in the area of each upper tier authority. This can lead to substantial changes in average tax bills, and in the case of Greenwich to an increase of nearly £60 per adult, which is larger than most of the changes which we have been concerned about in the North. The proposal gives some relief to the inhabitants of such authorities as South Bucks and Chiltern, but it does so at the expense of other residents of the same low-spending counties, so that people in Aylesbury Vale face an average tax bill of £181 (against £153 at present) and those in Milton Keynes an average tax bill of £194 (against £160 at present). This infliction of substantial tax increases in low spending areas is not a great improvement on the previous proposals. Meanwhile Sheffield and Newcastle actually experience some small **decrease** in average tax bills at the expense of lower-spending districts in the same county.

Moreover, this somewhat artificial limitation to county areas of the equalising effect of the new system brings different results according to the variation in domestic rateable values within the county. Areas with the lowest rateable value in Cumbria and Durham see increases in average tax bill per head of only up to £12 (while other areas in those counties experience a decrease from a low base). But in Lancashire, where the range of rateable values is greater, there is an increase in average tax per adult of £27 in Burnley, £25 in Pendle and £22 in Hyndburn. In the case of Pendle and Hyndburn this takes them well over halfway to the unsafety-netted levels of local tax which were previously found unacceptable in E(LF).

I think myself that we shall need to adopt a system which bases the safety-nets on an acceptable rate of change for each area. We shall not be able to withdraw them uniformly

Continued/...

by one-third, one-half or whatever as illustrated in your note. But all this needs further examination, and I suggest that officials should be asked to do more work, after the Green Paper is published, on the practicalities and merits of various transitional schemes.

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

Yours ever,

Keith.

LOCAL GOVT PT 4

RATING REVALUATION

CCBC

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CABINET OFFICE.
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

6 January 1986

Robin Young Esq
Principal Private Secretary
to the Secretary of State for
the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

Prime Minister 2

DHV
7/1

Dear Robin,

GREEN PAPER ON LOCAL GOVERNMENT FINANCE

The Chancellor of the Duchy was interested to see David Norgrove's letter to you of 31 December, recording your Secretary of State's discussion with the Prime Minister.

The Chancellor has commented that, while he accepts the importance of rebutting criticisms of the kind mentioned by your Secretary of State, he would emphasise the need to take the argument to those offering criticisms; for example by challenging them to present their alternative, while illustrating the arbitrary, unfair and indefensible nature of the current rating system which these new proposals are to replace, and how unworkable and burdensome (particularly in economic terms) would be a local income tax. In effect, the purpose would be to expose the inadequacies of the position on local government finance of the Government's opponents.

I am copying this letter to David Norgrove, the private secretaries to members of E(LF) and to Michael Stark (Cabinet Office).

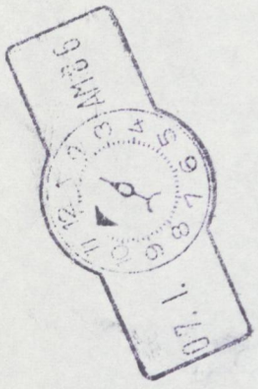
Yours sincerely,
A. Lansley

ANDREW LANSLEY
Private Secretary

LOCAL GOVT

RATING

PT 4



Prime Minister

No need to react now.
This will no doubt be raised by
Sir Keith Joseph at Cabinet. AJN 6/1

PRIME MINISTER

6 January 1986

RATE REFORM: SAFETY NETS

Kenneth Baker has cunningly revised the 'safety net' so that it gives fewer bonuses to the North and makes life easier for London.

As Kenneth says, it should be possible to phase out domestic rates within ten years even in London if this new 'safety net' is kept constant in cash terms over the whole period. The City would need special arrangements, but ratepayers in Westminster and Kensington & Chelsea would gain, and the changeover from the existing system to the new arrangements would cause domestic tax bills per adult in the rest of Inner London to rise by an average of less than 5% a year more than they would otherwise have done. Outer London domestic tax bills would be almost unaffected.

The DoE hint that phasing out the safety net altogether over ten years - as Keith Joseph wants - would make life too difficult for inner Londoners. Their figures suggest that total phasing out of the 'safety net' would roughly double the effect of the new system on domestic tax bills in Inner London, causing them to rise by an average of about 10% a year more than they would otherwise have done.

We recommend that the Green Paper should:

1. include the revised 'safety net';

2. leave open the possibility of phasing out the 'safety net' altogether in due course.

OLIVER LETWIN

PRIME MINISTER

I am not clear whether you decided in favour or against a presentation to Cabinet next Thursday about the iniquities of the rating system. (You were concerned that too extensive a discussion of this would give an opportunity for sceptics to question the need for any reform at all.)

You toyed with the idea of a presentation before Cabinet starts, i.e. in effect starting 15 minutes early, at 0945, have the presentation on rates and then go into parliamentary affairs, foreign affairs, community affairs and then the Green Paper. I think this would look odd, and I am not clear whether you dismissed it.

Agree that Mr Baker should describe the problems of rates when he introduces his paper?

Yes - I think that is the only course at Cabinet. and we can meet early for a presentation. Others (Ministers) would want to do the same.

DRN

DAVID NORGROVE

3 January 1986

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBPM.

My ref:

Your ref:

3 January 1986

Dear Secretary of State,

LOCAL GOVERNMENT FINANCE GREEN PAPER

Your officials have sent mine a copy of the draft chapter on Scotland for inclusion in the Green Paper.

There are two points of substance on non-domestic rates. We agreed at E(LF)(85) 6th that the Green Paper should come down firmly in favour of the uniform rate rather than capping. Subsequently it was agreed at the meeting Willie Whitelaw chaired on 19 December that English ratepayers would not subsidise a reduction in the uniform Scottish rate to the English average.

The draft text now suggests that you would "cap" the non-domestic rate in Scotland until valuation practice were aligned North and South of the border, with the implication that this would be at a uniform rate throughout Great Britain. I find it difficult to accept that formulation. Even if Scottish and English rating practice were aligned there would probably still be problems in moving to a common rate, because of the higher spending of Scottish authorities. And it is difficult to sustain the argument in Chapter 2 that a uniform rate is the best proposal for England if we argue we should cap non-domestic rates in Scotland for an unspecified period. I attach a redraft of paragraph 8.31, which I hope you can accept.

My other concern is on timing. At E(LF)(85) 6th we agreed that there should be no commitment to early legislation in Scotland. Indeed we doubt that it is feasible to draw together the major legislation required in time for the 1986/7 session. To introduce ill-thought legislation on a quick timetable would damage no further the cause of reform.

I would therefore much prefer the references to the urgency of the need for reform in Scotland to be toned down. You could still mention that it would be feasible to legislate separately - and earlier - in Scotland than in England but without making it plain that you are aiming for 1986/7. This would require amendment in particular of 8.34 and 8.45.

Copies of this go to the Prime Minister, Members of E(LF) and Sir Robert Armstrong.

Yours sincerely,

Ryg

PP KENNETH BAKER
(Approved in draft by the Secretary of State and signed in his absence.)

The Rt Hon George Younger

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DRAFT PARAGRAPH 8.31

The Government is proposing to set a uniform national rate to apply throughout Scotland. Industrial de-rating will continue if deemed appropriate after the 1990 revaluation of non-domestic rateable values. The present range of non-domestic rate poundages is from ■ to ■. Suitable transitional measures would be required to ease the move to a uniform poundage. Subsequent increases in the uniform poundage will be linked to a general index of price movements (paragraph 2.■). This would provide a guarantee of much greater stability in the rate burden levied on industry and commerce in Scotland.

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 January 1986

Dear Kenneth,

LOCAL GOVERNMENT FINANCE STUDIES: SAFETY NETS

In my letter of 31 December I offered to circulate a further note before Cabinet on 9 January about the implications of reducing the safety net. I had already received a letter on the same subject from Nick Ridley when I replied to you. John MacGregor also wrote on 23 December; and there was a futher letter from the Private Secretary to the Prime Minister on 24 December.

The promised note is attached. As you will see, with a more precisely defined safety net it looks as though it would be possible to phase out rates even in London within 10 years. But this would be much more difficult if the safety net were withdrawn. Outside London, the phasing out of the safety net over the same ten-year period looks feasible, but a commitment to do so would open up for debate difficult arguments about the North/South shift.

In view of the very difficult presentational and operational issues involved I am strongly of the view that we should keep our options open in the Green Paper and consider in the light of consultation the scope for faster erosion of the safety net than is already implied by the decision to freeze it in cash terms.

Colleagues may feel, however, that the present draft does not make it sufficiently clear to our supporters that the real value of the safety net will in fact decline over time. To remedy that I would propose to amend paragraph 4.43 as follows:

> "The Government therefore envisages that special arrangements would be introduced to avoid any significant shifts in the burden of local taxation between local authorities on moving to a new system. These arrangements would take the form of a "safety net" which would prevent changes in the level of local authorities' income from rate support grant and non-domestic rates in the first year of the new system. The method of setting the safety net would ensure that authorities could not benefit from any increase in expenditure betweeen now and the introduction of the new arrangements. And the amount of an authority's safety net entitlement would be fixed in cash terms for all future years so that its real value would progressively decline. Changes in the balance of local taxation within a local authority, arising from the widening of the local tax base by the introduction of the

community charge, would begin to feed through immediately. So would the effects of any increases in spending. But under these arrangements for the level of spending under the new system the average level of an authority's local tax bills would be virtually unchanged. Once the new system is in operation and sufficient time has elapsed to permit a proper assessment of its impact and effects, the basis of the special arrangements could be reviewed."

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

KENNETH BAKER

The Rt Hon Sir Keith Joseph MP

2 January 1986

PROPOSED LOCAL GOVERNMENT FINANCE SYSTEM: AREA EFFECTS ON LOCAL DOMESTIC TAX BILLS

1. Discussions of the area effects of the proposed local government finance package have concentrated on two main issues:

i. there could be worryingly large community charges in high rateable value London authorities which would make the phasing out of rates in 10 years difficult to achieve;

ii. there would be big North/South shifts if the policies were implemented without a safety net arrangement; but if a safety net is used, low-spending authorities in the South would forego the gains to which they would be entitled under the new arrangements.

2. The Annex to this note illustrates the effects for all English authorities of the new financial arrangements with full, partial, or no safety nets. The figures apply to the total bill faced by the ratepayers of an area - for example the rate or community charge figures for Westminster include the precepts of the upper tier authorities of Inner London, in particular ILEA.

London

3. In the attached illustrations the safety net has been redefined so that it does not prevent changes in the local contribution of ratepayers in different parts of an upper-tier authority's area arising from the change in the basis of precepting from rateable value to population. This is consistent with our aim of allowing the local taxation changes to begin to come through immediately. The practical consequence is that, to take inner London as an example, ratepayers of ILEA living in boroughs with high rateable values who consequently now meet a high proportion of ILEA's spending, will in future pay on the same basis - pro rata to population - as ILEA ratepayers living in other boroughs.

4. This has an important effect on local tax bills in all high rateable value areas, but particularly those in inner London. For example, the present per adult tax bill of £508 in Kensington would be reduced to £288 as we moved to a 100% community charge. The highest local tax bills would be those of the biggest overspenders, but even Camden and Islington would have local tax bills of less than £400, and the operation of rate-capping and precept control between now and 1990 could make them substantially lower. On this basis the phasing out of rates even in London within a 10-year period seems feasible.

5. The withdrawal of the safety net would actually make it more difficult to phase out rates in inner London over 10 years. This is because the safety net would benefit all ratepayers of high-spending ILEA, which accounts for some 40% of local government spending in inner London. So the residents of all inner London boroughs would be worse off as a result of the withdrawal of safety nets, and the local tax payments per adult in some of the high spending boroughs would rise to very high levels indeed - £756 in Camden, and around £600 in five other boroughs.

The North/South Shift

6. Concerns about the potential losses to the North, or the failure to realise gains for the South, are of course two faces of the same coin. Without a safety net the new policies would imply a loss of £327m to the three Northern regions and a corresponding gain of £327m to the South (within this overall gain would be concealed a loss of £475m to London offset by a gain of £470m for the rest of the South East).

7. The detailed effects of this for residents in individual local authority areas are shown in the Annex. At one extreme, residents of Sheffield are £120 a year better off than they would otherwise be as a result of the safety net. At the other extreme, residents of Chiltern are £99 a year worse off than they would otherwise have been.

8. These are perfectly manageable sums. Outside London, it would be possible to phase out the safety net over the ten year period of the change from rates to the community charge. However, the presentational problems of the scale of the North-South shift would remain.

Approach in the Green Paper

9. The Green Paper as at present drafted steers a middle course. It proposes a safety net which is frozen in cash at the first year level and "withers on the vine" thereafter. This avoids the presentational problem of taking money from the North, but even with inflation at only 3% it would cut the real benefits to high spenders by a third over a ten-year period.

10. In view of the presentational difficulties of the North/South shift and the possible practical problems in London of phasing out the safety net this low-profile approach is the right one to adopt in the Green Paper. It keeps options open and gives room for manoeuvre if reactions to the Green Paper show that a faster phasing out of the safety net than erosion by inflation would be a feasible option.

ANNEX A

1. The table below is based on 1984/85 spending levels. All figures are based on the expenditure of both upper and lower tier authorities in the local authority area named. since it is the combination of rates and precepts that determines the size of the bill faced by local taxpayers.

2. The table shows the following:

Column 1	The degree of overspending/low spending per adult in the area
Column 2	Average local tax bills per adult in the area with domestic rates and the new grant arrangements including a full safety net (this is broadly the present position)
Column 3.	Average local tax bills per adult in the area with a 100% community charge and the new grant arrangements including a full safety net
Columns 4,5,6	As column 3. but with a safety net of only 2/3, ½, or 1/3 the value of a full safety net
Column 7	As column 3 but with no safety net
Column 8	The value of the safety net per adult in the area. This is the difference between the full safety net and no safety net figures shown in Columns 3 and 7.

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Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Overspend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
GREATER LONDON								
City of London	£ 8.843.45*	£ 430.27	£ 232.16	£ 2.428.35	£ 3.526.45	£ 4.624.54	£ 6.820.73	£ 6.588.57
Camden	£ 668.10	£ 417.30	£ 376.86	£ 503.21	£ 566.39	£ 629.56	£ 755.92	£ 379.06
Greenwich	£ 479.26	£ 253.51	£ 312.09	£ 401.98	£ 446.93	£ 491.88	£ 581.77	£ 269.68
Hackney	£ 473.30	£ 302.37	£ 330.55	£ 411.85	£ 452.50	£ 493.15	£ 574.45	£ 243.90
Hammersmith and Fulham	£ 397.48	£ 250.19	£ 284.15	£ 355.43	£ 391.06	£ 426.70	£ 497.98	£ 213.83
Islington	£ 517.71	£ 385.71	£ 385.89	£ 462.34	£ 500.56	£ 538.79	£ 615.24	£ 229.34
Kensington and Chelsea	£ 312.85	£ 507.54	£ 287.91	£ 328.27	£ 348.45	£ 368.63	£ 408.99	£ 121.09
Lambeth	£ 484.65	£ 308.34	£ 338.95	£ 420.84	£ 461.78	£ 502.72	£ 584.60	£ 245.65
Lewisham	£ 462.42	£ 275.62	£ 317.93	£ 400.47	£ 441.74	£ 483.01	£ 565.55	£ 247.62
Southwark	£ 520.09	£ 320.40	£ 354.92	£ 442.78	£ 486.71	£ 530.63	£ 618.49	£ 263.57
Tower Hamlets	£ 514.58	£ 297.99	£ 320.43	£ 417.42	£ 465.91	£ 514.40	£ 611.39	£ 290.96
Wandsworth	£ 298.45	£ 199.25	£ 235.93	£ 291.00	£ 318.53	£ 346.07	£ 401.14	£ 165.20
Westminster	£ 302.77	£ 470.07	£ 250.10	£ 285.56	£ 303.30	£ 321.03	£ 356.49	£ 106.39
Barking and Dagenham	£ 149.65	£ 193.34	£ 213.93	£ 230.33	£ 238.54	£ 246.74	£ 263.15	£ 49.22
Barnet	£ 98.72	£ 275.49	£ 257.99	£ 243.56	£ 236.34	£ 229.12	£ 214.69	£-43.30
Bexley	£ 108.96	£ 183.22	£ 200.79	£ 209.14	£ 213.31	£ 217.49	£ 225.84	£ 25.05
Brent	£ 206.09	£ 276.72	£ 282.72	£ 294.97	£ 301.10	£ 307.22	£ 319.48	£ 36.75
Bromley	£ 81.07	£ 215.50	£ 216.23	£ 210.14	£ 207.09	£ 204.05	£ 197.95	£-18.28
Croydon	£ 52.52	£ 205.23	£ 203.79	£ 191.00	£ 184.61	£ 178.21	£ 165.42	£-38.38
Ealing	£ 92.24	£ 199.82	£ 208.61	£ 207.55	£ 207.02	£ 206.49	£ 205.44	£-3.18
Enfield	£ 96.87	£ 206.40	£ 213.63	£ 212.89	£ 212.51	£ 212.14	£ 211.39	£-2.25
Haringey	£ 291.28	£ 318.90	£ 328.06	£ 354.29	£ 367.40	£ 380.51	£ 406.74	£ 78.69
Harrow	£ 122.65	£ 244.25	£ 242.96	£ 241.65	£ 241.00	£ 240.35	£ 239.04	£-3.92
Havering	£ 107.12	£ 203.82	£ 213.77	£ 217.05	£ 218.69	£ 220.33	£ 223.61	£ 9.84
Hillingdon	£ 126.58	£ 207.35	£ 217.31	£ 223.10	£ 226.00	£ 228.90	£ 234.70	£ 17.39
Hounslow	£ 159.69	£ 224.95	£ 236.51	£ 247.29	£ 252.68	£ 258.07	£ 268.86	£ 32.35
Kingston-upon-Thames	£ 93.92	£ 215.49	£ 216.96	£ 213.73	£ 212.12	£ 210.50	£ 207.27	£-9.70
Merton	£ 86.73	£ 213.57	£ 216.22	£ 211.58	£ 209.26	£ 206.94	£ 202.30	£-13.92
Newham	£ 163.99	£ 191.08	£ 213.60	£ 234.97	£ 245.66	£ 256.34	£ 277.71	£ 64.11
Redbridge	£ 78.96	£ 201.46	£ 207.11	£ 203.42	£ 201.58	£ 199.73	£ 196.04	£-11.07
Richmond-upon-Thames	£ 103.71	£ 230.08	£ 226.08	£ 223.75	£ 222.58	£ 221.41	£ 219.08	£-7.00
Sutton	£ 76.62	£ 202.12	£ 207.04	£ 202.34	£ 199.99	£ 197.64	£ 192.93	£-14.11
Waltham Forest	£ 195.98	£ 233.64	£ 248.93	£ 270.27	£ 280.94	£ 291.61	£ 312.95	£ 64.02

* The exceptionally large figure for the City of London reflects the fact that any overspend has to be borne by a very small resident population. The Green Paper notes that special arrangements will be necessary for the City.

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Oversoend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
GREATER MANCHESTER								
Bolton	£-.06	£ 125.60	£ 126.81	£ 124.57	£ 123.46	£ 122.34	£ 120.10	£-6.71
Bury	£ 34.23	£ 154.57	£ 152.34	£ 153.21	£ 153.65	£ 154.09	£ 154.96	£ 2.63
Manchester	£ 153.06	£ 189.54	£ 190.79	£ 216.61	£ 229.52	£ 242.43	£ 268.25	£ 77.47
Oldham	£ 5.13	£ 115.52	£ 119.50	£ 121.34	£ 122.26	£ 123.18	£ 125.02	£ 5.52
Rochdale	£ 78.20	£ 136.36	£ 141.28	£ 160.20	£ 169.66	£ 179.12	£ 198.05	£ 56.77
Salford	£ 38.20	£ 126.84	£ 127.17	£ 137.04	£ 141.97	£ 146.90	£ 156.76	£ 29.59
Stockport	£ 7.74	£ 169.38	£ 161.22	£ 149.98	£ 144.35	£ 138.73	£ 127.48	£-33.74
Tameside	£ 45.06	£ 127.75	£ 132.00	£ 143.15	£ 148.73	£ 154.30	£ 165.45	£ 33.46
Trafford	£ 6.91	£ 172.44	£ 163.49	£ 149.95	£ 143.19	£ 136.42	£ 122.88	£-40.60
Wigan	£ 40.49	£ 130.91	£ 134.15	£ 143.04	£ 147.49	£ 151.93	£ 160.83	£ 26.68
MERSEYSIDE								
Knowsley	£ 70.38	£ 158.72	£ 160.53	£ 169.99	£ 174.72	£ 179.46	£ 188.92	£ 28.39
Liverpool	£ 95.96	£ 153.96	£ 158.46	£ 176.89	£ 186.11	£ 195.33	£ 213.77	£ 55.31
St Helens	£ 64.85	£ 149.50	£ 152.91	£ 163.24	£ 168.40	£ 173.57	£ 183.90	£ 30.99
Sefton	£ 17.90	£ 159.48	£ 155.46	£ 149.66	£ 146.77	£ 143.87	£ 138.08	£-17.38
Wirral	£ 33.78	£ 173.88	£ 167.86	£ 163.25	£ 160.95	£ 158.65	£ 154.04	£-13.81
SOUTH YORKSHIRE								
Barnsley	£ 112.67	£ 123.25	£ 127.98	£ 163.15	£ 180.73	£ 198.31	£ 233.48	£ 105.49
Doncaster	£ 115.89	£ 143.27	£ 141.75	£ 173.04	£ 188.68	£ 204.32	£ 235.61	£ 93.85
Rotherham	£ 80.75	£ 127.68	£ 127.85	£ 152.33	£ 164.57	£ 176.81	£ 201.28	£ 73.43
Sheffield	£ 161.42	£ 161.00	£ 159.81	£ 199.80	£ 219.80	£ 239.80	£ 279.79	£ 119.99
TYNE AND WEAR								
Gateshead	£ 85.01	£ 130.46	£ 132.84	£ 156.97	£ 169.03	£ 181.10	£ 205.22	£ 72.38
Newcastle upon Tyne	£ 162.00	£ 193.58	£ 190.62	£ 220.03	£ 234.73	£ 249.44	£ 278.85	£ 88.23
North Tyneside	£ 106.78	£ 170.74	£ 166.96	£ 187.18	£ 197.29	£ 207.40	£ 227.63	£ 60.67
South Tyneside	£ 81.87	£ 134.62	£ 136.14	£ 158.27	£ 169.33	£ 180.40	£ 202.52	£ 66.38
Sunderland	£ 66.47	£ 124.20	£ 127.10	£ 147.12	£ 157.13	£ 167.14	£ 187.16	£ 60.06
WEST MIDLANDS								
Birmingham	£-27.64	£ 139.45	£ 140.28	£ 123.02	£ 114.40	£ 105.77	£ 88.52	£-51.75
Coventry	£ 27.60	£ 156.33	£ 158.67	£ 154.28	£ 152.08	£ 149.88	£ 145.49	£-13.18
Dudley	£-27.74	£ 147.66	£ 146.49	£ 127.87	£ 118.57	£ 109.26	£ 90.64	£-55.85
Sandwell	£-8.84	£ 139.81	£ 142.42	£ 130.65	£ 124.77	£ 118.89	£ 107.12	£-35.30
Solihull	£-21.91	£ 185.14	£ 176.09	£ 149.79	£ 136.64	£ 123.49	£ 97.19	£-78.89
Walsall	£ 20.33	£ 161.16	£ 161.95	£ 153.92	£ 149.90	£ 145.88	£ 137.85	£-24.10
Wolverhampton	£ 7.06	£ 167.66	£ 165.83	£ 151.66	£ 144.57	£ 137.49	£ 123.31	£-42.52
WEST YORKSHIRE								
Bradford	£ 20.75	£ 101.93	£ 102.95	£ 115.55	£ 121.86	£ 128.16	£ 140.77	£ 37.82
Calderdale	£ 20.44	£ 94.16	£ 96.97	£ 111.70	£ 119.06	£ 126.43	£ 141.16	£ 44.19
Kirklees	£ 8.00	£ 91.82	£ 94.40	£ 105.82	£ 111.53	£ 117.23	£ 128.65	£ 34.25
Leeds	£ 15.73	£ 116.29	£ 113.60	£ 120.42	£ 123.83	£ 127.24	£ 134.06	£ 20.46
Wakefield	£ 20.32	£ 106.40	£ 106.35	£ 117.44	£ 122.98	£ 128.52	£ 139.60	£ 33.25

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Retain rates	Full Community Charge					
	Overspend on GRE Col 1	with full safety net grant Col 2	with full safety net grant Col 3	with 2/3 safety net grant Col 4	with 1/2 safety net grant Col 5	with 1/3 safety net grant Col 6	without safety net grant Col 7	Value of safety net grant Col 8
AVON								
Bath	£ .02	£ 133.35	£ 134.52	£ 129.26	£ 126.63	£ 124.00	£ 118.74	£-15.78
Bristol	£ 36.79	£ 141.47	£ 149.31	£ 151.28	£ 152.25	£ 153.22	£ 155.17	£ 5.83
Kingswood	£ 9.71	£ 137.22	£ 138.84	£ 135.50	£ 133.83	£ 132.16	£ 128.82	£-10.01
Northavon	£ 12.85	£ 139.67	£ 140.32	£ 137.33	£ 135.84	£ 134.34	£ 131.35	£-8.97
Wansdyke	£ 1.14	£ 142.97	£ 135.92	£ 130.66	£ 128.02	£ 125.39	£ 120.13	£-15.79
Woodspring	£ 19.49	£ 163.20	£ 145.13	£ 142.91	£ 141.79	£ 140.68	£ 138.46	£-6.68
BEDFORDSHIRE								
North Bedfordshire	£ 12.27	£ 163.66	£ 172.85	£ 158.03	£ 150.63	£ 143.22	£ 128.40	£-44.45
Luton	£ 13.66	£ 182.11	£ 175.82	£ 160.34	£ 152.59	£ 144.85	£ 129.36	£-46.46
Mid Bedfordshire	£ 6.05	£ 158.95	£ 170.02	£ 154.21	£ 146.30	£ 138.40	£ 122.59	£-47.43
South Bedfordshire	£ 19.13	£ 192.29	£ 179.54	£ 164.68	£ 157.25	£ 149.82	£ 134.96	£-44.58
BERKSHIRE								
Bracknell	£-30.84	£ 170.24	£ 167.67	£ 140.00	£ 126.16	£ 112.33	£ 84.66	£-83.01
Newbury	£-23.42	£ 165.78	£ 170.52	£ 144.44	£ 131.41	£ 118.37	£ 92.30	£-78.22
Reading	£ .71	£ 159.66	£ 181.22	£ 159.40	£ 148.49	£ 137.57	£ 115.75	£-65.47
Slough	£-37.89	£ 146.96	£ 161.88	£ 133.39	£ 119.15	£ 104.91	£ 76.42	£-85.46
Windsor and Maidenhead	£-27.36	£ 194.51	£ 171.90	£ 143.97	£ 130.01	£ 116.04	£ 88.11	£-83.79
Wokingham	£-24.12	£ 188.46	£ 173.07	£ 145.99	£ 132.45	£ 118.90	£ 91.82	£-81.25
BUCKINGHAMSHIRE								
Aylesbury Vale	£-31.87	£ 152.83	£ 180.87	£ 149.02	£ 133.10	£ 117.18	£ 85.33	£-95.53
South Bucks	£-21.80	£ 239.32	£ 192.16	£ 159.83	£ 143.66	£ 127.49	£ 95.15	£-97.01
Chiltern	£-22.35	£ 234.08	£ 193.94	£ 161.01	£ 144.54	£ 128.08	£ 95.15	£-98.79
Milton Keynes	£-2.36	£ 160.23	£ 194.35	£ 167.68	£ 154.34	£ 141.01	£ 114.34	£-80.00
Wycombe	£-28.07	£ 194.03	£ 186.48	£ 153.95	£ 137.69	£ 121.43	£ 88.90	£-97.58
CAMBRIDGESHIRE								
Cambridge	£-21.90	£ 159.64	£ 144.79	£ 128.34	£ 120.11	£ 111.88	£ 95.42	£-49.37
East Cambridgeshire	£-34.13	£ 119.62	£ 135.87	£ 118.70	£ 110.11	£ 101.52	£ 84.34	£-51.53
Fenland	£-27.85	£ 110.98	£ 137.33	£ 121.68	£ 113.86	£ 106.04	£ 90.40	£-46.92
Huntingdon	£-22.23	£ 137.97	£ 142.42	£ 126.94	£ 119.21	£ 111.47	£ 96.00	£-46.42
Peterborough	£ 6.89	£ 146.86	£ 155.24	£ 145.05	£ 139.96	£ 134.87	£ 124.68	£-30.56
South Cambridgeshire	£-38.18	£ 163.06	£ 137.56	£ 118.38	£ 108.79	£ 99.20	£ 80.02	£-57.54
CHESHIRE								
Chester	£ 34.09	£ 171.29	£ 167.64	£ 162.25	£ 159.55	£ 156.86	£ 151.47	£-16.17
Congleton	£ 27.55	£ 163.72	£ 163.89	£ 157.68	£ 154.58	£ 151.48	£ 145.28	£-18.61
Crewe and Nantwich	£ 37.25	£ 157.40	£ 167.19	£ 163.12	£ 161.08	£ 159.05	£ 154.98	£-12.20
Ellesmere Port and Neston	£ 31.11	£ 169.59	£ 165.98	£ 159.91	£ 156.88	£ 153.84	£ 147.78	£-18.20
Halton	£ 33.09	£ 145.34	£ 163.44	£ 159.09	£ 156.92	£ 154.75	£ 150.41	£-13.03
Macclesfield	£ 20.09	£ 200.89	£ 164.66	£ 155.72	£ 151.25	£ 146.78	£ 137.84	£-26.82
Vale Royal	£ 28.48	£ 155.96	£ 163.28	£ 157.54	£ 154.68	£ 151.81	£ 146.08	£-17.20
Warrington	£ 34.35	£ 151.56	£ 164.91	£ 160.51	£ 158.31	£ 156.11	£ 151.71	£-13.20

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Oversoend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
CLEVELAND								
Hartlepool	£ 40.57	£ 115.12	£ 132.18	£ 140.58	£ 144.77	£ 148.97	£ 157.37	£ 25.19
Langbaurgh	£ 64.03	£ 149.21	£ 145.41	£ 156.99	£ 162.78	£ 168.57	£ 180.15	£ 34.74
Middlesbrough	£ 87.00	£ 148.64	£ 150.12	£ 168.02	£ 176.96	£ 185.91	£ 203.80	£ 53.68
Stockton-on-Tees	£ 48.41	£ 147.61	£ 140.22	£ 148.36	£ 152.43	£ 156.50	£ 164.64	£ 24.42
CORNWALL								
Caradon	£-35.53	£ 114.78	£ 110.85	£ 102.33	£ 98.07	£ 93.82	£ 85.30	£-25.54
Carrick	£-29.28	£ 117.07	£ 113.22	£ 105.91	£ 102.26	£ 98.61	£ 91.30	£-21.92
Kerrier	£-36.34	£ 98.17	£ 108.67	£ 100.57	£ 96.52	£ 92.47	£ 84.37	£-24.30
North Cornwall	£-36.21	£ 116.89	£ 110.77	£ 102.01	£ 97.64	£ 93.26	£ 84.50	£-26.27
Penwith	£-28.24	£ 113.88	£ 112.91	£ 106.08	£ 102.67	£ 99.26	£ 92.44	£-20.47
Restormel	£-34.41	£ 108.88	£ 110.48	£ 102.31	£ 98.23	£ 94.15	£ 85.98	£-24.50
CUMBRIA								
Allerdale	£ 10.86	£ 96.99	£ 100.69	£ 110.83	£ 115.89	£ 120.96	£ 131.10	£ 30.41
Barrow in Furness	£ 16.33	£ 88.11	£ 100.63	£ 112.61	£ 118.60	£ 124.59	£ 136.58	£ 35.95
Carlisle	£ 23.63	£ 109.07	£ 106.30	£ 118.77	£ 125.00	£ 131.24	£ 143.71	£ 37.41
Copeland	£ 22.98	£ 90.24	£ 102.86	£ 116.25	£ 122.94	£ 129.63	£ 143.02	£ 40.17
Eden	£-4.69	£ 95.42	£ 96.40	£ 102.75	£ 105.92	£ 109.10	£ 115.45	£ 19.05
South Lakeland	£ 9.13	£ 123.39	£ 103.60	£ 112.19	£ 116.48	£ 120.77	£ 129.35	£ 25.74
DERBYSHIRE								
Amber Valley	£ 4.45	£ 117.97	£ 122.34	£ 122.91	£ 123.20	£ 123.48	£ 124.05	£ 1.71
Bolsover	£ 13.86	£ 101.70	£ 123.48	£ 126.85	£ 128.54	£ 130.23	£ 133.60	£ 10.12
Chesterfield	£ 23.77	£ 125.21	£ 130.83	£ 134.93	£ 136.99	£ 139.04	£ 143.15	£ 12.32
Derby	£ 7.27	£ 140.08	£ 126.73	£ 126.65	£ 126.62	£ 126.58	£ 126.50	£-.23
Erewash	£ 7.95	£ 125.68	£ 125.05	£ 125.87	£ 126.28	£ 126.69	£ 127.52	£ 2.47
High Peak	£ 9.76	£ 113.36	£ 123.89	£ 125.68	£ 126.57	£ 127.47	£ 129.26	£ 5.37
North East Derbyshire	£ 13.57	£ 123.93	£ 126.72	£ 128.94	£ 130.05	£ 131.17	£ 133.39	£ 6.68
South Derbyshire	£-6.49	£ 123.66	£ 120.08	£ 117.60	£ 116.35	£ 115.11	£ 112.63	£-7.46
West Derbyshire	£ 6.53	£ 133.65	£ 125.38	£ 125.68	£ 125.83	£ 125.98	£ 126.29	£ .91
DEVON								
East Devon	£-27.88	£ 136.81	£ 120.44	£ 111.11	£ 106.44	£ 101.78	£ 92.44	£-27.99
Exeter	£-30.88	£ 113.80	£ 117.34	£ 107.84	£ 103.10	£ 98.35	£ 88.86	£-28.48
North Devon	£-18.59	£ 100.38	£ 119.32	£ 113.41	£ 110.45	£ 107.50	£ 101.58	£-17.74
Plymouth	£-27.58	£ 117.11	£ 118.89	£ 110.10	£ 105.70	£ 101.31	£ 92.51	£-26.38
South Hams	£-17.73	£ 135.78	£ 122.41	£ 115.81	£ 112.52	£ 109.22	£ 102.62	£-19.79
Teignbridge	£-18.77	£ 123.16	£ 122.54	£ 115.53	£ 112.02	£ 108.51	£ 101.50	£-21.04
Mid Devon	£-25.28	£ 104.65	£ 118.34	£ 110.59	£ 106.72	£ 102.84	£ 95.10	£-23.24
Torbay	£-14.90	£ 142.56	£ 126.66	£ 119.46	£ 115.86	£ 112.26	£ 105.05	£-21.61
Torridge	£-15.68	£ 92.69	£ 119.22	£ 114.40	£ 111.99	£ 109.58	£ 104.76	£-14.46
West Devon	£-28.84	£ 109.51	£ 117.26	£ 108.71	£ 104.43	£ 100.15	£ 91.60	£-25.66

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Overspend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
DORSET								
Bournemouth	£-8.37	£ 157.66	£ 158.68	£ 142.79	£ 134.84	£ 126.90	£ 111.00	£-47.68
Christchurch	£-21.61	£ 174.33	£ 154.02	£ 135.36	£ 126.02	£ 116.69	£ 98.02	£-56.00
North Dorset	£-35.80	£ 122.81	£ 143.96	£ 124.00	£ 114.03	£ 104.05	£ 84.09	£-59.87
Poole	£-15.81	£ 176.02	£ 157.48	£ 139.53	£ 130.56	£ 121.58	£ 103.63	£-53.85
Purbeck	£-28.99	£ 139.66	£ 147.74	£ 128.70	£ 119.17	£ 109.65	£ 90.60	£-57.14
West Dorset	£-33.03	£ 122.89	£ 144.77	£ 125.45	£ 115.78	£ 106.12	£ 86.79	£-57.98
Weymouth and Portland	£-10.74	£ 123.54	£ 152.17	£ 137.79	£ 130.60	£ 123.42	£ 109.04	£-43.13
Wimborne	£-20.39	£ 179.73	£ 154.23	£ 135.99	£ 126.86	£ 117.74	£ 99.49	£-54.75
DURHAM								
Chester-le-Street	£ 27.72	£ 121.32	£ 108.20	£ 121.64	£ 128.36	£ 135.08	£ 148.52	£ 40.31
Darlington	£ 42.39	£ 128.16	£ 115.42	£ 131.14	£ 139.00	£ 146.86	£ 162.58	£ 47.16
Derwentside	£ 36.34	£ 106.29	£ 109.14	£ 125.12	£ 133.10	£ 141.09	£ 157.07	£ 47.93
Durham	£ 28.01	£ 112.54	£ 107.84	£ 121.40	£ 128.18	£ 134.96	£ 148.53	£ 40.69
Easington	£ 21.43	£ 92.18	£ 101.85	£ 115.31	£ 122.04	£ 128.77	£ 142.24	£ 40.39
Sedgefield	£ 58.20	£ 112.35	£ 113.87	£ 135.48	£ 146.29	£ 157.10	£ 178.71	£ 64.84
Teesdale	£-4.36	£ 82.96	£ 94.53	£ 101.76	£ 105.37	£ 108.99	£ 116.22	£ 21.69
Wear Valley	£ 43.13	£ 96.89	£ 107.96	£ 126.54	£ 135.83	£ 145.11	£ 163.69	£ 55.73
EAST SUSSEX								
Brighton	£ 5.87	£ 165.65	£ 177.34	£ 160.04	£ 151.39	£ 142.74	£ 125.44	£-51.90
Eastbourne	£-11.57	£ 183.25	£ 173.26	£ 151.54	£ 140.69	£ 129.83	£ 108.12	£-65.13
Hastings	£-19.16	£ 145.20	£ 164.42	£ 143.23	£ 132.63	£ 122.03	£ 100.83	£-63.59
Hove	£-37.64	£ 173.75	£ 157.95	£ 132.71	£ 120.08	£ 107.46	£ 82.21	£-75.74
Lewes	£-19.05	£ 175.90	£ 168.15	£ 145.72	£ 134.51	£ 123.30	£ 100.87	£-67.29
Rother	£-25.00	£ 182.39	£ 166.42	£ 142.67	£ 130.80	£ 118.92	£ 95.18	£-71.24
Wealden	£-34.44	£ 150.29	£ 158.25	£ 134.10	£ 122.03	£ 109.95	£ 85.80	£-72.45
ESSEX								
Basildon	£ 36.00	£ 211.50	£ 208.28	£ 190.19	£ 181.15	£ 172.10	£ 154.02	£-54.26
Braintree	£-23.31	£ 148.26	£ 169.51	£ 144.64	£ 132.21	£ 119.78	£ 94.92	£-74.59
Brentwood	£-24.01	£ 205.78	£ 175.25	£ 148.21	£ 134.69	£ 121.17	£ 94.13	£-81.12
Castle Point	£-16.71	£ 177.81	£ 176.01	£ 151.26	£ 138.89	£ 126.52	£ 101.77	£-74.25
Chelmsford	£-35.00	£ 172.00	£ 166.17	£ 138.47	£ 124.62	£ 110.77	£ 83.07	£-83.10
Colchester	£-33.34	£ 140.16	£ 164.42	£ 137.90	£ 124.64	£ 111.38	£ 84.86	£-79.56
Epping Forest	£-18.17	£ 201.57	£ 178.21	£ 152.17	£ 139.15	£ 126.13	£ 100.09	£-78.11
Harlow	£ 65.75	£ 211.88	£ 224.30	£ 210.69	£ 203.88	£ 197.08	£ 183.47	£-40.83
Maldon	£-26.95	£ 169.07	£ 170.06	£ 143.79	£ 130.65	£ 117.51	£ 91.24	£-78.82
Rochford	£-17.11	£ 184.94	£ 176.72	£ 151.60	£ 139.04	£ 126.48	£ 101.36	£-75.37
Southend-on-Sea	£-13.19	£ 187.00	£ 179.03	£ 154.33	£ 141.98	£ 129.64	£ 104.94	£-74.09
Tendring	£-16.00	£ 166.62	£ 174.85	£ 150.74	£ 138.69	£ 126.63	£ 102.52	£-72.33
Thurrock	£ 16.10	£ 176.88	£ 185.49	£ 168.00	£ 159.26	£ 150.52	£ 133.03	£-52.46
Uttlesford	£-25.01	£ 176.03	£ 169.96	£ 144.44	£ 131.68	£ 118.91	£ 93.39	£-76.58

Effects On Local tax Bills Of Safety Net Options (pounds per adult) CONFIDENTIAL - CMO

	Retain rates	Full Community Charge					
	Overspend on GRE Col 1	with full safety net grant Col 2	with full safety net grant Col 3	with 2/3 safety net grant Col 4	with 1/2 safety net grant Col 5	with 1/3 safety net grant Col 6	without safety net grant Col 7	Value of safety net grant Col 8
GLOUCESTERSHIRE								
Cheltenham	£-25.85	£ 149.07	£ 132.49	£ 119.32	£ 112.73	£ 106.14	£ 92.96	£-39.53
Cotswold	£-24.78	£ 149.38	£ 133.00	£ 120.19	£ 113.78	£ 107.37	£ 94.56	£-38.44
Forest of Dean	£-21.74	£ 103.94	£ 128.65	£ 118.34	£ 113.18	£ 108.03	£ 97.71	£-30.94
Gloucester	£-38.87	£ 108.07	£ 124.23	£ 109.49	£ 102.12	£ 94.75	£ 80.01	£-44.22
Stroud	£-25.52	£ 127.32	£ 129.97	£ 117.92	£ 111.90	£ 105.87	£ 93.83	£-36.14
Tewkesbury	£-29.42	£ 141.79	£ 130.38	£ 116.83	£ 110.05	£ 103.27	£ 89.72	£-40.66
HAMPSHIRE								
Basingstoke and Deane	£-19.51	£ 152.97	£ 147.37	£ 131.10	£ 122.96	£ 114.82	£ 98.55	£-48.82
East Hampshire	£-13.92	£ 168.10	£ 148.99	£ 134.20	£ 126.81	£ 119.42	£ 104.63	£-44.36
Eastleigh	£-22.91	£ 153.26	£ 145.90	£ 129.04	£ 120.61	£ 112.18	£ 95.32	£-50.59
Fareham	£-13.13	£ 168.37	£ 152.20	£ 136.57	£ 128.75	£ 120.94	£ 105.31	£-46.89
Gosport	£-21.54	£ 145.58	£ 145.62	£ 129.38	£ 121.26	£ 113.14	£ 96.91	£-48.71
Hart	£-19.62	£ 174.62	£ 149.73	£ 132.80	£ 124.34	£ 115.87	£ 98.94	£-50.79
Havant	£-25.44	£ 158.68	£ 144.20	£ 127.14	£ 118.61	£ 110.08	£ 93.02	£-51.18
New Forest	£-22.77	£ 150.48	£ 144.37	£ 128.01	£ 119.83	£ 111.65	£ 95.30	£-49.07
Portsmouth	£ 12.08	£ 124.84	£ 151.03	£ 144.07	£ 140.60	£ 137.12	£ 130.16	£-20.86
Rushmoor	£-7.75	£ 141.48	£ 149.62	£ 136.49	£ 129.93	£ 123.37	£ 110.25	£-39.36
Southampton	£-12.09	£ 126.73	£ 146.46	£ 132.93	£ 126.17	£ 119.40	£ 105.88	£-40.58
Test Valley	£-24.29	£ 146.34	£ 144.53	£ 127.68	£ 119.25	£ 110.82	£ 93.97	£-50.56
Winchester	£-21.15	£ 156.93	£ 147.09	£ 130.46	£ 122.14	£ 113.82	£ 97.18	£-49.91
HEREFORD AND WORCESTER								
Bromsgrove	£-31.34	£ 163.96	£ 147.10	£ 127.46	£ 117.65	£ 107.83	£ 88.20	£-58.90
Hereford	£-19.06	£ 118.27	£ 146.73	£ 131.15	£ 123.35	£ 115.56	£ 99.98	£-46.75
Leominster	£-26.70	£ 113.84	£ 143.64	£ 126.76	£ 118.31	£ 109.87	£ 92.99	£-50.65
Malvern Hills	£-20.73	£ 157.14	£ 151.17	£ 133.76	£ 125.06	£ 116.36	£ 98.96	£-52.20
Redditch	£-8.61	£ 160.68	£ 156.77	£ 141.29	£ 133.55	£ 125.81	£ 110.33	£-46.44
South Herefordshire	£-30.69	£ 118.12	£ 142.73	£ 124.78	£ 115.81	£ 106.84	£ 88.89	£-53.84
Worcester	£-16.84	£ 154.75	£ 152.53	£ 135.72	£ 127.31	£ 118.90	£ 102.09	£-50.44
Wychavon	£-12.48	£ 173.53	£ 157.15	£ 140.39	£ 132.00	£ 123.62	£ 106.86	£-50.30
Wyre Forest	£ 10.63	£ 163.15	£ 166.08	£ 154.00	£ 147.96	£ 141.92	£ 129.83	£-36.24
HERTFORDSHIRE								
Broxbourne	£ 2.18	£ 173.31	£ 185.52	£ 163.20	£ 152.04	£ 140.88	£ 118.56	£-66.96
Dacorum	£ .58	£ 192.82	£ 188.94	£ 164.93	£ 152.93	£ 140.93	£ 116.92	£-72.02
East Hertfordshire	£ 2.66	£ 175.00	£ 187.32	£ 164.60	£ 153.24	£ 141.89	£ 119.17	£-68.16
Hertsmere	£ 12.76	£ 205.80	£ 198.06	£ 175.06	£ 163.55	£ 152.05	£ 129.05	£-69.01
North Hertfordshire	£-2.51	£ 186.05	£ 186.53	£ 162.28	£ 150.16	£ 138.03	£ 113.78	£-72.75
St Albans	£-8.69	£ 193.66	£ 184.18	£ 158.67	£ 145.92	£ 133.16	£ 107.66	£-76.52
Stevenage	£ 34.70	£ 196.73	£ 206.67	£ 188.00	£ 178.67	£ 169.33	£ 150.66	£-56.01
Three Rivers	£ 3.95	£ 209.13	£ 193.02	£ 168.89	£ 156.83	£ 144.77	£ 120.64	£-72.37
Watford	£ 8.49	£ 177.68	£ 188.30	£ 166.89	£ 156.19	£ 145.48	£ 124.07	£-64.23
Welwyn Hatfield	£ 13.90	£ 197.01	£ 195.22	£ 173.43	£ 162.53	£ 151.64	£ 129.85	£-65.37

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Overspend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	with 2/3 safety net grant Col 4	with 1/2 safety net grant Col 5	with 1/3 safety net grant Col 6	without safety net grant Col 7	Value of safety net grant Col 8
HUMBERSIDE								
Beverley	£-11.32	£ 142.37	£ 112.44	£ 110.96	£ 110.22	£ 109.47	£ 107.99	£-4.45
Boothferry	£ 7.72	£ 101.33	£ 113.71	£ 118.12	£ 120.32	£ 122.53	£ 126.94	£ 13.23
Cleethorpes	£ 14.20	£ 124.50	£ 119.46	£ 123.98	£ 126.24	£ 128.50	£ 133.02	£ 13.56
Glanford	£ 2.67	£ 120.21	£ 114.90	£ 117.09	£ 118.18	£ 119.27	£ 121.45	£ 6.55
Great Grimsby	£ 5.99	£ 114.03	£ 114.86	£ 118.18	£ 119.83	£ 121.49	£ 124.81	£ 9.95
Holderness	£-11.32	£ 117.41	£ 110.14	£ 109.41	£ 109.05	£ 108.69	£ 107.96	£-2.17
Kingston upon Hull	£ 12.54	£ 101.85	£ 115.15	£ 120.62	£ 123.35	£ 126.08	£ 131.55	£ 16.39
East Yorkshire	£ 5.25	£ 109.83	£ 114.30	£ 117.73	£ 119.44	£ 121.16	£ 124.58	£ 10.28
Scunthorpe	£ 25.58	£ 129.69	£ 122.94	£ 129.81	£ 133.24	£ 136.68	£ 143.54	£ 20.60
ISLE OF WIGHT								
Medina	£-8.59	£ 130.19	£ 132.68	£ 125.88	£ 122.48	£ 119.08	£ 112.28	£-20.40
South Wight	£-1.04	£ 140.39	£ 137.18	£ 131.44	£ 128.58	£ 125.71	£ 119.97	£-17.21
KENT								
Ashford	£-30.12	£ 135.18	£ 128.18	£ 115.15	£ 108.64	£ 102.12	£ 89.09	£-39.09
Canterbury	£-25.26	£ 127.41	£ 128.92	£ 117.31	£ 111.51	£ 105.71	£ 94.11	£-34.80
Dartford	£-5.56	£ 120.33	£ 131.54	£ 125.49	£ 122.46	£ 119.43	£ 113.37	£-18.17
Dover	£-28.27	£ 113.56	£ 124.78	£ 113.56	£ 107.95	£ 102.34	£ 91.12	£-33.66
Gillingham	£-59.76	£ 117.20	£ 115.16	£ 96.64	£ 87.37	£ 78.11	£ 59.58	£-55.58
Gravesham	£-26.71	£ 132.12	£ 128.99	£ 116.81	£ 110.72	£ 104.63	£ 92.46	£-36.53
Maidstone	£-35.02	£ 125.86	£ 125.16	£ 111.49	£ 104.66	£ 97.82	£ 84.16	£-41.01
Rochester upon Medway	£-37.17	£ 123.48	£ 124.19	£ 109.94	£ 102.82	£ 95.70	£ 81.45	£-42.74
Sevenoaks	£-24.86	£ 140.88	£ 131.00	£ 118.84	£ 112.76	£ 106.68	£ 94.52	£-36.48
Sheppway	£-23.91	£ 146.07	£ 132.52	£ 120.13	£ 113.93	£ 107.74	£ 95.34	£-37.18
Swale	£-25.78	£ 110.57	£ 126.25	£ 115.31	£ 109.83	£ 104.36	£ 93.41	£-32.84
Thanet	£-17.22	£ 137.58	£ 133.66	£ 123.17	£ 117.92	£ 112.67	£ 102.18	£-31.48
Tonbridge and Malling	£-17.66	£ 126.99	£ 131.64	£ 121.55	£ 116.51	£ 111.47	£ 101.39	£-30.25
Tunbridge Wells	£-32.46	£ 129.88	£ 126.60	£ 113.36	£ 106.74	£ 100.11	£ 86.87	£-39.72
LANCASHIRE								
Blackburn	£ 27.72	£ 101.68	£ 118.42	£ 128.34	£ 133.29	£ 138.25	£ 148.17	£ 29.75
Blackpool	£-5.08	£ 119.99	£ 112.38	£ 113.34	£ 113.83	£ 114.31	£ 115.27	£ 2.89
Burnley	£ 29.92	£ 88.94	£ 116.09	£ 127.52	£ 133.23	£ 138.95	£ 150.38	£ 34.28
Chorley	£-10.80	£ 119.34	£ 110.34	£ 110.18	£ 110.10	£ 110.02	£ 109.86	£-.48
Fylde	£-8.53	£ 146.07	£ 114.60	£ 113.72	£ 113.29	£ 112.85	£ 111.98	£-2.62
Hyndburn	£ 8.20	£ 89.86	£ 111.33	£ 117.15	£ 120.06	£ 122.97	£ 128.79	£ 17.45
Lancaster	£-6.10	£ 109.77	£ 110.49	£ 111.79	£ 112.44	£ 113.09	£ 114.38	£ 3.89
Pendle	£ 6.07	£ 84.32	£ 109.78	£ 115.45	£ 118.29	£ 121.12	£ 126.79	£ 17.02
Preston	£-4.51	£ 109.04	£ 110.79	£ 112.43	£ 113.26	£ 114.08	£ 115.72	£ 4.93
Ribble Valley	£-7.78	£ 111.67	£ 110.23	£ 111.09	£ 111.52	£ 111.95	£ 112.81	£ 2.58
Rossendale	£ 23.32	£ 102.41	£ 117.90	£ 126.61	£ 130.96	£ 135.32	£ 144.03	£ 26.13
South Ribble	£-20.25	£ 113.40	£ 106.67	£ 104.53	£ 103.46	£ 102.40	£ 100.26	£-6.41
West Lancashire	£-7.86	£ 144.91	£ 114.88	£ 114.14	£ 113.77	£ 113.39	£ 112.65	£-2.23
Wyre	£-15.72	£ 127.46	£ 109.25	£ 107.79	£ 107.07	£ 106.34	£ 104.88	£-4.37

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Overspend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
LEICESTERSHIRE								
Blaby	£-32.84	£ 140.17	£ 127.26	£ 113.45	£ 106.54	£ 99.63	£ 85.81	£-41.45
Charnwood	£-33.22	£ 139.92	£ 127.03	£ 113.08	£ 106.11	£ 99.14	£ 85.19	£-41.84
Harborough	£-24.45	£ 149.25	£ 131.77	£ 119.23	£ 112.96	£ 106.69	£ 94.15	£-37.62
Hinckley and Bosworth	£-34.09	£ 131.55	£ 125.86	£ 112.03	£ 105.11	£ 98.20	£ 84.37	£-41.49
Leicester	£ 4.69	£ 117.69	£ 136.98	£ 132.19	£ 129.80	£ 127.41	£ 122.62	£-14.36
Melton	£-26.02	£ 142.35	£ 130.26	£ 117.68	£ 111.40	£ 105.11	£ 92.54	£-37.72
North West Leicestershire	£-18.42	£ 127.70	£ 131.18	£ 120.76	£ 115.56	£ 110.35	£ 99.93	£-31.24
Oadby and Wigston	£-38.05	£ 138.75	£ 124.89	£ 110.09	£ 102.69	£ 95.29	£ 80.49	£-44.40
Rutland	£-31.64	£ 127.57	£ 126.46	£ 113.30	£ 106.71	£ 100.13	£ 86.97	£-39.49
LINCOLNSHIRE								
Boston	£-27.80	£ 116.74	£ 113.89	£ 106.63	£ 103.00	£ 99.37	£ 92.11	£-21.78
East Lindsey	£-26.04	£ 114.02	£ 114.02	£ 107.31	£ 103.96	£ 100.61	£ 93.90	£-20.11
Lincoln	£-13.39	£ 110.49	£ 117.71	£ 113.89	£ 111.98	£ 110.07	£ 106.24	£-11.47
North Kesteven	£-24.72	£ 114.60	£ 114.73	£ 108.31	£ 105.09	£ 101.88	£ 95.45	£-19.29
South Holland	£-17.28	£ 114.59	£ 117.13	£ 112.35	£ 109.96	£ 107.57	£ 102.79	£-14.34
South Kesteven	£-27.38	£ 124.34	£ 114.98	£ 107.51	£ 103.78	£ 100.04	£ 92.58	£-22.40
West Lindsey	£-15.65	£ 112.96	£ 117.38	£ 113.05	£ 110.89	£ 108.72	£ 104.39	£-12.99
NORFOLK								
Breckland	£-38.81	£ 119.84	£ 121.29	£ 107.63	£ 100.79	£ 93.96	£ 80.29	£-41.00
Broadland	£-38.84	£ 133.10	£ 122.49	£ 108.51	£ 101.52	£ 94.53	£ 80.55	£-41.93
Great Yarmouth	£-11.40	£ 130.24	£ 132.99	£ 124.44	£ 120.16	£ 115.89	£ 107.34	£-25.65
North Norfolk	£-38.13	£ 125.37	£ 121.84	£ 108.22	£ 101.41	£ 94.60	£ 80.98	£-40.86
Norwich	£-4.53	£ 131.51	£ 136.16	£ 128.66	£ 124.90	£ 121.15	£ 113.65	£-22.51
South Norfolk	£-40.77	£ 129.61	£ 121.39	£ 107.11	£ 99.98	£ 92.84	£ 78.57	£-42.81
King's Lynn and West Norfolk	£-27.88	£ 114.76	£ 124.47	£ 113.29	£ 107.70	£ 102.10	£ 90.92	£-33.55
NORTHAMPTONSHIRE								
Corby	£-10.02	£ 138.17	£ 142.55	£ 130.98	£ 125.19	£ 119.41	£ 107.84	£-34.71
Daventry	£-31.42	£ 149.19	£ 135.57	£ 119.26	£ 111.10	£ 102.95	£ 86.64	£-48.93
East Northamptonshire	£-47.68	£ 114.39	£ 125.92	£ 107.55	£ 98.36	£ 89.18	£ 70.81	£-55.11
Kettering	£-25.32	£ 124.42	£ 134.86	£ 120.94	£ 113.98	£ 107.02	£ 93.10	£-41.76
Northampton	£-15.25	£ 144.38	£ 141.46	£ 128.47	£ 121.98	£ 115.48	£ 102.49	£-38.97
South Northamptonshire	£-42.73	£ 145.01	£ 130.29	£ 112.14	£ 103.07	£ 94.00	£ 75.85	£-54.44
Wellingborough	£-24.90	£ 127.45	£ 135.42	£ 121.37	£ 114.35	£ 107.32	£ 93.27	£-42.15
NORTHUMBERLAND								
Alnwick	£ 14.01	£ 115.67	£ 117.75	£ 123.13	£ 125.82	£ 128.51	£ 133.89	£ 16.14
Berwick-upon-Tweed	£ 11.50	£ 117.41	£ 117.06	£ 121.78	£ 124.15	£ 126.51	£ 131.24	£ 14.18
Blyth Valley	£ 44.60	£ 130.03	£ 128.22	£ 140.37	£ 146.44	£ 152.52	£ 164.67	£ 36.45
Castle Morpeth	£ 18.24	£ 140.56	£ 121.80	£ 127.21	£ 129.92	£ 132.63	£ 138.04	£ 16.23
Tynedale	£ 20.61	£ 118.48	£ 120.10	£ 126.88	£ 130.27	£ 133.66	£ 140.44	£ 20.35
Wansbeck	£ 58.95	£ 117.12	£ 132.21	£ 147.62	£ 155.33	£ 163.03	£ 178.45	£ 46.24

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Oversoend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
NORTH YORKSHIRE								
Craven	£-3.71	£ 105.67	£ 113.72	£ 114.51	£ 114.90	£ 115.30	£ 116.08	£ 2.36
Hambleton	£-14.80	£ 121.09	£ 112.13	£ 109.76	£ 108.58	£ 107.40	£ 105.04	£-7.08
Harrogate	£ 12.35	£ 142.00	£ 125.43	£ 127.67	£ 128.79	£ 129.91	£ 132.14	£ 6.71
Richmondshire	£-2.54	£ 112.23	£ 114.93	£ 115.73	£ 116.13	£ 116.54	£ 117.34	£ 2.41
Ryedale	£-17.18	£ 107.31	£ 109.93	£ 107.56	£ 106.37	£ 105.18	£ 102.81	£-7.13
Scarborough	£ 1.42	£ 114.77	£ 115.62	£ 117.47	£ 118.40	£ 119.33	£ 121.19	£ 5.58
Selby	£-8.17	£ 104.44	£ 112.30	£ 111.77	£ 111.51	£ 111.24	£ 110.71	£-1.58
York	£-17.82	£ 93.21	£ 108.31	£ 106.14	£ 105.05	£ 103.96	£ 101.79	£-6.52
NOTTINGHAMSHIRE								
Ashfield	£ 11.30	£ 108.05	£ 124.39	£ 126.24	£ 127.17	£ 128.09	£ 129.94	£ 5.56
Bassetlaw	£ 20.85	£ 118.55	£ 129.44	£ 132.18	£ 134.00	£ 135.52	£ 138.56	£ 9.13
Broxtowe	£ .79	£ 132.14	£ 124.67	£ 122.92	£ 122.05	£ 121.17	£ 119.42	£-5.25
Gedling	£ .65	£ 138.19	£ 125.40	£ 123.41	£ 122.41	£ 121.42	£ 119.42	£-5.98
Mansfield	£ 12.97	£ 114.38	£ 122.51	£ 125.56	£ 127.08	£ 128.60	£ 131.64	£ 9.13
Newark	£ 1.33	£ 121.63	£ 123.55	£ 122.34	£ 121.74	£ 121.14	£ 119.94	£-3.61
Nottingham	£ 7.56	£ 122.33	£ 124.58	£ 124.91	£ 125.07	£ 125.23	£ 125.56	£ .99
Rushcliffe	£ 6.51	£ 154.73	£ 129.83	£ 128.19	£ 127.38	£ 126.56	£ 124.93	£-4.90
OXFORDSHIRE								
Cherwell	£-26.03	£ 141.85	£ 145.14	£ 127.21	£ 118.24	£ 109.27	£ 91.33	£-53.81
Oxford	£-16.13	£ 134.72	£ 148.15	£ 132.36	£ 124.47	£ 116.58	£ 100.79	£-47.36
South Oxfordshire	£-21.63	£ 158.79	£ 148.41	£ 130.94	£ 122.21	£ 113.48	£ 96.01	£-52.40
Vale of White Horse	£-29.59	£ 152.94	£ 144.27	£ 125.37	£ 115.92	£ 106.47	£ 87.58	£-56.69
West Oxfordshire	£-17.62	£ 145.76	£ 148.90	£ 132.65	£ 124.52	£ 116.40	£ 100.15	£-48.75
SHROPSHIRE								
Bridgnorth	£-37.03	£ 131.28	£ 121.12	£ 108.40	£ 102.03	£ 95.67	£ 82.94	£-38.18
North Shropshire	£-35.22	£ 107.61	£ 119.29	£ 107.83	£ 102.10	£ 96.37	£ 84.92	£-34.37
Oswestry	£-33.97	£ 102.63	£ 119.13	£ 108.12	£ 102.61	£ 97.11	£ 86.10	£-33.02
Shrewsbury and Atcham	£-29.59	£ 129.87	£ 123.76	£ 112.54	£ 106.92	£ 101.31	£ 90.09	£-33.67
South Shropshire	£-37.53	£ 104.22	£ 118.07	£ 106.25	£ 100.33	£ 94.42	£ 82.60	£-35.48
The Wrekin	£-7.92	£ 125.97	£ 131.23	£ 124.76	£ 121.53	£ 118.30	£ 111.84	£-19.39
SOMERSET								
Mendip	£-28.12	£ 123.06	£ 123.50	£ 113.00	£ 107.75	£ 102.50	£ 92.00	£-31.50
Sedgemoor	£-16.23	£ 129.95	£ 128.41	£ 120.21	£ 116.12	£ 112.02	£ 103.82	£-24.59
Taunton Deane	£-20.92	£ 122.68	£ 125.96	£ 117.01	£ 112.53	£ 108.05	£ 99.10	£-26.86
West Somerset	£-30.32	£ 130.88	£ 122.46	£ 111.21	£ 105.59	£ 99.96	£ 88.71	£-33.75
South Somerset	£-30.57	£ 121.92	£ 122.44	£ 111.47	£ 105.98	£ 100.50	£ 89.52	£-32.92

Effects On Local tax Bills Of Safety Net Options (pounds per adult)

	Retain rates	Full Community Charge					
	Overspend on GRE Col 1	with full safety net grant Col 2	with full safety net grant Col 3	with 2/3 safety net grant Col 4	with 1/2 safety net grant Col 5	with 1/3 safety net grant Col 6	without safety net grant Col 7	Value of safety net grant Col 8
STAFFORDSHIRE								
Cannock Chase	£-1.15	£ 131.80	£ 135.57	£ 129.75	£ 126.84	£ 123.93	£ 118.11	£-17.46
East Staffordshire	£-12.90	£ 124.10	£ 130.83	£ 122.65	£ 118.57	£ 114.48	£ 106.31	£-24.52
Lichfield	£-13.01	£ 162.82	£ 134.90	£ 125.40	£ 120.64	£ 115.89	£ 106.39	£-28.51
Newcastle-under-Lyme	£-1.05	£ 128.32	£ 135.36	£ 129.74	£ 126.93	£ 124.12	£ 118.50	£-16.85
South Staffordshire	£-14.39	£ 164.55	£ 134.36	£ 124.66	£ 119.81	£ 114.96	£ 105.26	£-29.10
Stafford	£-12.60	£ 141.55	£ 132.71	£ 124.03	£ 119.69	£ 115.34	£ 106.66	£-26.05
Staffordshire Moorlands	£-7.20	£ 125.87	£ 132.96	£ 126.14	£ 122.73	£ 119.31	£ 112.49	£-20.47
Stoke-on-Trent	£-.28	£ 115.73	£ 133.89	£ 128.91	£ 126.42	£ 123.93	£ 118.95	£-14.94
Tamworth	£-4.31	£ 149.39	£ 136.93	£ 129.66	£ 126.03	£ 122.40	£ 115.13	£-21.80
SUFFOLK								
Babergh	£-23.76	£ 139.93	£ 133.29	£ 120.67	£ 114.35	£ 108.04	£ 95.42	£-37.88
Forest Heath	£-12.39	£ 118.33	£ 132.82	£ 124.15	£ 119.81	£ 115.47	£ 106.80	£-26.02
Ipswich	£-3.25	£ 141.39	£ 141.45	£ 132.78	£ 128.44	£ 124.11	£ 115.44	£-26.02
Mid Suffolk	£-16.93	£ 130.01	£ 134.68	£ 123.90	£ 118.51	£ 113.11	£ 102.33	£-32.35
St Edmundsbury	£-27.91	£ 127.48	£ 130.50	£ 117.35	£ 110.77	£ 104.20	£ 91.05	£-39.45
Suffolk Coastal	£-21.78	£ 147.77	£ 134.73	£ 122.25	£ 116.01	£ 109.77	£ 97.30	£-37.44
Waveney	£-17.71	£ 130.43	£ 134.43	£ 123.49	£ 118.02	£ 112.55	£ 101.61	£-32.82
SURREY								
Elmbridge	£ .99	£ 245.52	£ 206.98	£ 177.66	£ 163.01	£ 148.35	£ 119.04	£-87.94
Epsom and Ewell	£ .25	£ 209.65	£ 198.62	£ 171.95	£ 158.61	£ 145.27	£ 118.59	£-80.03
Guildford	£-8.08	£ 185.96	£ 193.07	£ 165.32	£ 151.44	£ 137.57	£ 109.82	£-83.25
Mole Valley	£-11.17	£ 183.43	£ 191.12	£ 163.10	£ 149.08	£ 135.07	£ 107.05	£-84.07
Reigate and Banstead	£-7.59	£ 190.50	£ 193.91	£ 166.14	£ 152.26	£ 138.38	£ 110.61	£-83.29
Runnymede	£-7.99	£ 165.65	£ 190.49	£ 163.69	£ 150.29	£ 136.88	£ 110.08	£-80.41
Spelthorne	£-9.06	£ 175.20	£ 189.97	£ 162.67	£ 149.01	£ 135.36	£ 108.06	£-81.91
Surrey Heath	£-5.77	£ 207.70	£ 197.16	£ 168.87	£ 154.72	£ 140.58	£ 112.29	£-84.87
Tandridge	£-16.19	£ 165.49	£ 186.58	£ 158.50	£ 144.46	£ 130.42	£ 102.34	£-84.24
Waverley	£-4.16	£ 199.78	£ 196.96	£ 169.38	£ 155.59	£ 141.80	£ 114.21	£-82.75
Woking	£-12.26	£ 196.56	£ 190.15	£ 162.00	£ 147.93	£ 133.85	£ 105.70	£-84.45
WARWICKSHIRE								
North Warwickshire	£-5.64	£ 140.47	£ 160.19	£ 144.52	£ 136.69	£ 128.85	£ 113.18	£-47.01
Nuneaton and Bedworth	£ 14.33	£ 151.10	£ 169.62	£ 157.54	£ 151.50	£ 145.47	£ 133.39	£-36.22
Rugby	£-12.68	£ 150.91	£ 160.22	£ 142.19	£ 133.17	£ 124.15	£ 106.12	£-54.10
Stratford on Avon	£-12.24	£ 186.43	£ 165.00	£ 145.58	£ 135.86	£ 126.15	£ 106.72	£-58.28
Warwick	£-15.48	£ 178.08	£ 162.32	£ 142.64	£ 132.80	£ 122.96	£ 103.27	£-59.05

Effects On Local tax Bills Of Safety Net Options (pounds per adult) CONFIDENTIAL - CMO

	Oversoend on GRE Col 1	Retain rates with full safety net grant Col 2	Full Community Charge with full safety net grant Col 3	Full Community Charge with 2/3 safety net grant Col 4	Full Community Charge with 1/2 safety net grant Col 5	Full Community Charge with 1/3 safety net grant Col 6	Full Community Charge without safety net grant Col 7	Value of safety net grant Col 8
WEST SUSSEX								
Adur	£-15.97	£ 154.62	£ 160.97	£ 141.64	£ 131.97	£ 122.31	£ 102.98	£-57.99
Arun	£-38.49	£ 157.19	£ 150.19	£ 127.04	£ 115.46	£ 103.88	£ 80.73	£-69.45
Chichester	£-41.73	£ 147.76	£ 146.75	£ 123.62	£ 112.06	£ 100.50	£ 77.37	£-69.37
Crawley	£ 22.82	£ 162.72	£ 170.29	£ 160.28	£ 155.28	£ 150.27	£ 140.26	£-30.03
Horsham	£-40.14	£ 142.62	£ 147.70	£ 124.78	£ 113.32	£ 101.86	£ 78.93	£-68.77
Mid Sussex	£-41.03	£ 149.95	£ 148.26	£ 124.86	£ 113.16	£ 101.45	£ 78.05	£-70.21
Worthing	£-31.01	£ 156.31	£ 153.72	£ 131.81	£ 120.85	£ 109.89	£ 87.97	£-65.76
WILTSHIRE								
Kennet	£-31.46	£ 116.53	£ 114.47	£ 105.78	£ 101.43	£ 97.09	£ 88.40	£-26.07
North Wiltshire	£-29.37	£ 104.58	£ 113.68	£ 105.94	£ 102.06	£ 98.19	£ 90.44	£-23.24
Salisbury	£-35.99	£ 125.34	£ 113.71	£ 103.69	£ 98.68	£ 93.67	£ 83.65	£-30.06
Thamesdown	£ 36.76	£ 139.47	£ 143.05	£ 147.39	£ 149.55	£ 151.72	£ 156.05	£ 13.00
West Wiltshire	£-39.06	£ 113.03	£ 111.49	£ 101.20	£ 96.06	£ 90.92	£ 80.63	£-30.86
Isles of Scilly	£-.41	£ 153.13	£ 153.13	£ 140.86	£ 134.72	£ 128.58	£ 116.30	£-36.83

file K6
LOBARY

10 DOWNING STREET

From the Private Secretary

3 January 1986

LOCAL GOVERNMENT FINANCE

The Prime Minister was grateful for the Lord President's minute of 23 December reporting the decisions taken at E(LF) on 19 December.

I am copying this letter to Michael Stark (Cabinet Office).

DAVID NORGROVE

Miss Joan MacNaughton,
Lord President's Office.

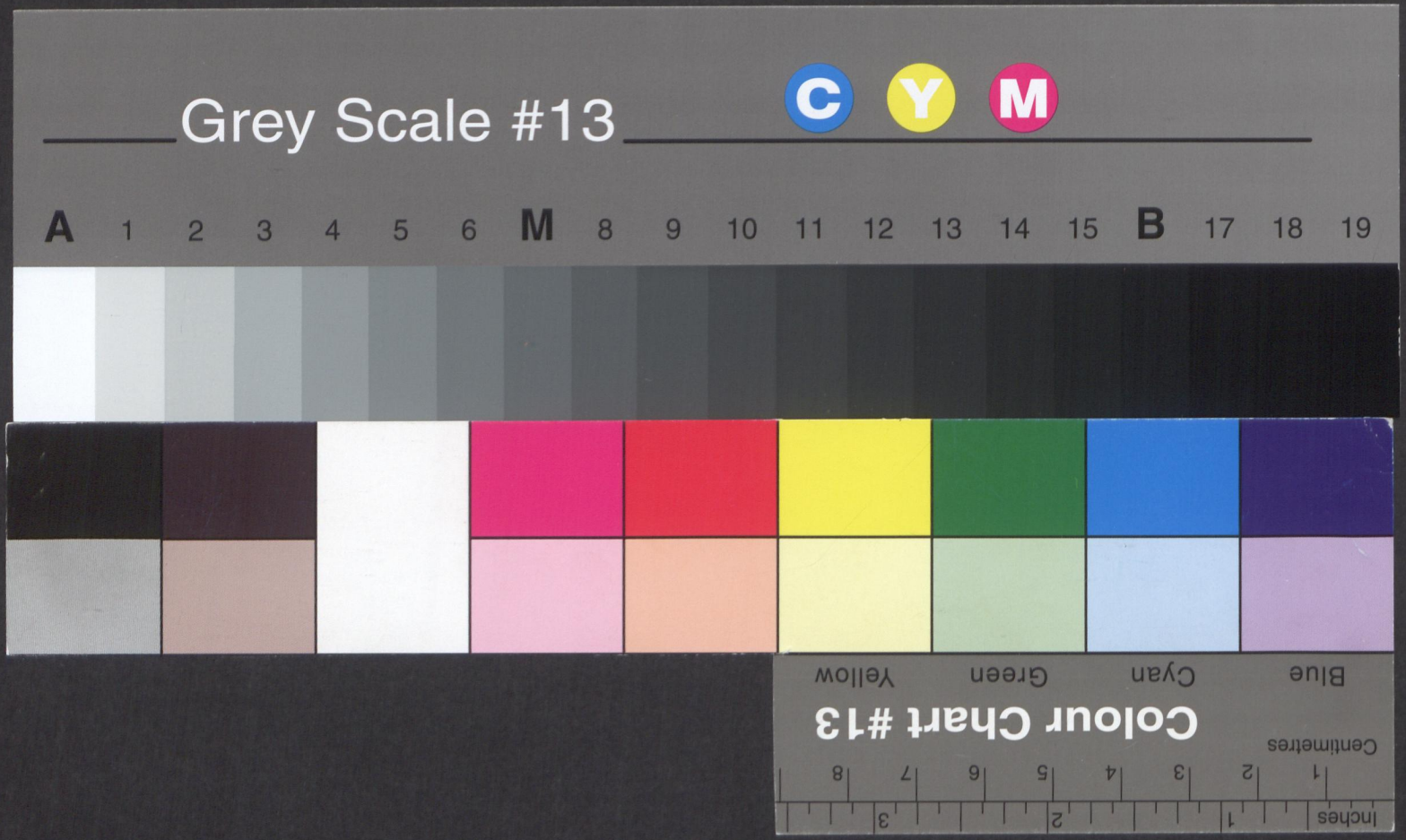
EA

PART 3 ends:-

DN to DOE (meeting record) 31.12.85

PART 4 begins:-

DN to PS/LPC 3.1.86


Grey Scale #13
C
Y
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A 1 2 3 4 5 6 M 8 9 10 11 12 13 14 15 B 17 18 19
Colour Chart #13
Blue Cyan Green Yellow
Centimeters
1 2 3 4 5 6 7 8
Inches
1 2 3