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CONFIDENTIAL

BF // Fw E(LF)
meeting folder on
Tuesday
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PRIME MINISTER

INTRODUCING THE COMMUNITY CHARGE

When we discussed transitional arrangements for the community charge at E(LF) last Tuesday I said that I would circulate an illustration of how the different spending decisions of local authorities would be reflected in community charges under my proposal to abandon rates from the outset and for a long-term safety net which was fixed in cash terms.

... The attached table shows community charges for two district councils over a ten year period, assuming that both benefit from the safety net by the amount of £10 per adult each year in cash terms. Inflation, for ease of illustration, is set at a notional 5% per annum. District Council A simply increases its expenditure each year to keep pace with inflation. District Council B, on the other hand, increases expenditure each year by 2% in real terms (NB These figures only illustrate the district council portion of the total community charge to be paid by the taxpayer but a similar pattern would apply to the much higher county council portion).

The table makes clear that increases in expenditure are fully reflected in the community charges set by each authority; in fact by year 10, the charge of District Council B is more than twice that of District Council A. I remain convinced that a safety net of this nature is the best way forward for Wales. It will preserve accountability while at the same time allaying fears about dramatic changes in local tax bills between authorities.

/I have ...



I have also been reflecting on our discussion at the same meeting about the possibility of phasing out rates over a period of years. I can see the attractions of moderating the initial impact of the community charge by setting it at a standard amount while continuing to keep rates in the early years. But I am sure that in Wales these advantages would be outweighed by the savings in local authority costs and manpower, and by the advantage of giving local authorities a clear field to get on with making the new system work effectively. Concern has already been voiced about the practical difficulties of compiling the register and collecting the charge, and these will only be compounded if authorities have to run the old and the new systems simultaneously. Provided that we mitigate the distributional effects of the new arrangements between areas by means of the safety net which I am proposing I do not think that the impact upon individuals of the new system would be sufficient to justify phasing out rates gradually. If I adopted an initial threshold in Wales of £100 then the amounts remaining to be phased in would not be large enough to justify keeping rates for an extra period.

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

H. Clements

20 July 1987

Approved by the Secretary of State
and signed in his absence



ILLUSTRATIVE COMMUNITY CHARGE CALCULATION

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10
DISTRICT COUNCIL A	£22	£24	£25	£27	£29	£31	£33	£35	£37	£40

(spending in
line with
inflation each
year)

DISTRICT COUNCIL B	£22	£27	£32	£38	£44	£51	£59	£67	£77	£86
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(spending 2%
above inflation
each year)

NOTE

This illustration assumes that both authorities benefit from the safety net at £10 per adult; and that the safety net is frozen in cash terms throughout the ten years. Inflation has been assumed to be a notional 5% per annum for ease of illustration. Only the district council portion of the total community charge has been illustrated but a similar pattern would apply to the county council portion.



UNITED STATES DEPARTMENT OF JUSTICE

OFFICE OF THE ATTORNEY GENERAL

COMPLAINT

Faint, illegible text, likely the beginning of a legal document or complaint.

