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My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
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MBM
at his desk
REC
SL

8 July 1988

Dear Chief Secretary *at the top*

I was grateful to you for your letter of 23 June and attach a copy of the statement we issued about the Price Waterhouse report in the terms that we agreed. I think this will do much to defuse the issue of the costs of preparing for the rates reform package, particularly when taken with our announcement on 7 July which is bound to alter the local government finance agenda.

In the meantime I have been having further thoughts about the mechanism we choose to distribute these resources to charging authorities. The issue here is that whilst I fully share your distaste for specific grants to local authorities, reliance on the even more unsatisfactory RSG system in its terminal year of 1989-90 may not accurately target the relatively small sums of assistance to where they are needed. One problem is that we may be creating for a number of high spending authorities who oppose our reforms an excuse not to implement them effectively because they receive no increase in block grant for this purpose. Another equally serious issue would be that a number of potentially co-operative authorities might also receive little or no visible increase in grant because of the effects of rates equalisation.

There is a need I believe to refute any suggestion that authorities have not been given the resources they need to make the new system work. It also seems desirable to me that we should take such steps as we can to ensure that the extra resources we distribute to authorities for the community charge preparations are devoted to this and not squandered on other purposes.

These considerations move me nearer to a specific grant mechanism than the crudeness of RSG. I do not want to take a decision on this yet but I suggest that our officials should urgently explore the issues and report back.

In the meantime I believe it would be wrong to finally close the door on at least exploring the specific grant route. Time is short. Accordingly, and unless you disagree in principle, I propose to introduce an enabling power by amendment in the Lords



next Monday in the terms of the attached draft amendment. I do emphasise that this does not commit us to one route rather than the other.

I am copying this to the Prime Minister, other members of E(LF) and to Sir Robin Butler.

Yours sincerely

N Ridley

N NICHOLAS RIDLEY

(approved by the Secretary of State and signed in his absence)

LOCAL GOVERNMENT FINANCE BILL

AMENDMENT

TO BE MOVED ON THIRD READING

BY THE EARL OF CAITHNESS

After Clause 88

Insert the following new Clause-

("Special grants

Special grants. (1) The Secretary of State may, if the Treasury consents, pay a grant under this section to a charging authority.

(2) The amount of the grant shall be such as the Secretary of State determines with the Treasury's approval.

(3) In deciding whether to pay a grant under this section and in determining the amount of any such grant, the Secretary of State shall have regard to his estimate of the expenditure the authority might reasonably be expected to incur, or to have incurred, before 1 April 1990 in giving effect to this Act.

(4) A grant under this section shall be paid at such time, or in instalments of such amounts and at such times, as the Secretary of State determines with the Treasury's consent; and any such time may fall before on or after 1 April 1990.")

ENVIRONMENT

NEWS RELEASE

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23 June 1988

COST OF COLLECTING THE COMMUNITY CHARGE

COMPARES FAVOURABLY WITH RATES

A report to Government by independent management consultants confirms that it would cost about the same to collect each community charge as it does now on average to collect rates from each householder, Environment Secretary Nicholas Ridley told the House of Commons today.

The Price Waterhouse Report on the Implementation and Collection of the Community Charge, published today, also shows that the cost to local authorities of setting up the new system next year need not be substantially different from the Government's initial estimate.

The report shows how councils could reduce their costs.

In a written Answer to a Parliamentary Question from David Heathcote-Amory MP (Wells), Mr. Ridley said:

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"I have today placed copies of the Price Waterhouse Report in the Libraries of the Houses of Commons and Lords. The Report is in two volumes. Volume 1 contains the consultants' forecasts of costs of setting up and collecting the community charge. Volume 2 consists of a summary of best practice which should help to reduce the cost of implementing the new arrangements.

"The consultants confirm the Government's estimate that the cost of collecting the community charge from each chargepayer would be very similar to the present average cost for collecting rates from each ratepayer.

"Since there are twice as many chargepayers as ratepayers this would produce collection costs in 1990 of between £379 million and £435 million, compared with the £200 million it now costs to collect rates each year.

"The Report finds wide variations in the present productivity of different rating departments. The consultants believe that economies of up to 15 per cent could be achieved if all authorities were to perform as well as the most efficient for each category of authority.

"The consultants estimate that current expenditure on preparation in 1989/90 could be around £122 million but note that improved productivity could reduce this to £99 million, compared with the Government's initial estimate of £70 to £90 million.

"The Report's estimate of the cost of administering community charge benefit and of operating the phasing in of the new arrangements in parts of inner London during 1990 to 1994 are in line with Government estimates. The Report also confirms that little expenditure is likely to need to be incurred by authorities before April 1989.

"Authorities have already been provided with sufficient resources to absorb the limited expenditure likely to be incurred in 1988/1989 through the provision for current expenditure made in the RSG Settlement for that year and the additional capital allocation of £25 million announced on 24 March 1988.

"For 1989/90 we shall take account of the Price Waterhouse findings in our proposals for the RSG Settlement. We will be making additional capital allocations when we have further considered the figures contained in the Report. Final announcements on provision will follow the usual consultation with local authority associations on RSG and in the specification of capital allocations which will follow the Chancellor's Autumn Statement.

"In the meantime, I am arranging for a summary of these findings together with the whole of Volume 2 to be widely circulated to local authorities in order that they may consider the many opportunities now open to them for introducing the community charge as efficiently and economically as possible.

NOTE TO EDITORS

Price Waterhouse were commissioned on 17 March to produce a forecast of likely costs of preparing for and collecting the community charge and to provide a summary of best practice for authorities to consider in implementing new arrangements.

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LOCAL GOVT : Relatives Pt 35