

COMMUNITY CHARGE: SPECIFIC GRANT FOR PREPARATION COSTS

The Chief Secretary is unwilling to agree to Nicholas Ridley's proposal that there should be a specific grant to help local authorities meet the current costs of preparing to introduce the Community Charge. We consider that the Chief Secretary's arguments against introducing a specific grant are weak and that you should therefore support Nicholas Ridley's judgement since he has the difficult task of successfully introducing the Charge.

The Facts

Nicholas Ridley's proposal does not involve spending any more money than the Chief Secretary's alternative of taking account of Community Charge preparation costs in the distribution of Rate Support Grant. The main difference is in the distribution of grant between the districts and boroughs involved. In particular:

- Under the Chief Secretary's proposal no grant would go to the 23 councils who receive no Rate Support Grant, either because they have high rateable values or, in a few cases, because they overspend. The high rateable value boroughs include South Bedfordshire, Wokingham, and South Buckinghamshire and the overspenders Camden.
- A number of other local authorities will receive less grant in 1989-90, than in 1988-89. Under the Chief Secretary's proposal it will be difficult to persuade them that they are receiving help for the Community Charge even though they would otherwise have received even less grant.

In his letter the Chief Secretary refers to high rateable value authorities as 'rich' authorities. This is misleading; they have high rateable values because property values are relatively high, (or at least were in 1973) and this may well mean that their ratepayers have less disposable income than some in other lower rateable value areas.

The Treasury View

The Chief Secretary has used a number of arguments against a specific grant:

- That there is a general presumption against specific grant. But in our view no real precedent is set since the proposed grant is for one year only and in most exceptional, if not unique, circumstances.
- That there is no need for the grant because equivalent help can be distributed through the Rate Support Grant system except to those authorities that are 'very rich' or overspending and can do without it. But only with a specific grant can the Government assert convincingly that all ratepayers are receiving some help from national taxpayers with Community Charge preparation costs.
- That since no extra money is being proposed Nicholas Ridley's proposal is merely 'presentational'. This argument cuts both ways; moreover presentation is half the battle in gaining support for the Community Charge.
- That the Welsh and Scots do not want a specific grant. Moreover, the Scots would be placed in a difficult position since they have already refused a specific grant to their local authorities. I understand that the Welsh do not feel strongly either way. The position in Scotland can be clearly distinguished from that in

England. There, Community Charge is to be collected by the 12 regions (as opposed to 360-odd districts and boroughs in England) all of whom are in receipt of Rate Support Grant (at a considerably higher level than English local authorities).

The Public Reaction

The costs of preparing for the Community Charge are already an issue of public concern. For example my own local newspaper (London Borough of Bromley) last week had as front page lead an article to the effect that it would cost £1.2 million to prepare for the change in the Borough. The specific grant will help allay some of this concern.

Conclusion

Although the case in favour of the specific grant is not overwhelming, the Chief Secretary's arguments against seem unusually weak. I understand that Nicholas Ridley's officials advised him against introducing a specific grant but that he decided not to take their advice because he believed that there was a strong political case for such a grant. We therefore recommend that you back his judgement.

Peter Stredder

PETER STREDDER

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NRHM will
submit this
concl. R-L/F

Treasury Chambers, Parliament Street, SW1P 3AG

26/9.

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
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REC6
19/9

Dear Malcolm,

16th September 1988

at Clap

COMMUNITY CHARGE: STUDENT NURSES

I was grateful to Nick Ridley for copying to me his letter of 8 September to you.

I agree with Nick, that 80 per cent relief from the full Community Charge should be confined to nurses following project 2000 courses. That would be consistent with the view that we have always taken that salaried people should be liable to pay the full Community Charge. An exemption for pre-project 2000 student nurses would, as Nick points out, be difficult to defend to the wide range of salaried trainees in many occupations.

We have agreed that, when project 2000 is implemented, student nurses will move from their present salaries to bursaries, which will be rather lower and in line with the financial support that is given to students at universities and similar institutions. It will then be much easier to defend a concession to student nurses, in view of the smaller financial resources that will be available to them to pay the Community Charge.

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

Yours Ever,
John Major

JOHN MAJOR