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Prime Minister

COMMUNITY CHARGE TRANSITIONAL ARRANGEMENTS

- J Rep pt 10

You asked me to review the way that the safety net and grant distribution arrangements might work to see in particular whether they could be used to limit community charges in all areas to a maximum of, say, £350. I have concluded that it is feasible for us to calculate the safety net so as to achieve a specified maximum community charge in all areas at a specified level of spending. But the cost of reducing community charges in the high charge areas would have to be borne by community charge payers in all other areas through an increase in their charges.

There are a number of factors to take into account before deciding to adopt such an arrangement. In particular we could not guarantee that actual community charges were set at below £350 since that would depend on the actual spending decisions of authorities. Even if we were to adopt such an arrangement we should not announce it now as this would lead to increased expenditure in 1989/90 by the higher spending authorities since they would bear no community charge penalty in 1990/91. This is clearly undesirable.

What is desirable is that we use the safety net arrangements to discourage high spending in 1989/90 wherever possible. In practice the arrangements that we have used for calculating the transitional safety net in our published exemplifications of community charges do tend to encourage higher spending in 1989/90 given the arrangements that we have now announced for closing down the present RSG system. I have identified alternative arrangements that would avoid this and I intend to discuss these with the local authority associations so that authorities are not misled into thinking that we will underwrite high expenditure in 1989/90.

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We do not have to take decisions now on the precise arrangement for the transitional safety net. The safety net is the most important lever that we have available for distributing grant in 1990/91 and we ought to retain flexibility on this until we take decisions on the actual settlement next year. At that time I will bring forward options including ones that would limit community charges at specified levels of spending.

I am copying this letter to members of E(LF) and to Sir Robin Butler.

R Butler

NR

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25 November 1988

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

LOCAL GOVT
RATES pt 11



COMMUNICATIONS

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PM
cbe

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From the Private Secretary

28 November 1988

Dear Roger.

COMMUNITY CHARGE TRANSITIONAL ARRANGEMENTS

The Prime Minister was grateful for your Secretary of State's minute of 25 November. She has noted that there is no need to take decisions now on the precise arrangements for the transitional safety net, and is content for your Secretary of State to proceed as he proposes by bringing forward options in the context of next year's settlement.

I am copying this letter to the Private Secretaries to member of E(LF) and Trevor Wocley (Cabinet Office).

Yes
Pat
Paul Gray

Roger Bright, Esq.,
Department of the Environment.

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