



The Rt Hon John Major MP
Chief Secretary
HM Treasury
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My ref:

Your ref:

8 December 1988

Dear Chief Secretary
THE COMMUNITY CHARGE BILL

Thank you for your letter of 28 November in response to mine of 11 November. I have also seen the letters on this subject from the Prime Minister, Douglas Hurd, Paul Channon and John Moore.

On the question of specific grants, I do not think the implications are as wide as Douglas suggests. There will be no need to recalculate the precepts on the collection fund or the needs assessments. They will be determined in the ordinary way. Sums representing specific grants will then be added to them on both sides of the bill, so that the first three lines show a combined precept and grant figure, and then subtracted again in the "grant" line. I believe that this is the only way to show the grants explicitly and simply on the face of the bill.

I accept that we need to consider carefully the way in which the specific grant figures will be arrived at; but that is to some extent a secondary question. All that is required is a reasonably accurate indication of the total amount of spending which is represented by Government grants. It will not matter greatly if they are not 100% correct at the end of the day; indeed, in view of the nature of specific grants, it would be surprising if they were. The supporting information to be enclosed with the bill can make this clear.

I accept John Moore's point about the possibility of confusion if the figure at the foot of the bill is not the amount for which the chargepayer is liable if he is receiving a rebate; and I also accept that a notional rebate calculation on the charge for spending at need is unnecessary. I think, however, that we ought not to deny ourselves the use of the word "rebate" simply because the legislation refers to it as "community charge benefit". This latter term was not my Department's first choice. The expression was used because it was thought that "rebate" might not cover all the payment methods envisaged. I understand, however, that DSS subsequently obtained, in another context, advice from the Law Officers that "rebate" could describe all those methods; and I therefore think we should use the word we would have preferred wherever it will help understanding.



I take Paul Channon's point that we need to look at the different elements of grant which cover both capital and revenue; my officials will certainly be discussing this with grant-giving Departments as part of the process of determining the way in which the figures for specific grants are to be derived. The figures included in the bill must be calculated only by reference to grants for revenue.

Finally, on the safety net you expressed the view that it should be included in the grant figure, though other colleagues were content that it should be shown as a separate item. I think we must adopt this latter approach for the reasons set out in my letter of 11 November. So far as consistency between England, Wales and Scotland is concerned, both Malcolm Rifkind and Peter Walker are proposing forms of bill which are very different from the English version in a number of respects; I do not, therefore, think that we need to stick on this one point.

I enclose a revised version of the bill. I propose now to consult formally the local authority associations on a bill in that form. It is vital that local authorities should have our firm proposals as quickly as possible, since the form of the bill fundamentally affects the computer software necessary to implement and operate the community charge. Work on systems design is already under way, as it must be if it is to be in place by 1990, and we cannot now afford any further delay.

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

Yours sincerely
R. Ridley

NICHOLAS RIDLEY

PR

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

EXAMPLE OF A COMMUNITY CHARGE BILL FOR A SHIRE DISTRICT

(Introductory details of amount of charge, how to pay, details of rebate etc)

HOW YOUR BILL IS MADE UP

The community charge pays for spending on services by local councils. Some of this spending is also paid for by the Government. If your councils were providing a standard level of services your community charge would be £202 before transitional "safety net" contributions to or from other councils. The way the community charge is worked out is shown below.

(£ per head)

YOUR BILL

THE READY RECKONER

	Amount needed by your councils to pay for the spending they propose	Amount needed to pay for the standard level of service
County name	715	686
District name	102	
Parish name	11	80
TOTAL	828	766
LESS		
Government grants	311	311
Business rates	253	253
TOTAL	264	202
PLUS/LESS		
Contributions to or from safety net (see notes)	37	37
TOTAL	301	239
PLUS		
Adjustment (see notes)	16	
COMMUNITY CHARGE	317	
Less rebate entitlement	---	
Amount payable by you	317	

LOCAL GOVT: Rates Pt. 11

