

*cc'd to party 1820
10/10*



Treasury Chambers, Parliament Street, SW1P 3AG
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Roger Bright Esq
PS/Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

Dear Roger,

COMMUNITY CHARGE TRANSITIONAL RELIEF

Thank you for copying to me the draft statement on local government finance to be given by Lord Hesketh in the House of Lords tomorrow afternoon. We have the following comments on the latest draft.

There are a number of references to the government's plans for local authority spending eg in paragraph 3. With the introduction of the new planning total, the Government does not make plans for local authority spending: it does however set the level of Government support on an assumption about local authority standard spending. This important distinction will need to be made clear throughout the statement.

In paragraph 6 of the statement there are references to the cost of the safety net being met directly and in full by the Exchequer. This is not the way that the Chancellor and the Chief Secretary had seen this Treasury proposal. Rather the intention would be to abolish the safety net in 1991-92. The paragraph should be redrafted as follows:

"We are today announcing the arrangements for later years. The Government proposes that the safety net should be abolished in 1991-92. There would therefore be no direct contributions from gaining areas. This will mean that the

remaining half of the prospective gains will flow through to gaining areas in full in 1991-92. For losing areas, the Government will pay specific grant directly to the losing authorities; the grant will be equivalent for each authority to the amount the authority would have received under the previous safety net proposals. Losers would have the same protection as previously planned.

The cost to the Exchequer of paying this new specific grant in 1991-92 is estimated to be about £400 million, with a further £200 million in 1992-93 and a final payment of £85 million in 1993-94".

The second sentence of paragraph 8 should begin as follows:

"In 1990-91 the government has already made available"

In the first sentence of paragraph 10 the phrase "to set up a transitional scheme of relief" should come at the end of the first sentence.

It is important that in paragraph 11, the term "a defined level of spending" is not left hanging until defined in paragraph 14. Rather the basis of the spending assumption (again not plan) needs to be spelled out as early as possible. Something along the lines of paragraph 12 of the attached detailed document would be appropriate.

In the first sentence of paragraph 12 the word "full" should be deleted. In paragraph 13, having defined the defined level, it would be appropriate at the end of the first sentence to refer to that rather than "the government's plans".

In paragraph 14 (if this paragraph is retained in any form), again it will be necessary to delete the reference to the government's plans.

The last sentence of paragraph 16 repeats points already made earlier in the statement. This duplication should be removed.

Finally on the draft statement, the last sentence should begin as follows: "The proposals I have announced today for abolishing the safety net from next year onwards and for transitional relief"

Treasury officials have also had the opportunity to consider the attached detailed document. This has not yet been seen by Treasury Ministers. Officials have commented as follows.

- i) The brackets around three can be deleted at the end of paragraph 3.

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- ii) In the second sentence of paragraph 4 the words "the two" should be inserted before "subsequent years".
- iii) In paragraph 5 the square brackets around "over a four year period" can be deleted and the sentence concluded "by way of assistance to losing areas". In the next sentence after the word "that" the term "in 1990-91" needs to be added.
- iv) In paragraph 6 it would be safer to say "the scheme of transitional relief will be designed as far as possible ..."
- v) In paragraph 7 it would be better to put a semi-colon after "two people" and to delete the word "since" immediately thereafter - it is better not to apply causalty.
- vi) There is an editing problem in the middle of paragraph 8: the references to the defined level of spending keep moving between paragraphs 8 and 9.
- vii) More importantly within this paragraph, we had understood there were still issues to be resolved by Ministers about how relief is to be paid to households with two or more persons. Accordingly it would be necessary to delete the words "or more" in the description of how the relief will be paid. The reference in Lord Hesketh's statement to taking account of no more than two community charges in households with more than two adults needs to be inserted.
- viii) Treasury Ministers have not agreed on the details of how the transitional relief scheme will work in the later years. Paragraph 19 should be deleted. If anything has to be said about transitional relief in later years, it should not go beyond the earlier statement that the relief will be phased out over a three year period.
- ix) Finally in paragraph 22 the sentence in earlier drafts about meeting a reasonable amount of administration costs in full should be added.

11. I am copying this letter to Paul Gray (No.10), Carys Evans and Trevor Woolley.

*Yours sincerely,
Duncan Sparkes*

DUNCAN SPARKES
Assistant Private Secretary

