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11 October 1989

Chief Executive
County Councils in England
District Councils in England
London Borough Councils
The Town Clerk, City of London
The Clerk, Council of the Isles of Scilly
The Receiver for the Metropolitan Police District
The Clerk
Metropolitan Police Authorities
Metropolitan Fire & Civil Defence Authorities
London Fire and Civil Defence Authority
The Secretary, Northumbria Police Authority
The Secretary, National Association of Local Councils

Dear Chief Executive

**AREA SAFETY NET: ARRANGEMENTS FOR LATER YEARS
COMMUNITY CHARGE TRANSITIONAL RELIEF**

Lord Hesketh has today made an announcement in the House of Lords about arrangements for abolishing the area safety net from 1990/91 onwards. He has also announced proposals for a new scheme of transitional relief for individual community charge payers. The full text of his announcement is attached.

2. On 19 July the Secretary of State announced proposals about the local authority grant settlement for 1990/91, including proposals for the area safety net. The Government now proposes that for 1991/92 and subsequent years the safety net should be abolished. This will mean that from that year no charge payers will be asked to make contributions to the safety net.

3. For losing areas the Government proposes instead to pay specific grant directly to protect them against their losses during the transitional period. The grant will be phased out over three years as had previously been envisaged for the safety net. Note A attached explains these arrangements in more detail.

4. Lord Hesketh also announced the Government's proposals for a new scheme of transitional relief which is primarily designed to assist former ratepayers whose community charges at the standard spending assumption would otherwise be substantially greater than their previous rate bills. It will also provide help to pensioners and disabled persons who have not previously paid rates and who are not partners of previous ratepayers. Note B sets out these proposals in more detail.

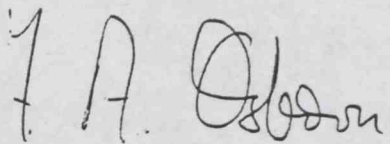


5. The Government is very conscious that the introduction of this scheme will mean a significant extra responsibility for local authorities at a time when they are already busy preparing for the introduction of the community charge next April. We intend that discussions will take place as soon as possible with the local authority associations on operational aspects of the scheme. We shall aim to keep the details of the scheme as simple as possible and will, of course, bear in mind the burden of work involved in preparing for the introduction of the community charge itself. The Government hope that by these means it will be possible for authorities to implement the scheme promptly so as to ensure that those eligible for relief can indeed benefit from it from the start of the next financial year.

6. Authorities will be reimbursed for the income foregone as a result of giving relief by a new specific grant. We will also be discussing the cost of administration and set up costs with the associations. The Department intends to meet these in full also by specific grant up to a reasonable level of costs.

6. Enquiries about the announcement and general questions on the settlement should be directed to the officials shown on the attached list.

Yours faithfully



F A OSBORN
Deputy Secretary, Local Government and
Principal Finance Officer

LOCAL AUTHORITY FINANCE ENQUIRY POINTS

1. London

Inner London (Kensington & Chelsea, Wandsworth, Westminster)	Mr Davies	01-276 3036
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Inner London (Camden, Greenwich, Hammersmith & Fulham, Islington, Lambeth, Tower Hamlets, Hackney, Lewisham, Southwark)	Mr Nesbit	01-276 3109
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Outer London (Barking, Barnet, Bexley, Bromley, Croydon, Enfield, Harrow, Havering, Hillingdon, Kingston, Merton, Redbridge, Richmond, Sutton)	Mr Davis Mrs Ross	01-276 3153 01-276 3152
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City of London

Outer London (Brent, Ealing, Haringey, Hounslow, Newham, Waltham Forest)	Mr Nesbit	01-276 3109
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2. Metropolitan Districts

Mr Apps	01-276 3112
Mr Hill	01-276 3129
Mr Smith	01-276 3111

3. Counties and Non-Metropolitan Districts in:-

South East Region (except East and West Sussex and Kent)	Mr Fitzgerald Mr Gilderoy	01-276 3057 01-276 3085
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East and West Sussex and Kent	Mr Edwards Mr Gilderoy	01-276 3126 01-276 3085
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East Midlands Region	Mr Crownshaw	01-276 3335
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South West Region (Avon, Cornwall, Devon, Dorset Somerset, Isles of Scilly)	Mr Coulthred	01-276 3076
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South West Region (Gloucestershire, Wiltshire)	Mr Forrester	01-276 3078
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Hereford and Worcester, Shropshire

North West Region (except Lancashire)	Mr Apps	01-276 3112
Northern Region and Yorkshire and Humberside	Mr Hill	01-276 3129
	Mr Smith	01-276 3111
Lancashire	Mr Nesbit	01-276 3109
Eastern Region (Bedfordshire, Essex, Hertfordshire)	Mr Moir	01-276 3047
Warwickshire		
Eastern Region (Buckinghamshire, Norfolk Cambridgeshire, Suffolk)	Mr Crownshaw	01-276 3335
Staffordshire	Mr Nash	01-276 3037

THE AREA SAFETY NET AND PHASING OUT

1. For the first year of operation, 1990/91, the area safety net will be as announced on 19 July. Areas which stand to lose from the move to the new system will be given additional grant to protect chargepayers from losses greater than £25, assuming that authorities spend in line with the settlement assumptions. Areas which stand to gain will contribute towards the cost of this protection, by deferring around 50% of their gains. The adjustments to grant needed to implement this will be set out in a Transition Report to be laid before the House of Commons.
2. For subsequent years gaining areas will receive their gains in full. Losing areas will receive a specific grant which will provide protection in the same way as was envisaged under the 19 July proposals.
3. This protection will be withdrawn over the three years 1991/92 to 1993/94, so that no area protection grant will be payable in 1994/95 or later years. Each year £25 or 25% of the protection received in 1990/91, whichever is the greater, will be withdrawn.
4. Amendments to the Local Government and Housing Bill will be tabled to take powers to pay this grant. It is envisaged that a Report will be laid before the House of Commons annually setting out how much grant is to be paid to each authority under these arrangements.
5. It was also announced on 19 July that there would be an additional grant to provide transitional help for areas of low domestic rateable value. It will be withdrawn over the transitional period, being aggregated with the area protection grant from 1991/92 onwards and the aggregate amount being withdrawn as described in paragraph 3 above.

DOE/FLG
October 1989

THE COMMUNITY CHARGE

THE GOVERNMENT'S PROPOSALS FOR TRANSITIONAL RELIEF

1. This paper sets out the details of a scheme to help former ratepayers, pensioners and disabled persons to pay the community charge during a transitional period.
2. The scheme will be operated under legislative provisions to be included in the Local Government and Housing Bill which is now being considered by the House of Lords; and the details will be set out in regulations which will be laid before Parliament later in the autumn.
3. The assistance will be given by way of a reduction in individual liability to pay the personal community charge and the local authorities will be required to calculate community charge bills taking into account entitlement to relief under the scheme. It is intended that so far as possible qualifying individuals should receive next April community charge bills which take into account entitlement to relief under the scheme, as well entitlement to community charge benefits. Relief under the scheme will be phased out over a period of three years.
4. The effect of the scheme will be to reduce the community charge income of charging authorities by the amount of the relief given. The Government proposes to pay charging authorities a specific grant in 1990/91 and two subsequent years, to compensate them for the income forgone and to meet the reasonable administrative costs of setting up and operating the scheme.
5. The transitional relief will be in addition to the transitional help for losing areas which is being given over a four-year period by way of the area safety net arrangements and specific grant for low rateable value areas. The area safety net is intended to ensure that in 1990/91, if local authorities

spend in line with the assumptions made by the Government in deciding the annual grant settlement, income from chargepayers (and therefore the community charge) in each local authority area is no greater in real terms than £25 per adult more than income per adult from domestic rates in the last year of the domestic rating system (1989/90). Though the area safety net smooths sharp year on year changes in the income of authorities from their residents as a whole, some individual chargepayers may nevertheless face large increases year on year as a result of the change to the new system.

6. The scheme of transitional relief is being designed so far as possible to avoid the need for individual applications for relief, and to permit standardised calculations which can be made in advance without reference to the putative recipient or the need to establish or give evidence of, for example, the actual sums paid by way of rates in 1989/90.

The terms of the relief

7. Relief will be given as a matter of course where properties formerly subject to domestic rates are occupied by one or two people; in almost all circumstances such people bear individually or jointly the existing rate burden on their properties.

8. In the case of properties occupied by one or two people, in the first year (1990/91) relief will be given on the basis of a comparison between the rate bill which would have been payable in respect of the domestic property concerned in 1989/90 and the community charges (as defined in paragraph 12 below) which would be payable by those living in that property in 1990/91. The relevant rate bill for 1989/90 will be calculated in the usual way, by multiplying the rateable value of the hereditament in the list on 11 October 1989 (for the treatment of changes in rateable value, and of dwellings first entered in the list after that date see Annex A) by the relevant rate poundage for 1989/90. The comparable liability to community charges (see

paragraph 12) of those in the authority's community charges register living at addresses corresponding to that of the hereditament concerned on the following basis:-

for hereditaments/properties occupied by one person: the personal community charge payable in the area concerned (as defined in paragraph 12 below).

for hereditaments/properties occupied by two persons: twice the personal community charge payable in the area concerned.

If the total of community charges thus calculated exceeds the corresponding rate bill for 1989/90 by a sum of more than £3 per week, the individual or couple would be relieved of liability to pay the excess amount, the relief being shared (in the case of properties occupied by two people) equally between the chargepayers. In addition, in the case of pensioners and disabled persons who formerly made no contribution to the payment of rate bills, it will be open to them to apply to the local authority for additional relief to reduce their community charge payments to no more than £3 a week (£156 a year). Examples of the calculations in typical cases are given at Annex B.

9. Relief will be given on similar lines to former ratepayers and their partners living in properties occupied by three or more persons. It will not normally take account of more than two community charges. But for pensioners and disabled persons other than the ratepayer or his or her partner relief will be given to reduce their payments to no more than £3 a week (£156 a year). The detailed rules on which entitlement to relief for people of these types will be decided are being finalised and will be announced as soon as possible.

Definitional points

10. It will not be necessary for the chargepayers to have lived at the hereditament/property throughout 1989/90: it will

suffice that they should be entered in the charging authority's community charges register for 31 March 1990 as living at that address.

11. Proposals on detailed points relating to the rateable value to be used in the calculation are set out in Annex B (eg, on the treatment of mixed and exempt hereditaments).

12. The scheme will not protect chargepayers against unnecessary increases in spending by their authorities. The level of community charge for the purpose of calculating eligibility for relief will be the charge for the area if, taken together, authorities spend in line with Total Standard Spending. This allows an increase in gross spending by 3.8% compared with 1989/90 budgets, after adjusting for changes in local authority functions. If the charges are lower than that, relief for chargepayers will be calculated on the actual charges levied by authorities. If the charges are higher, the chargepayer will have to bear the excess in full, thereby ensuring that authorities will be properly accountable to their chargepayers in respect of their spending decisions.

13. For the purposes of the scheme, pensioners will be defined as those people who are of pensionable age on 1 April 1990. Disabled persons will be defined as people in receipt of social security disability benefits to be specified and persons registered as being blind.

14. Persons exempt from the community charge would be disregarded in calculating the entitlement to relief of the other persons living at an address. For the purpose of calculating entitlement to relief, students (who pay only 20% of the community charge) would be treated as being liable to pay the full community charge, but would be entitled to only 20% of any relief which the calculations suggested they should receive.

Relationship with community charge rebates

15. Entitlement to relief will be calculated on the basis of the full community charges liability (as defined above) of those occupying the hereditament/property, ie entitlement to community charge benefit under the Social Security Act 1986 as amended by s. 135 and Schedule 10 to the Local Government Finance Act 1988 will be calculated on the basis of the community charge payable by the individual (or couple) after relief under this scheme has been given.

16. The aim should be, wherever possible to issue charge bills next April which reflect entitlement to relief and rebates.

Entitlement to relief where circumstances change after the initial calculation

17. If any individual entitled to relief moves from a property, or dies, during the transitional period, the community charge liability after relief of the remaining individuals living at that property will continue on the same basis as originally calculated (subject of course to any changes in entitlement to community charge benefit resulting from a change in their financial circumstances). Similarly if the number of people living at a property increases, the relief entitlement of the people already living at the property will be unaffected. In particular, those becoming 18, or ceasing to be exempt from the community charge, on or after 1 April 1990 will not be entitled to relief. Entitled persons who move on or after 1 April 1990 will no longer be entitled to relief and will have to pay the full community charge at their new address (subject to any entitlement to community charge benefit that may arise). For this purpose any change of residence (whether within or outside the area of a local authority) which gives rise to a new community charge, as defined in the community charge legislation, will be counted as a move.

18. Relief will be paid only to those who occupy former domestic rateable hereditaments at the qualifying date, ie those occupying domestic properties completed after the qualifying date will be liable to the full community charge at that address, unless they are otherwise entitled to community charge benefit.

Transitional relief in later years

19. The scheme of transitional relief will operate during the first three years of the community charge system ie from 1990/91 to 1992/93. The terms of relief in 1991/92 and 1992/93 will be announced later. There will be no transitional relief from 1993/94 onwards.

Costs to local authorities

20. The Department will be discussing these proposals immediately with the local authorities. Early in November draft reports are to be published setting out the details of the Standard Spending Grant settlement for 1990/91. These will provide the basis for a detailed costing of the scheme. The Department's preliminary estimate is that income forgone by authorities as a result of the scheme in 1990/91 will be up to £300 million.

21. The Department proposes to reimburse local authorities for the income forgone as a result of giving relief by a new specific grant under provision in the Local Government and Housing Bill. The necessary amendments will be tabled for consideration at the Report stage in the House of Lords. The grant will be paid only when the individual entitled to relief under the scheme has paid his or her community charge.

22. The Department will be discussing the cost of administering the scheme with the local authorities and their associations.

23. Grant claims will require certification by the authority's auditor in the usual way.

Appeals

24. There may be circumstances in which a community charge payer has a complaint about the operation of the scheme, for example, about assignment of an individual on the community charges register to a particular hereditament, failure to award relief, or supposed miscalculation of relief. It is proposed that as for community charge benefits such matters should be considered by a review board established by the local authority.

Comments

25. Comments on these proposals should be sent to Alex Galloway, Department of the Environment, Room N6/08, 2 Marsham Street, London SW1P 3EB, by 1 November 1989.

Local Government Finance Policy Directorate
Department of the Environment
11 October 1989

RATEABLE VALUES TO BE USED IN CALCULATING TRANSITIONAL RELIEF

1. As explained in the consultation paper, the rateable value to be used in calculating the rate bill for the purpose of deciding whether transitional relief applies will, in the ordinary case, be that shown in the valuation list on 11 October 1989, the date of the announcement of the proposals. It is proposed, however, that later changes in rateable value should be taken into account in certain cases:

a. where the RV is subsequently altered as a result of a proposal received by the Valuation Officer by that date; and

b. where the RV is altered as a result of a proposal made by the Valuation Officer whether before or after that date.

2. In the case of dwellings entered in the valuation list after 11 October 1989, the RV to be used will be the value for the date on which the hereditament is first occupied, unless this is subsequently altered as a result of a Valuation Officer proposal, in which case that value will be used.

3. Where there are proposals or appeals undecided on 31 March 1990, recalculation of eligibility for relief may be necessary if the 1973 valuation list is subsequently altered retrospectively (saving regulations are to be made under the Local Government Finance Act 1988 to enable outstanding proposals or appeals in respect of entries in the 1973 valuation list to be settled with retrospective effect).

Temporary reductions in Rateable Value

4. The normal rules set out in paragraphs 1 and 2 above will apply in any case where an RV has been temporarily reduced (eg on account of nuisance from building works on an adjacent site). Unless the reduction is removed as a result of a Valuation Officer proposal, therefore, the reduced value will be used in the calculation.

Other reductions in Rateable Value

5. Some hereditaments benefit from reduced rateable values as a result of privileges granted in public Acts. In these cases the value entered in the list is to be used in the calculation.

Hereditaments exempt from Rates

6. Certain other hereditaments are exempt from rates under the General Rate Act 1967 (certain dwellings on church property, those owned by Trinity House etc) or under earlier public Acts. In these cases the rate bill to be used in the calculation of relief is to be taken as zero.

Mixed Hereditaments

7. In the case of mixed hereditaments (ie those which are part domestic and part non-domestic) an apportionment of the rateable value will be needed to give a value for the domestic element. It is proposed that this should be derived by subtracting from the value in the list the apportioned value for the non-domestic element of composite hereditaments which the Valuation Office has notified to charging authorities to enable them to calculate transitional rate bills for non-domestic property in 1990/91.

Garages

8. Where domestic garages are entered in the list as separate hereditaments with their own value, it is proposed that they should be left out of account in the calculation of relief.

Examples:

1. 1 adult household paying rates of £150 and £350 in notional community charge.

(a) Loss to individual	£350 - £150 =	£200
(b) Threshold for relief for individual	=	£156
(c) Total relief	=	£ 44
(d) Charge net of relief	=	£306

2. 2 adult household paying £300 rates and £275 each notional community charge.

(a) Loss to couple	£550 - £300 =	£250
(b) Threshold for relief for couple	=	£156
(c) Total relief for couple	=	£ 94
(d) Relief each (c ÷ 2)	=	£ 47
(e) Charge net of relief	=	£228

3. A pensioner or disabled person who was not a former ratepayer and is not the partner of a former ratepayers but who is living in a 2 or more person household with a notional charge of £275.

(a) Community charge	=	£275
(b) Threshold for relief	=	£156
(c) Total relief	=	£119
(d) Charge net of relief	=	£156