

22/12



C cc Baker

PRIME MINISTER

THE COMMUNITY CHARGE

I have been following the recent exchanges with close interest.

There is clearly great concern among our own supporters, arising for diverse reasons. This makes it essential for us to rally the waverers and also to put pressure on our own County Councillors to work as hard as they can on the factors under their control that will affect the final level of Community Charge.

Among all the analyses of the problem I have seen, I found a note from David Wilshire about the position in Surrey among the most helpful in setting out for non-experts in a very clear way how the over-shoot is made up. It brings out clearly that there are only two elements on which the Government could at this stage make any impact. The first would be to look at accelerating the timetable for transferring the burden of the safety net; and the second would be action, in effect of a selective kind, on the SSA formulae. Obviously neither of these courses would be at all palatable and both would present very real difficulties for the Government. I am sure that they could only be countenanced, if at all, in the explicit context of a severe Budget.

I am copying this minute to Kenneth Baker, John Major, Chris Patten and Tim Renton.

A handwritten signature in blue ink, appearing to be "P. P. GH", with a horizontal line underneath.

P.P. GH

Approved by the Lord President and  
signed in his absence.

Lord President of the Council  
22 December 1989

SURREY / SPELTHORNE  
COMMUNITY CHARGE PROBLEMS

**DRAFT**

1. THE TWO PROBLEMS

The government say our Community Charge (CC) should be £278 and that no individual or couple should pay over £156 more than this year's rates. Local councillors say the CC will be £414 and many will pay over £156 more.

3. POSSIBLE EXPLANATIONS

- \* Local councils are offering poor value for money
- \* Local services are higher than national standard levels
- \* The government is not providing enough grant
- \* The £278 figure is false
- \* Ours is a "gaining area" and therefore paying into the Safety Net

3. THE CAUSES OF THE CC DIFFERENCES

£ (per person)

Government Target CC .....	278
Government Additions - Safety Net Contribution	+ 41
- Adjustment for non-payers	+ 9
Surrey Additions - Extra on <u>Education</u>	+ 29
- Extra on <u>Interest Charges</u>	+ 34
Spelthorne Additions - Spending on Social Services	+ 12
- Extra on Other Services	+ 20
Surrey Deductions - Less on some services (see Para.5)	- 9
Locally Predicted CC .....	414

3. SCOPE FOR ACTION ON CC PROBLEM

Government Additions - Safety Net	No realistic action possible (i)
- Adjustment	No realistic action possible (ii)
Surrey Additions - Education	Challenge government grant (iii)
- Interest	Question Surrey's policies (iv)
Spelthorne Additions - Social Services	Council could abolish (v)
- Other Services	Challenge government grant (iii)
Other Possibilities - Both councils could use (some) balances	(vi)
- Both councils could seek savings	(vii)

(see over for comments on possible action)

### Comments on Scope for Action

- (i) Further changes in the Safety Net are unlikely. Since the government knew we would pay into the Safety Net, £278 was never the correct target.
- (ii) The government are unwilling to meet non-payment costs centrally. Thus no Target CC is correct!
- (iii) Challenging the government's grant means proving that the Standard Spending Assessment (SSA) is wrong and showing how it can be modified.
- (iv) Surrey's capital budget could be cut, and their accounting procedures changed. But capital spent in past years (above government allocations) cannot be unspent.
- (v) Spelthorne is not a social services authority so spending on such things as Day Care Centres has to be financed in full from charge payers.
- (vi) In past years, both councils have spent above government targets by use of balances. Last year, Spelthorne used £2.5m, Surrey £22m. Next year Spelthorne say they can use £750,000, Surrey nil. Both have more.
- (vii) Surrey have increased services whilst disguising the cost by using balances. Spelthorne are planning a 30% spending increase. Are local services above the government's standard level?

### 4. THE STANDARD SPENDING ASSESSMENT

The government arrives at its £278 for a standard level of service by giving a grant to each council. First it decides the global sum available. Then it calculates a Standard Spending Assessment (SSA) (in seven parts) for every council. Each SSA takes account of numerous factors such as population, deprivation, etc. The higher the SSA the lower the CC.

### 5. LOCAL SSAs v. PREDICTED EXPENDITURE

SURREY (£m)	90/91 SSA	90/91 BUDGET	DIFFERENCE		
Education	257.4	276.6	+ 19.2		
Highways	41.6	31.7	- 9.9*		
Social Services	56.3	51.7	- 4.6*	* These are the "some services" referred to in paragraph 3.	
Fire	16.2	18.6	+ 2.4*		
Police	30.0	29.9	- 0.1*		
Interest on Capital	32.0	54.4	+ 22.4		
Other Services	15.1	21.9	+ 6.4*		
	<u>448.6</u>	<u>484.8</u>	<u>+ 36.2</u>		(+11%)
<b>SPELTHORNE</b>					
Other Services	x.x	x.x	+ x.x‡	‡ This includes £700K on social services = £12 CC per head	
Interest on Capital	x.x	x.x	+ x.x		
	<u>5.3</u>	<u>7.7</u>	<u>+ 2.4</u>		(+30%)

6. WHAT'S WRONG WITH THE SSA

It makes too much allowance for deprivation and too little for the extra cost of providing services near London. Adjusting it would solve Surrey's education and Spelthorne's other services problems. Such an adjustment would result in those currently getting too much grant (e.g. Slough) getting less - and would thus not involve the Treasury in having to put up more money.

7. THE LOCAL TRANSITIONAL RELIEF PROBLEM

Transitional Relief (TR) is calculated by comparing an individual's or couple's 89/90 rate bill with what this year's CC would have been (£275 per head). 100% relief is granted where the difference is over £156. But, as balances were used locally, our rate bills do not reflect our expenditure. If balances were allowed for the £275 would become £313 and relief greater.

8. SCOPE FOR ACTION BY LOCAL MP

- \* Admit that the £278 target was never possible
- \* Press the government to change its SSA formula
- \* Talk to councils about use of balances
- \* Talk to councils about reducing planned expenditure

9. THE CASE AGAINST OUR SSAs

- \* It under-estimates our population
- \* It allows too much for deprivation (we have very little)
- \* It allows too little (9.6%) for higher local costs (we suffer badly)

10. THE OUTLOOK

Unavoidable CC	- Government target	278	(£ per head)
	Safety Net	41	
	Adjustment for non-payers	9	
	Spelthorne social services	12 .....	340
Extra - unless Surrey acts on interest charges or balances		25	(34-9)
- unless Spelthorne acts on other services or balances		20	
- unless government acts on SSA		29	
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			414

DAVID WILSHIRE MP

Member of Parliament for Spelthorne

11th December 1989