



## **CONSERVATIVE**

STRICTLY PRIVATE AND CONFIDENTIAL

THE PRIME MINISTER

The Political consequences of the Community Charge

in the Local Elections, May 1990

I have tried to make an objective assessment of the effect of the Community Charge on the local elections. Some of our colleagues in the House are forecasting much worse results, but one does have to make a careful assessment, council by council, as a great deal hinges upon which wards are holding contests in those councils where only a third of the seats are being contested.

We would expect in 1990 to win a numbers of seats especially at the expense of the SLD and possibly the control of some councils, since 1986 was a poor year for us. This prospect now looks less likely. I attach a sheet showing the effect of

the Community Charge on a two person household in those areas which we surveyed in September or where the Association, Councillors or MP have written to Central Office. These make for depressing reading and show that many 2 person households will be significantly worse off. These however do not take into account the enhanced rebate scheme.

I also attach an analysis which has been prepared by David Trowbridge. I do not need to say how important it is that this should not fall into our opponents' hands. We could lose control of 5-8 London Boroughs; 1-3 of the Metropolitan districts and 7-11 of the shire districts. So I think that the worst position would be a loss of 22 councils. We currently control either in a majority or minority position, 96 of the councils being contested.

However, much will depend upon the SLD vote. Recent results have been bad for them - they have lost seats both to Labour and to us. They will also be campaigning on a Local Income Tax. Local elections results, with a few spectacular exceptions like Wandsworth, tend to reflect the national popularity of the parties. We have now pulled back from a Labour lead of 14% to one of 7% and we must do every thing to

narrow the gap further. It is unlikely that by the Spring there will be a sufficient flow of good news to close it altogether. This will add a further difficulty to the local elections.

A loss of control of over 20 councils together with the loss of quite a large number of other seats would be damaging for the morale of the Party. We must do everything we can to mitigate this. If we do as badly as this, then quite a number of Conservative MPs will consider their seats at risk. I think that they will start to campaign for a fundamental change in the Community Charge by removing a large area of expenditure from local government to the Exchequer. This will be seen as the 'fix' for the local elections of 1991 and even the General Election.

It seems to me that there are 2 courses of action.

1. Press ahead as we are - the strategy of our campaign would be as follows.
  - a) We should campaign on the issue that a vote for the Conservatives is a vote for the lowest Community Charge. Any other Party in control would produce a

higher Community Charge.

- b) This is the last thing that Labour wants said - which is the best reason for us saying it. They do not want attention drawn to their extravagance or extremism. They do not want to be faced with opponents saying that if you vote for us the Community Charge will be £x less. This is what the Wolverhampton Tories are doing.
- c) This should be combined with an attack on those Labour councils which are deliberately piling everything onto the Community Charge and blaming the Government.
- d) The whole point of the Community Charge is to bring home to local voters the cost of their electoral decisions. We must not shirk this and we should be putting this over at the local level all the time.

This strategy will be most effective where we are not in control.

In Lincoln, for example, the Labour council's figure for a Community Charge of £290 per adult would yield a total income for the council from the charge and external support of £762 per adult. This is around 13 per cent higher than rate and grant income this year - five points above inflation. Let us say that the Conservative opposition maintain that they could run services with an eight per cent increase - higher than the Government's assumption, but in line with inflation. This translates into a Community Charge once the contribution from the safety net has been taken into account, of £246 instead of the Government's £222, and £44 a head less than Labour's figure of £290. This is surely the basis for an effective campaign.

We should be able to gain some seats by campaigning like this. Where we are in control then the message should be the same. Our best chance of holding onto power, even where the Government's grant has been cut, must be to claim that under a Conservative council the Community Charge would be lower than under any other party.

Our biggest problem, as I see it, is with Conservative councils which are more concerned with playing Labour's game

and talking up the charge than with concentrating on keeping it down. Our strategy there can only be to impress upon them the fact that the longer they spend arguing with the DoE about the level of their settlement, the more their opponents will benefit. In this sense, the quicker we get over to them the basic message that there is no more money then the better it will be for their prospects in the long run.

2. Make adjustments to the Community Charge

The strategy of the campaign would be exactly the same as I have set out above but it would be conducted against the background of a lower level of Community Charge either nationally or if it can be done, locally. The advantage of this is that it would reduce the number of losers particularly among two person households. It is more difficult to assess the effect on individual councils.

Three ways have been canvassed:

- a) abolishing the safety net contributions in the first year. This is a scattergun approach which would

generally benefit more of our areas. It would help some which are not protesting very much at the moment and not help others which are up in arms. I do not favour this. Though only on Monday morning I had a call from John Moore who claims that we would lose control of Croydon (not one of our risk constituencies) and two seats at the General Election. He specifically mentioned the £59 which they have to contribute to the Safety Net. I queried this and he rang again on Tuesday to state that Sir Peter Bowness is convinced that a Community Charge of £330 would lose Croydon and he believes that the Safety net contribution should be removed.

- b) Change the terms of our household relief scheme which was announced at the Party Conference. The impression was then given that no-one in a two person household should pay more than £3 a week extra. This will be, of course, tied to the Government's figures for the Community Charge next year which are based on an increase in spending of only 3.8% over this year. Since spending will be above this level for most councils, some Charge

payers will have to meet substantially more than £3 a week extra, some as much as between £5-£7 a week before the relief operates.

The argument against giving transitional relief against actual Community Charges is that it would be wrong to subsidise local authority overspending where this would be the case. I do not think that giving full relief would itself encourage councils to set a higher charge than necessary: Labour councils which are minded to do so for political reasons would go ahead anyway. Indeed, the fact that Government money would mitigate the effect of such action may persuade a few to modify their approach. But we would still be undermining the accountability principle that chargepayers should bear the full burden of their council's overspending.

The other approach would be to lower the losses threshold, say to £2 a week, but still protect only against notional Community Charges. This would cut the level of losses generally, but chargepayers



would still be vulnerable to higher than necessary losses through council overspending.

- c) increase the specific grants paid by the Exchequer to local government. I think that it would be too difficult at this stage to re-open the SSA and to modify the changes from GREs. It would require further consultation. It should only be considered if the DoE could find some method of need assessment which would, for example improve the position of Outer London and some provincial towns and cities. The London Borough Associations for example have sent me a paper claiming that the bus and transport elements in the new system work against the London Boroughs.

The difficulties of this course of action are obvious. The money could go to support overspending and not reducing the Community Charge. This danger could perhaps be to reduced by making any change very late in the day or by tying the specific grants to a known amount of expenditure which councils would have already included in their budgeting, for

example the grants for police services or say the £600 million remit given to the Chilver committee on teachers' pay.

The other difficulty is that a £1 billion extra grant would reduce the Community Charge by about only £30, which is fairly marginal for charges which are around £400 or £500. We cannot ignore the effect that any grant increase would have upon the Government's overall economic policy; the market's reaction; and what could be seen as a relaxation of our policy on Government expenditure.

Ultimately this is a political decision. Will a reduction in the Community Charge materially affect our fortunes in the local elections? The answer to this depends upon the amount of the reduction and I do not think that we can or should afford a substantial transfer of cash from the Exchequer to local authorities. I cannot gauge whether we can persuade our backbenchers to stand by the present position, but we should do all we can to hold them to it. I attach a copy of a letter I received today from Douglas Hogg which I thought you ought to see.

I am not sending a copy of this minute to anyone else.

Could we have a word please?

KB/shrw/10.1.1990

The Effect on a Two Person Household in the Government's Estimate  
of the Community Charge and the Latest available estimate from the Council

The Ten Constituencies which we surveyed in September

Constituency	Percentage of losing 2 person households Government's figure	Council's figure	Total n surveye
Dulwich	48	78	95
Hornsey & Wood Green	66	79	68
Nottingham East	86	97	218
Darlington	66	87	68
Ipswich	71	N/A	144
Hyndburn	59	87	118
Bury North	62	N/A	145
Wolverhampton N.E.	45	100	118
Portsmouth S.	78	91	114
Colne Valley	65	84	128
Average % of losing h'holds	65	88	Total surveyed: 1216

Other Constituencies

Constituency	Average Rate Bill for 2 adult h'hold (1989-90)	Average Rate Bill for 2 adult h'hold (1990-1)	Community Charge for 2 adults (Government figure)	Community Ch for 2 adul (Local figure)
Brent	952	990	960	N/A
Havering	502	522	572	700
Redbridge	450	468	476	556
Lincoln	480	396	444	580
Dartford	448	466	490	c.490
Sevenoaks	510	530	472	c.472
Pendle	332	346	346	540
Broxtowe	492	512	544	600
Rugby	598	622	600	880
Warwick	728	758	676	N/A
Leominster	332	346	358	N/A
Malvern Hills	500	520	472	N/A
N. Tyneside	610	634	684	N/A
Ealing	630	656	624	800

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The Community Charge - Impact Upon The 1990 Local Government Elections

1. Introduction

There will be 192 councils in England and Wales contesting elections next May. We have outright control in 58, minority control in 21. Labour already holds 83 of these councils with a further 10 in minority control. The SLD control 8, with a further 8 in minority control, and the Independents have 3 councils with one in no overall control.

2. The London Boroughs

We control 11 London boroughs outright with a further 3 in minority control. The Community Charge is unlikely to materially affect the result of the elections in either Westminster, who have a favourable grant, or Wandsworth, where our council has a good record. Harrow is at risk, where we have a majority of only 1, although our Group are endeavouring to keep the Community Charge as low as possible by raiding balances. At risk too is Enfield. Barnet will probably lose seats, but it is doubtful if these will be sufficient to affect control. It is however likely that the 3 hung councils of Havering, Hillingdon and Merton will all be lost. Kingston, with its 2 seat majority is at risk, although the popularity of the Liberals will be more of a deciding factor than the Community Charge. Kensington and Chelsea are suggesting a Community Charge in the region of £450/£500 (Government figure 278). Control of the Council is safe, although 5 seats could be lost. The remaining Conservative controlled boroughs may be considered as Community Charge proof, although Bexley, with a majority of 12, must be a marginal risk. London had anticipated making gains in a number of profligate Labour boroughs including Ealing, Brent and Lambeth. The situation now is more difficult to read.

3. Metropolitan Districts

We only control 3 Metropolitan Districts out of the 36 and these are:-

Solihull	Majority 7
Trafford	Majority 1
Bradford	Majority 0

We would expect to lose Trafford. Solihull is certainly at risk, although our present prediction is that we should still hold here. Bradford is rather a unique case and it is doubtful whether the Community Charge will be the overriding issue there following the October additional settlement.

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4. Shire Districts

There will be 118 Shire Districts facing elections by thirds and we control 43 councils with a further 19 in minority control.

Labour hold 36, with 5 hung, whilst the SLD have 6, with a further 5 hung. The Independents have 4.

In the North West Area **Crewe and Nantwich**, who are currently Conservative controlled, will become a hung Labour controlled Authority. In the East Midlands Area our people are reasonably confident that they will hold Amber Valley (majority of 6), and Derby City (majority of 4). No change of control is anticipated in the West Midlands Area.

The situation in the East of England is more serious, particularly as there are a number of SLD Authorities or hung Authorities where we had hopes of gaining control. The Community Charge would seem to put this in doubt. These include Southend, Cambridge, Colchester and North Bedfordshire. We can also expect to lose control in **Brentwood and Ongar**, which is a high spending Authority. Other Authorities at risk include St. Albans (majority of 6), and Hertsmere (majority of 5).

The Situation in Wessex is serious in that the loss of **Portsmouth**, one of the largest remaining cities under Conservative control, is at risk, together with both **Gosport** and **Havant** where we have majorities of 2 in each.

South-East Area expect losses of seats, possibly losing overall control in **Gillingham** and **Elmbridge**.

Eastbourne will be not be affected (majority of 1) as the wards we are defending are gainers.

In the West of England the Secretary of State's own Authority of Bath has a majority of just 6 and might be at risk.

5. Summary

	<u>Change of Control</u>
<u>London Boroughs</u>	Harrow, Enfield, Havering, Hillingdon, Merton.
<u>Metropolitan Districts</u>	Trafford
<u>Shire Districts</u>	Crewe and Nantwich, Brentwood and Ongar, Portsmouth, Havant, Gosport, Gillingham, Elmbridge.