

THE COMMUNITY CHARGE

ENHANCED COMMUNITY CHARGE CAPPING COUPLED WITH REFERENDUMS

This note sets out a new option for 1991-92 and subsequent years. It is based on stronger community charge capping powers which could be applied to substantially more authorities than at present, coupled with referendums to enhance local accountability.

2. The main features would be as follows.

i. The Government would make a conventional RSG settlement. There would be consultative statements in the normal way in July and October, followed by the formal settlement in December. This would set each authority's SSA.

ii. The statement in July would be accompanied by an announcement about the outcome of the present review. The Government would then bring forward legislation at the beginning of the 1990-91 Session to amend the community charge capping powers. The revised powers would explicitly allow the Secretary of State to cap any major authority spending more than, say, 5% above SSA, but there would be a new safety valve, based on referendums.

iii. Authorities would proceed to set their budgets (which they are required to do by the end of February) and issue community charge bills consistent with them. Those setting budgets below SSA plus 5% would know that they were exempt from capping. The remainder would be uncertain as to whether they would be capped or not and would have to make a judgement about whether, if they were, they could win a referendum.

iv. The Secretary of State would consider the budgets of all authorities with budgets above SSA plus 5%, and choose selection criteria for capping, on the basis of general principles. The legislation would need to be drafted in a way which would enable him, for instance, to choose all

authorities more than 5% over SSA, or to set a higher limit (eg 8% over SSA), or more complex criteria (eg 5% above SSA and an increase of more than 7% over the previous year's budget).

v. The Secretary of State would then set precept limits for all capped authorities. The limits could be set either according to general principles or in the light of the circumstances of each authority. They would be contained in an Order subject to Affirmative Resolution, without going through the present designation procedure which allows authorities to adopt delaying tactics.

vi. Each capped authority would then have a fixed period (eg 28 days) to decide how to proceed.

vii. Its first option would be to accept the cap. In that case, the authority would have to revise its budget and issue lower substituted community charge bills in place of the original bills.

viii. The alternative would be for the authority to hold a referendum (a "community charge poll"), seeking its chargepayers' endorsement for the original budget and community charge. The referendum would have to be held within a further period (eg 28 days).

ix. The result of the poll would determine the next step. If chargepayers voted in favour of the original budget, the existing community charge bills would stand. Otherwise the authority would be obliged to revise its budget and issue lower substituted bills in line with the Secretary of State's cap.

3. Timing. Ideally the legislation would be introduced as early as possible in November 1990 and enacted by the end of February 1991. The Secretary of State could then make and announce his capping decisions by the end of March. Authorities would have

until the end of April to decide whether to hold referendums. If so, these would have to be completed by the end of May. It would then be clear what the community charge for the year would be, although revised bills might not issue immediately.

Cabinet Office

4 June 1990

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(4)

Reduction

High / Poor
High grade

Flow in

or less full

higher change

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• then be clear what the community charge for the year would be,
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SECRET

① Legal Controversy re: Autism & Wills.

Referendum

Feeling ways to take them out?

Quicker

② Addressed for Community Change - Accountability
- Break + spending

Present work - higher control
Control of LA. since ever.

Approved by referendum

③ Large grant settlement - S.S.A. look mean
- more difficulty
in implementation.

13% up - / 450 change

Construct you round 40

S.S.A.

Low S.S.A.

313

More money into fund - re of authorities - smaller

278

kidney

Reps - authorities

RECKON1

CONFIDENTIAL

READY RECKONER OF LA SPENDING, AEF, AND COMMUNITY CHARGES

ENGLAND, COMMUNITY CHARGE

Total	Increase over baseline	SPENDING, £ billion					
		37.1 (+2.5%)	38.0 (+5%)	38.9 (+7.5%)	39.8 (+10%)	40.7 (+12.5%)	41.6 (+15%)
£ billion	£ billion						
24.8	+0.5	350	376	402	428	454	479
25.1	+0.8	342	368	393	420	445	471
25.3	+1.0	336	362	387	414	440	465
25.8	+1.5	322	348	373	400	425	451
26.0	+1.7	316	342	368	394	420	445
26.3	+2.0	308	333	359	385	411	437
26.6	+2.3	299	325	350	377	403	428
26.8	+2.5	293	319	345	371	397	423
27.3	+3.0	279	305	330	357	383	408
27.8	+3.5	265	291	316	343	368	394

GREAT BRITAIN, COMMUNITY CHARGE

Total	<u>AEF</u> Increase over baseline	<u>SPENDING, £ billion</u>					
		44.7 (+2.5%)	45.8 (+5%)	46.9 (+7.5%)	48.0 (+10%)	49.1 (+12.5%)	50.1 (+15%)
£ billion	£ billion						
30.6	+0.5	345	372	399	426	452	478
31.1	+1.0	333	360	387	414	439	466
31.6	+1.5	321	348	375	401	427	454
32.1	+2.0	308	335	362	389	415	442
32.6	+2.5	296	323	350	377	403	429
33.1	+3.0	284	311	338	365	390	417
33.6	+3.5	272	299	326	353	378	405
34.1	+4.0	259	286	313	340	366	393
34.6	+4.5	247	274	301	328	354	380
35.1	+5.0	235	262	289	316	341	368

Table 1: Low option

	A	
<u>England</u>		
Increase in AEF over baseline, £ bn		1.0
Increase in spending, per cent	5	10
Average actual CC	361	412
Increase in TSS		
- over 1990-91 budgets, per cent	0	4
- over 1990-91 TSS, per cent	10.2	14.6
CCSS	321	361
<u>Great Britain</u>		
Increase in AEF over baseline, £ bn	0.2	0.2
Average actual CC	353	406

Table 2: Medium option

	B		
<u>England</u>			
Increase in AEF over baseline, £ bn		1.5	
Increase in spending, per cent	8	10	12
Average actual CC	377	398	419
Increase in TSS			
- over 1990-91 budgets, per cent	4	4	4
- over 1990-91 TSS, per cent	14.6	14.6	14.6
CCSS	347	347	347
<u>Great Britain</u>			
Increase in AEF over baseline, £ bn		0.25	
Average actual CC	370	392	414

Table 3: High option

		C	
<u>England</u>			
Increase in AEF over baseline, £ bn		2.0	
Increase in spending, per cent	8	10	12
Average actual CC	363	384	404
Increase in TSS			
- over 1990-91 budgets, per cent	4	4	4
- over 1990-91 TSS, per cent	14.6	14.6	14.6
CCSS	333	333	333
<u>Great Britain</u>			
Increase in AEF over baseline. £ bn		0.35	
Average actual CC	356	378	399

Table 4: the "Bid" option

		D
<u>England</u>		
Increase in AEF over baseline, £ bn		2.75
Increase in spending, per cent		10
Average actual CC		363
Increase in TSS		
- over 1990-91 budgets, per cent		6
- over 1990-91 TSS, per cent		16.8
CCSS		333
<u>Great Britain</u>		
Increase in AEF over baseline. £ bn		0.7
Average actual CC		351*