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CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

INTRODUCING THE COMMUNITY CHARGE

Memorandum by the Secretary of State for the Environment

1. In "Paying for Local Government" (Cmnd 9714) we have proposed a new financial regime for local authorities with 3 main elements:

- a system of lump sum central grants unrelated to expenditure levels
- a national non-domestic rate poundage with the pooling and redistribution of receipts to authorities in proportion to adult population
- replacement of domestic rates with a flat-rate community charge payable by all adults

2. In its basic form this package would have the result that local tax bills would be identical in all areas provided that no authority spent more (or less) than its assessed need to spend. This would substantially reduce local tax bills in the South East where high rateable values currently produce high rate bills and conversely increase bills in the North where RVs are low.

3. The package would also ensure - and this is one of its virtues - that spending above the assessed level of need would fall entirely onto local electors rather than businesses or the exchequer. However, because on average only a quarter of local spending will be met from the community charge (with half from grant and a quarter from the national non-domestic rate) this will be a highly geared system. A 1% increase in spending on average will lead to a 4% increase in charges. When applied to the present range of spending by local authorities the basic system would produce a range of community charges from £80 to £720 in 1985/86. The very highest bills occurring in the high spending London boroughs.

4. It was the combination of concern about changes in distribution of tax burden between regions and the size of the community charges in the highest spending areas which led the Sub Committee last year to propose modifications to the pure system:

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i) a self-financing 'safety net'. This would preserve each authority's income from grant and non-domestic rates - and therefore its average domestic tax rate - at the level of the year preceding introduction of the new arrangements. Payments into and out of this safety net would be fixed in cash with the possibility of, but no commitment to, a review at a later stage. This modification would have the effect of narrowing the range of community charges at the outset of the new system but it would still run from £100 to £380 in 1985/86:

ii) the phasing in of the community charge over a period of up to 10 years, although a majority of authorities would have moved completely away from domestic rates within 5 years and it would only be in the areas where rate bills are high that it would take longer than this.

Reactions to the Green Paper

5. Although the consultation period in England and Wales does not end until 31 October, it is clear that a common reaction among those who support the proposals will be that the timescale envisaged for bringing the new system fully into operation is too long. For example, Surrey County Council, an area which would stand to benefit from changing the present system, argue in their response that

"the benefit of the proposed changes should be capable of being achieved in a much shorter period of time, preferably a maximum of five years."

6. What Surrey and others are saying is that, having drawn attention to the fundamental shortcomings of the existing system, it is illogical to perpetuate them in the way the Green Paper proposes. I have a good deal of sympathy with that argument. I have therefore looked again at the justification for the transitional arrangements the Green Paper envisages.

The Range of Community Charges

7. It seems to me that the question of whether we need a 'safety net' and whether we must indeed take as long as 10 years to phase out domestic rates completely depends very much on the range of community charges in the new system. I have, therefore, considered whether it is possible to narrow that range.

8. Because, in the new system, the level of the community charge will be determined purely by the level of each authority's expenditure relative to its assessed need to spend, narrowing the range of charges could be achieved by:

- increasing the assessment of spending need for the highest spending authorities, and/or
- reducing the level of their expenditure.

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9. There is some prospect of being able to cut spending for these authorities by use of our ratecapping powers. I will in any event be making full use of those. It is not possible to say, however, what level of reductions could be achieved. There are major uncertainties, particularly over when the deferred effects of the 'creative accounting' devices employed to avoid spending reductions in recent years, will start to feed back into the system. But in my view it would be unrealistic to expect to close substantially the gaps between spending and assessed need in this way before 1990.

10. We could increase the assessment of spending needs. Many of the highest spending authorities are in our inner cities - London in particular. Many of them are already accepted as having very high spending needs. Even so, we are regularly pressed to adopt changes which would increase the assessments of need for these authorities. These assessments inevitably leave some room for argument and judgement on which different views may be justified. But there could be no question of validating all of existing overspending. To do so would run counter to all the evidence that these authorities are either providing excessive service levels or are providing services wastefully. Moreover, to increase the assessments of spending need - and therefore grant - for these authorities within a fixed grant total would mean reducing the grant to shire areas. That would not be acceptable.

Recommended Approach

11. There are strong arguments for not having a safety net of the sort proposed in the Green Paper and for phasing out rates more quickly than envisaged. But the consequence would be very large changes in the bills faced by individuals. Those living in areas with accumulated overspending would be hardest hit. It would be particularly hard to require those who have not so far been paying for local services to shoulder immediately a bill for £10 a week or more, especially if it could be 2 or 3 years before they could vote for lower spending.

12. I therefore recommend that we should continue on the basis of the approach described in the Green Paper and that transitional arrangements of the kind described there should be provided in the legislation in due course. There is, however, some time before these arrangements will have to be introduced. The range of spending should be reduced as a result of ratecapping, and there may be other steps we can take. We should not therefore close our options on the speed of introduction of the full community charge regime. Final decisions should be taken nearer the time so that we can reassess whether some speeding up is possible. We should make it clear publicly that we are reserving the option of a faster transition but our view is that would be not be reasonable with the present wide disparities in spending.

Help for those on low incomes

13. The likely range of community charges is also central to the form of assistance for those on low incomes. E(LF)(86)2nd meeting asked that officials should exemplify the effects of the proposal from the

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(E(LF)(86)3) that assistance after 1990 should be by way of a flat-rate uprating of income support rather than by the continuation of means tested housing benefit based on the size of the individual community charge. I attach at Annex A. the exemplifications asked for.

14. I have considerable sympathy with the approach suggested.

The increased local accountability we are seeking with the new system should mean that every £1 per head of extra spending comes through as a £1 increase in community charges. Even with the safety net and transitional provisions this will be true for most local electors. But those on maximum (80%) housing benefit (4.6 million) will pay only 20p in the £ of extra spending. That is a significant improvement on the present position but not as good as the alternative of applying the full marginal pressure to everyone.

- It would reduce the total caseload of means tested benefits. Though there would be offsetting increases in workload for DSS it would mean savings in local authorities where administration of these benefits has proved bureaucratic and costly.

15. After considering the matter very carefully I have reluctantly concluded, however, that we are not now in a position to take the decision to withdraw rebates from the community charge.

- It is clear from the reaction we are getting to the Green Paper that there is a common view - even among our own supporters and those who support the proposals - that a weakness of the community charge is that it does not take any account of ability to pay. Our response to that concern may be a key factor in our presentation of the policy later.

- We have promised help for those on low incomes but, as the figures in the Annex show, a flat-rate addition to income support will provide very variable levels of support. In low tax areas like Wales and the North West it would overcompensate recipients - some would receive more than 100% compensation. At the other extreme for those in high tax areas like Scotland, London and the South East, there would be significant undercompensation because of the accumulated burden of high spending over many years or the residual effects of high rateable values.

- Reliance on income support alone in moving from rates to the community charge would improve the proportion of "gainers" slightly from 45% to 48% of tax units. However in Scotland - where we are to legislate first - the overall proportion of gainers would fall: from 42% to 38%. For those on low incomes - who would be the ones affected by the choice of support arrangements - the picture is different. Overall 60% of those on low incomes would make some gain from moving from rates to the community charge without rebates. (But in Scotland 65% would be losers). The large number of mainly small

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gains would, however, be offset by an increase in those who would have large losses. Without a rebate scheme those on low incomes who would lose significantly from the move to the community charge would more than double. Nearly half a million would lose over 5% of their net income if we relied on income support rather than a rebate scheme.

- It is where community charges will be highest, in London and parts of the Home Counties, that the major losses would be concentrated. Table 4 in the Annex shows the impact for those living in Hackney and in Kensington and Chelsea, which have high community charges for different reasons, and contrasts it with the effect on Hyndburn in Lancashire. In both the London Boroughs, vulnerable groups would be required to pay a substantial proportion of their income to meet their community charges. For example a pensioner couple on income support in Kensington and Chelsea would need more than 10% of their income support for this purpose alone compared with less than 4% with a rebate scheme in operation.

Effects of the transitional arrangements

16. The position is further complicated by the transitional arrangements. As presently specified they would mean that the worst effects of doing without rebates would feed through gradually during the transitional period. It is tempting, therefore, to consider whether we could take the risk of claiming that the pressures on high spending, which will come with the new system, would bring about the narrowing of the range of community charges necessary to make a flat rate level of support acceptable. I see 3 difficulties with that approach.

- because of the Scottish timetable we would have to announce now that we intended to withdraw rebates. Our proposals will inevitably be judged on what is known now about the level of spending not what we claim it could be at the end of the transitional period. And attention would inevitably focus on end the state, not the transition. So the presentational problem would remain.

- the Green Paper envisages different transitional arrangements in England, Scotland and Wales. Scotland will go first. This means that separate income support arrangements would be needed in the three countries; and moving to a unified GB system at the end of the transitional period would produce yet further difficulties.

- because of the form of safety net we have agreed it will not even be possible for us to claim that all of the gap between high community charges and the additional element of income support would be the result of high spending. In many cases above average community charges will reflect the residual effects of high rateable values. It would be inappropriate to look to expenditure reductions from already low spending authorities to close the gap.

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Conclusion

17. The balance of advantage would change dramatically if the range of community charges could be substantially narrowed. For the reasons I have set out above I am doubtful about how much can be achieved in advance of introducing the new arrangements. To the extent that we can make any progress there my priority would be to use it to speed the full introduction of the community charge. That would ensure that the pressures on high levels of spending and high community charges were more effective from the outset. Once these pressures have had the chance to work we should be able to review the necessity for retaining a full rebate scheme in preference to a flat-rate addition to income support.

18. I therefore invite colleagues

- a) to note the desirability of reducing the likely range of community charges between now and 1990
- b) to agree that we should maintain, for the time being our proposals on the community charge while reserving our position on speeding up the transition in the light of circumstances at the time of implementation
- c) to agree that we should announce that the community charge will be launched on the basis that assistance for those on low incomes will be by way of the rebate arrangements then in force for domestic rates.

ANNEX

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THE EFFECT OF ALTERNATIVE METHODS OF ASSISTING THOSE ON LOW INCOMES WITH THE COMMUNITY CHARGE

Introduction

- 1. To enable a decision to be taken as to whether or not the community charge should be rebated, E(LF) on 3 July asked for a joint paper to be prepared by DOE, DHSS, the Department of Employment, the Scottish and Welsh Offices and the Treasury, setting out the pattern of gains and losses for individual households in different parts of the country, assuming illustrative figures for the offsetting increase in income support. The community charge is planned to be introduced in Scotland in 1989 and in England and Wales in 1990. The results in this Annex all assume the prior implementation of the separate social security reforms due to take effect in 1988.
- 2. Paragraphs 6 to 7 look at the overall effect such a decision would have - in terms of all community charge payers, not just those who would be eligible for rebates. They show the gains and losses that would be produced by moving from rates to the community charge with no rebates, as compared with those that would arise from replacing rates with the community charge but continuing rebates.
- 3. Paragraphs 8 to 18 then concentrate on the impact on those on low incomes - the people who would actually be affected by the decision whether to have rebates or to uprate income support. These are defined as those in receipt of income-related benefits before or after the general uprating of income support. They examine the gains and losses for those on low incomes that would result from the introduction of the community charge with and without rebates. They then go on to examine the effect on different regions.
- 4. Paragraphs 19 and 20 consider the effect of the two approaches in terms of cost and caseload.

Assumptions

- 5. All the exemplifications assume:-
 - full replacement of domestic rates by the community charge with the safety netting arrangements set out in the Green Paper.
 - a system of rebates based on the housing benefit arrangements which will come into force on 1 April 1988 including the assumption that everyone is required to meet at least 20% of their local tax bill; or

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- the alternative of an uprating of general income support by 80% of the average community charge. For single people, this would involve an increase in income support and so the thresholds for housing benefit and family credit of £2.70 per adult per week.

- the pattern of spending in 1985/86 in relation to needs giving a range of community charges from £100 to £380 in England with full safety nets, and an average of £173.

Overall effects

6. Annex J of the Green Paper illustrated the overall pattern of gains and losses across all households and tax units of replacing rates by a community charge - assuming the same rebate system applied in both cases. The introduction of the full community charge with rebates replaced by general income support would affect the overall picture of gains and losses associated with the local finance proposals. The effects for tax units shown in Tables 1(a) and 1(b) are summarised below:

GAINS AND LOSSES FROM REPLACING RATES BY THE COMMUNITY CHARGE
(All tax units)

	England	Wales	Scotland	GB
<u>With rebates scheme throughout</u>				
	%	%	%	%
% gainers	44.7	45.1	42.4	44.5
% losers	52.1	51.7	54.3	52.2
% losing more than £2 per week	17.7	9.1	17.1	17.2
% no change	3.2	3.2	3.3	3.2
<u>With no rebates for the community charge but increased income support</u>				
% gainers	49.4	59.3	37.5	48.0
% losers	49.4	38.5	60.6	49.8
% losing more than £2 per week	21.0	11.1	21.5	20.4
% no change	2.3	2.2	2.0	2.2

7. The switch from domestic rates to the community charge, without rebates, increases the overall proportion of tax units who gain (except in Scotland) but it also increases the overall spread of the results. In particular, the number losing more than £2 per week increases by 900,000 from 17% (4.6m) to 20% (5.4m).

Effect on those on low incomes

8. For the third of tax units, who would be eligible for help through the community charge, whether through a specific rebate system or income support, the effect of the decision on these people is inevitably more marked than it is for the population as a whole.

9. Tables 2(a) and 2(b) show the impact on tax units on low income of introducing the community charge with full rebates. In this case just over half of tax units lose in Great Britain, only 3% (300,000) lose more than £2 per week and 2% (200,000) lose more than 5% of net income. There is no marked regional pattern: gainers and losers are roughly balanced in all areas.

10. Tables 3(a) and 3(b) show the impact on those on low incomes of replacing rates by the community charge, but with no rebates and general income support uprating. The population considered here is slightly lower than that in Tables 2(a) and 2(b); this is because with the different support arrangements for the community charge, the low income population cannot be defined in exactly the same way. Overall, the number of low income gainers is increased compared to the position with full rebates for the community charge; in Great Britain just over 60% would make some gain from the introduction of the community charge on this basis; most of these would be small, but there would be some large gains reflecting the overcompensation of those living in low rate bill areas. However, there would also be an increase in the numbers of **big losers**; 9% (730,000) of low income tax units would lose more than £2 per week and 6% (470,000) would lose more than 5% of net income. These reflect the degree of undercompensation of those living in high local tax areas. The differing impact of introducing the community charge with and without rebates is summarised below by country.

GAINS AND LOSSES FOR LOW INCOME TAX UNITS FROM REPLACING RATES BY THE COMMUNITY CHARGE WITH AND WITHOUT SEPARATE REBATES

	England	Wales	Scotland	GB
	%	%	%	%
<u>a) With rebates throughout</u>				
Total gainers	46.8	47.3	45.6	46.7
Total losers	50.2	49.9	51.1	50.3
losing more than £2 per week	3.5	1.1	4.1	3.4
losing more than 2% of net income	10.0	5.8	11.0	9.8
No change	3.0	2.9	3.3	3.1

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b) With no rebates for the community charge but increased income support

Total gainers	61.7	90.9	34.8	60.7
Total losers	38.3	9.1	65.2	39.3
losing more than £2 per week	9.2	3.3	10.4	9.0
losing more than 2% of net income	17.3	5.4	27.6	17.6
No change	-	-	-	-
Average gross community charge	£173	£113	£204*	£173

11. With full rebates almost exactly half of low income tax units lose in both England, Scotland and Wales. Without rebates, but with an uprating of income support levels by 80% of the average Great Britain community charge, there is a marked contrast between the three countries; in Wales over 90% would be gainers whereas in Scotland 65% would be losers. This is because average local tax bills are much lower in Wales and higher in Scotland than the GB average. Altogether, some 730,000 tax units on low incomes in Great Britain would lose more than £2 per week; 90,000 of these would be in Scotland and only 20,000 in Wales.

12. In England, overall only 38% of low income tax units would lose on the introduction of the community charge with general income support uprating. But the pattern of losses and gains would vary markedly across regions. Assuming the operation of the safety net arrangements, most of those in regions with high existing rate bills - **Greater London** and the **South East** - would be worse off. The majority of those in the **Northern Region**, **Yorkshire and Humberside**, the **East Midlands** and the **South West**, where existing rate bills are low, would be better off.

13. The effects in Greater London, where overall 76% of tax units with a low income would be worse off, are particularly marked: 30% (250,000) of tax units on low incomes would lose more than £2 per week, 20% (170,000) would lose more than 5% of net income and over half would lose more than 2% of net income. Overall, of the 630,000 tax units in England losing more than £2 per week, 400,000 would be in Greater London or the South East.

14. Table 4 illustrates the effect of removing rebates on the position of 3 low income groups in 2 London Boroughs which have high local tax bills for different reasons - Hackney because of high spending, Kensington and Chelsea because of the effect of high rateable values locked into the system by the safety net arrangements. They are compared with the position in Hyndburn, Lancashire which has low local tax bills because of low rateable values. It shows that pensioner couples on income support in **Kensington and Chelsea** would be £4.20 per week or 7% of their income worse off on the income support option than with a rebate scheme. Losses in **Hackney** - on the income support option - for those on lowest incomes would be even greater; pensioner couples on income support would lose £5.80 pw or nearly 10% of their income.

* figures for Scotland include water and sewerage charges.

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15. These figures apply only to those who would receive income support and so benefit from the uprating of income support levels. 15% of all pensioner couples receive community charge rebates, but no other benefits. One of the consequences of this is that 24% of pensioner couples on low incomes (240,000) would lose more than £2 pw and 31% (310,000) would lose more than 2% of their net income as a result of introducing the community charge with no rebates. This compares with the 3% losing more than £2 pw and 4% losing more than 2% of net income on the introduction of the community charge with full rebates.

Transition

16. The results described above relate to the complete replacement of rates with the community charge. In fact, a period of transition is intended and these effects will build up during the course of that period - presently planned as up to 10 years in the highest charge authorities in England where the problems will be the greatest. In Scotland, however, transition will start in 1989 and be complete by 1993. In Wales a six year transition is planned. Options for the transitional period in England are to be kept open.

17. During the transitional period different income support arrangements would be required in each of the 3 countries. If a unified benefit scheme were to be reinstated at the end of the transitional period there would have to be further periods of adjustment in Wales and Scotland.

Position without safety nets

18. Without the safety net arrangements in England the range of community charges would increase from £80 to £720 but the average would remain the same. Levels of community charge would rise in the North of England and Inner London and fall in the South East, West Midlands and South East. There would still be a marked regional pattern, losers from the change in the basis of support would be concentrated in London as before, but also in the North as well rather than the South East. In Greater London the scale of losses for these tax units on low income would be even higher than with the safety netted figures shown in para 13.

Cost and Caseload

19. Assessment of the cost and caseload implications of a move to flat-rate additions to income support is complicated because of the differences between estimates on the basis of entitlement to benefit, and those which make some allowance for the actual take-up of benefits. Regard must also be had to the knock on effects on other income related benefits cost and caseload of uprating income support. The position is summarised below where the figures are based on entitlements to benefits.

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Estimated effects on Social Security cost and caseload of alternative methods of providing assistance with the community charge: GB 1985/86 prices

	(1)	(2)	(3)	
	Rates with Cmnd 9691 benefits	full community charge with Cmnd 9691 benefits	full community charge with no rebates but income-related benefits uprated	Change (3)-(2)

Local Tax Rebates

Cost (£bns)	1.02	1.15	0	-1.15
Caseload (millions)	6.24	7.43	0	-7.4

All Income-related benefits (ie income support, family credit, rent rebates and local tax rebates)

Cost (£bns)	9.69	9.82	9.85	+0.03
Caseload (millions)	7.89	8.45	7.33	-1.12

20. Moving from rates to the community charge with rebates would, on these estimates, involve an increase in local authority caseload of about 1.2 million. If help towards the community charge were instead given through income support, local authorities would see a substantial reduction in their workload; there would also be an overall reduction in the number of means-tested benefit cases, from the position with rates as well as from that with a rebated community charge. However, the total reduction in caseload would be limited by the fact that 6.3m of the 7.4m who would have been entitled to community charge rebates would be able to obtain other income-related benefits after the uprating of income support. There would be an increase of 0.6m in the number of income support cases to be dealt with by DHSS. The figures based on benefit entitlements suggest that there could be a net cost of £30m in a move to using income support rather than rebates. This would arise mainly from the overcompensation of benefit recipients in areas with below-average community charges.

Summary

21. These results illustrate that introducing the community charge with uprated income support but no rebates instead of full rebates would:

i. overcompensate those living in areas with low levels of community charge and undercompensate those in areas of high tax bills. Low income taxpayers in Wales would generally be better off while those in Scotland would lose: within England, although more gain than lose, there is a marked regional pattern. With the proposed safety netting arrangements in force, low income tax units in London and the South East would mostly lose, while those in low rate bill areas in the North would gain.

ii. more than double the number of large losses for those on low incomes, so that 730,000 such the tax units would lose more than £2 per week - of which 500,000 would be in Greater London, the South East and Scotland.

iii. produce losses equivalent to 5% or more of net income for 470,000 tax units on low incomes in Great Britain and 10% or more of net income for over 100,000 of these tax units.

iv. adversely affect low-income, owner occupier tax units just above income support levels. In particular large losses for pensioner couples would increase significantly.

v. reduce the number of cases receiving income-related benefits by 1.1m, but lead to increases in cost of £30m.

Impact of introducing the full community charge with no rebates in 1985/6 with full safety nets and income related benefits uprated by 80% of the average 1985/86 charge. Thousands of Gainers and Losers: Tax Units

Table 1(a)

	Northern ('000s)	Yorks & Humberside ('000s)	East Midlands ('000s)	East Anglia ('000s)	Greater London ('000s)	South East ('000s)	South Western ('000s)	West Midlands ('000s)	North Western ('000s)	England ('000s)	Wales ('000s)	Scotland ('000s)	Great Britain ('000s)
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	7	-	-	-	-	8	-	-	8
5 - 10	1	5	6	2	216	85	4	17	18	355	-	28	382
2 - 5	268	374	345	164	814	1,081	339	448	570	4,403	163	487	5,053
1 - 2	156	219	190	93	496	665	198	276	277	2,571	195	418	3,184
0 - 1	237	345	292	189	486	899	322	534	559	3,864	209	523	4,596
Total losers	661	943	833	448	2,020	2,730	863	1,274	1,424	11,200	568	1,456	13,224
GAINERS													
0 - 1	407	612	501	250	295	707	429	540	681	4,422	302	291	5,016
1 - 2	235	439	237	93	196	400	263	218	346	2,425	286	157	2,868
2 - 5	283	397	272	134	328	654	285	370	484	3,207	264	326	3,797
5 - 10	48	87	48	26	99	191	61	82	140	783	19	106	908
10+	7	7	7	4	28	39	10	12	15	129	2	20	151
Total gainers	980	1,541	1,065	506	947	1,991	1,048	1,222	1,667	10,967	874	900	12,740
PERCENTAGE OF NET INCOME													
LOSERS													
10+	4	7	10	5	76	44	13	24	26	207	3	37	247
5 - 10	42	46	45	28	271	277	56	109	115	991	24	164	1,179
2 - 5	200	282	232	115	657	737	225	303	445	3,197	140	407	3,744
1 - 2	157	222	204	80	413	623	194	301	281	2,473	134	345	2,953
0 - 1	258	387	342	220	603	1,048	375	535	557	4,324	266	503	5,093
Total losers	661	943	833	448	2,020	2,730	863	1,274	1,424	11,200	568	1,456	13,224
GAINERS													
0 - 1	336	545	480	244	417	965	469	572	682	4,709	295	363	5,367
1 - 2	306	474	313	132	200	485	306	283	450	2,949	236	193	3,378
2 - 5	255	440	205	94	210	409	212	248	377	2,450	284	232	2,966
5 - 10	42	54	42	22	85	97	45	72	95	553	37	68	659
10+	42	28	25	14	34	34	15	49	63	305	22	44	372
Total gainers	980	1,541	1,065	506	947	1,991	1,048	1,222	1,667	10,967	874	900	12,740
No Change	32	70	54	28	46	130	37	54	63	515	32	47	595

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Impact of introducing the full community charge with no rebates in 1985/6 with full safety nets and income related benefits uprated by 80% of the average 1985/86 charge. Percentage of Gainers and Losers : Tax Units

Table 11(6)

	Northern %	Yorks & Humber %	East Midlands %	East Anglia %	Greater London %	South East %	South Western %	West Midlands %	North Western %	England %	Wales %	Scotland %	Great Britain %
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	.2	-	-	-	-	.0	-	-	.0
5 - 10	.0	.2	.3	.2	7.2	1.8	.2	.7	.6	1.6	-	1.2	1.4
2 - 5	16.0	14.7	17.7	16.6	27.0	22.3	17.4	17.6	18.1	19.4	11.1	20.3	19.0
1 - 2	9.3	8.6	9.7	9.5	16.5	13.7	10.2	10.8	8.8	11.3	13.2	17.4	12.0
0 - 1	14.2	13.5	15.0	19.2	16.1	18.5	16.5	20.9	17.7	17.0	14.2	21.8	17.3
Total losers	39.5	36.9	42.7	45.6	67.1	56.3	44.3	50.0	45.2	49.4	38.5	60.6	49.8
GAINERS													
0 - 1	24.3	24.0	25.7	25.4	9.8	14.6	22.0	21.2	21.6	19.5	20.5	12.1	18.9
1 - 2	14.0	17.2	12.1	9.4	6.5	8.3	13.5	8.5	11.0	10.7	19.4	6.5	10.8
2 - 5	16.9	15.6	14.0	13.6	10.9	13.5	14.6	14.5	15.4	14.1	17.9	13.6	14.3
5 - 10	2.9	3.4	2.5	2.7	3.3	3.9	3.2	3.2	4.4	3.5	1.3	4.4	3.4
10+	.4	.3	.3	.4	.9	.8	.5	.5	.5	.6	.2	.9	.6
Total gainers	58.6	60.3	54.6	51.5	31.4	41.1	53.8	47.9	52.9	48.4	59.3	37.5	48.0
PERCENTAGE OF NET INCOME													
LOSERS													
10+	.3	.3	.5	.5	2.5	.9	.7	.9	.8	.9	.2	1.5	.9
5 - 10	2.5	1.8	2.3	2.8	9.0	5.7	2.9	4.3	3.7	4.4	1.6	6.8	4.4
2 - 5	12.0	11.0	11.9	11.7	21.8	15.2	11.5	11.9	14.1	14.1	9.5	16.9	14.1
1 - 2	9.4	8.7	10.4	8.1	13.7	12.8	10.0	11.8	8.9	10.9	9.1	14.4	11.1
0 - 1	15.4	15.2	17.5	22.4	20.0	21.6	19.2	21.0	17.7	19.1	18.0	20.9	19.2
Total losers	39.5	36.9	42.7	45.6	67.0	56.3	44.3	49.9	45.2	49.4	38.5	60.6	49.8
GAINERS													
0 - 1	20.1	21.3	24.6	24.8	13.8	19.9	24.1	22.4	21.6	20.8	20.0	15.1	20.2
1 - 2	18.3	18.6	16.0	13.5	6.6	10.0	15.7	11.1	14.3	13.0	16.0	8.0	12.7
2 - 5	15.2	17.2	10.5	9.6	7.0	8.4	10.9	9.7	11.9	10.8	19.3	9.7	11.2
5 - 10	2.5	2.1	2.2	2.2	2.8	2.0	2.3	2.8	3.0	2.4	2.5	2.8	2.5
10+	2.5	1.1	1.3	1.4	1.1	.7	.8	1.9	2.0	1.3	1.5	1.9	1.4
Total gainers	58.6	60.3	54.6	51.5	31.4	41.1	53.8	47.9	52.8	48.4	59.3	37.5	48.0
No Change	1.9	2.7	2.8	2.9	1.5	2.7	1.9	2.1	2.0	2.3	2.2	2.0	2.2

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Impact of introducing the full community charge with rebates in 1985/6 with full safety nets for those on low incomes (thousands of gainers and losers : Tax Units)

Table Z(a)

	Northern ('000s)	Yorks & Humberside ('000s)	East Midlands ('000s)	East Anglia ('000s)	Greater London ('000s)	South East ('000s)	South Western ('000s)	West Midlands ('000s)	North Western ('000s)	England ('000s)	Wales ('000s)	Scotland ('000s)	Great Britain ('000s)
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - 10	-	-	-	-	8	1	1	2	1	14	-	-	-
2 - 5	15	13	17	4	49	56	11	31	42	237	6	1	15
1 - 2	25	45	24	23	72	72	25	43	38	367	27	36	279
0 - 1	264	387	241	161	342	539	238	370	450	2,932	232	35	429
Total losers	304	445	282	188	471	669	275	446	530	3,609	265	469	4,344
GAINERS													
0 - 1	266	352	215	104	296	379	208	304	442	2,566	198	315	3,079
1 - 2	32	42	42	12	53	53	25	41	55	352	29	35	417
2 - 5	34	36	28	13	55	72	24	47	73	382	23	56	462
5 - 10	1	1	2	1	9	7	4	10	13	49	-	12	61
10+	1	1	1	-	3	4	1	3	2	16	1	-	16
Total gainers	335	431	287	130	415	515	262	405	585	3,366	251	418	4,035
PERCENTAGE OF NET INCOME													
LOSERS													
10+	-	-	2	-	3	2	-	2	1	11	-	1	11
5 - 10	10	15	7	8	31	26	10	23	34	164	7	28	200
2 - 5	47	40	50	17	90	111	28	85	78	546	23	72	641
1 - 2	48	76	46	35	105	122	45	69	89	635	55	69	758
0 - 1	199	313	177	128	242	408	192	266	328	2,254	180	300	2,734
Total losers	304	445	282	188	471	669	275	446	530	3,609	265	469	4,344
GAINERS													
0 - 1	229	311	188	91	204	321	182	255	363	2,143	180	243	2,566
1 - 2	60	60	45	18	120	97	38	74	105	616	35	88	739
2 - 5	34	46	40	17	66	71	34	53	85	446	26	61	532
5 - 10	12	12	13	3	22	23	9	20	26	140	8	23	171
10+	1	3	1	1	3	3	-	3	7	22	2	3	27
Total gainers	335	431	287	130	415	515	262	405	585	3,366	251	418	4,035
No Change	31	23	20	12	18	22	12	39	42	219	15	31	265

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Impact of introducing the full community charge with rebates in 1985/6 with full safety nets
for those on low incomes (% of gainers and losers : Tax Units)

	Northern %	Yorks & Humberside %	East Midlands %	East Anglia %	Greater London %	South East %	South Western %	West Midlands %	North Western %	England %	Wales %	Scotland %	Great Britain %
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	-	-	-	-	-	-	-	-	-
5 - 10	-	-	-	-	.9	.1	.3	.3	.1	.2	-	.1	.2
2 - 5	2.2	1.5	2.9	1.3	5.4	4.7	2.0	3.4	3.6	3.3	1.1	4.0	3.2
1 - 2	3.7	5.0	4.1	6.9	8.0	6.0	4.5	4.8	3.3	5.1	5.1	3.8	5.0
0 - 1	39.4	43.1	40.9	48.9	37.8	44.7	43.4	41.6	38.8	41.6	43.7	43.2	41.9
Total losers	45.3	49.5	47.8	57.1	52.1	55.4	50.1	50.1	45.8	50.2	49.9	51.1	50.3
GAINERS													
0 - 1	39.8	39.2	36.4	31.6	32.7	31.4	37.9	34.2	38.2	35.7	37.2	34.3	35.6
1 - 2	4.8	4.6	7.1	3.5	5.8	4.4	4.5	4.6	4.7	4.9	5.5	3.8	4.8
2 - 5	5.1	4.0	4.7	4.0	6.1	6.0	4.4	5.3	6.3	5.3	4.4	6.1	5.3
5 - 10	.1	.2	.4	.2	1.0	.6	.8	1.2	1.1	.7	-	1.4	.7
10+	.2	.1	.1	-	.3	.4	.1	.3	.2	.2	.1	-	.2
Total gainers	50.0	48.0	48.7	39.4	45.9	42.7	47.7	45.5	50.6	46.8	47.3	45.6	46.7
PERCENTAGE OF NET INCOME													
LOSERS													
10+	-	-	.4	-	.3	.2	-	.3	.1	.1	-	.1	.1
5 - 10	1.4	1.7	1.1	2.4	3.5	2.1	1.9	2.6	2.9	2.3	1.4	3.1	2.3
2 - 5	7.0	4.5	8.4	5.1	9.9	9.2	5.2	9.6	6.8	7.6	4.4	7.8	7.4
1 - 2	7.2	8.5	7.8	10.6	11.6	10.1	8.1	7.8	7.7	8.8	10.3	7.5	8.8
0 - 1	29.7	34.9	30.1	38.9	26.8	33.8	35.0	29.8	28.4	31.3	33.8	32.7	31.6
Total losers	45.3	49.5	47.8	57.1	52.1	55.5	50.1	50.1	45.8	50.2	49.9	51.1	50.3
GAINERS													
0 - 1	34.1	34.6	32.0	27.7	22.6	26.6	33.1	28.6	31.3	29.8	33.9	26.5	29.7
1 - 2	8.9	6.7	7.6	5.3	13.3	8.1	6.9	8.4	9.1	8.6	6.6	9.5	8.6
2 - 5	5.0	5.1	6.8	5.1	7.4	5.9	6.1	5.9	7.4	6.2	4.8	6.7	6.2
5 - 10	1.7	1.3	2.2	.9	2.4	1.9	1.6	2.3	2.2	1.9	1.5	2.5	2.0
10+	.2	.3	.1	.4	.3	.2	-	.3	.6	.3	.4	.3	.3
Total gainers	50.0	48.0	48.7	39.4	45.9	42.7	47.7	45.5	50.6	46.8	47.3	45.6	46.7
No Change	4.7	2.5	3.5	3.5	1.9	1.8	2.1	4.4	3.7	3.0	2.9	3.3	3.1

Table 2(6)

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Impact on those on low incomes of introducing the full community charge with no rebates in 1985/6 with full safety nets
 : income related benefits uprated by 80% of the average charge (thousands of gainers and losers : Tax Units)

	Northern ('000s)	Yorks & Humberside ('000s)	East Midlands ('000s)	East Anglia ('000s)	Greater London ('000s)	South East ('000s)	South Western ('000s)	West Midlands ('000s)	North Western ('000s)	England ('000s)	Wales ('000s)	Scotland ('000s)	Great Britain ('000s)
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	2	-	-	-	-	2	-	-	2
5 - 10	1	1	1	1	53	25	2	11	7	101	-	9	110
2 - 5	17	27	21	15	196	120	41	46	41	525	17	80	621
1 - 2	31	18	23	14	190	160	20	56	58	570	13	177	760
0 - 1	85	83	61	62	188	343	76	236	264	1,398	16	289	1,703
Total losers	134	128	105	93	630	648	139	349	369	2,596	46	555	3,197
GAINERS													
0 - 1	245	319	260	137	82	243	221	292	370	2,169	142	129	2,441
1 - 2	145	255	95	34	30	75	93	53	152	933	174	43	1,150
2 - 5	112	155	94	43	70	125	63	126	147	935	134	104	1,172
5 - 10	12	12	8	7	18	22	12	13	30	134	10	20	163
10+	-	1	1	-	2	2	-	-	1	7	1	1	8
Total gainers	514	742	458	221	203	467	390	484	699	4,178	460	296	4,934
PERCENTAGE OF NET INCOME													
LOSERS													
10+	1	3	5	2	46	16	10	4	4	93	1	9	102
5 - 10	13	14	8	8	119	73	15	33	25	308	7	51	366
2 - 5	34	29	28	18	253	189	36	68	107	762	20	175	958
1 - 2	24	31	18	15	101	169	22	90	66	536	7	153	695
0 - 1	61	50	46	50	110	201	55	153	168	894	11	167	1,072
Total losers	134	128	105	93	630	648	139	349	369	2,596	46	555	3,197
GAINERS													
0 - 1	113	136	142	90	68	191	123	212	223	1,290	50	102	1,442
1 - 2	179	289	167	66	30	96	145	109	212	1,293	141	50	1,484
2 - 5	158	268	99	42	51	120	88	88	156	1,070	219	77	1,366
5 - 10	26	32	27	10	30	36	20	30	55	266	29	31	326
10+	37	26	23	12	24	25	14	45	53	259	20	37	316
Total gainers	514	742	458	221	203	467	390	484	699	4,178	460	296	4,934
No Change	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 3(a)

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Impact on those on low incomes of introducing the full community charge with no rebates in 1985/6 with full safety nets
: income related benefits uprated by 80% of the average charge (% of gainers and losers : Tax Units)

	Northern %	Yorks & Humber %	East Midlands %	East Anglia %	Greater London %	South East %	South Western %	West Midlands %	North Western %	England %	Wales %	Scotland %	Great Britain %
POUNDS PER WEEK													
LOSERS													
10+	-	-	-	-	.3	-	-	-	-	.0	-	-	.0
5 - 10	.1	.1	.1	.5	6.3	2.2	.4	1.3	.6	1.5	-	1.0	1.4
2 - 5	2.6	3.1	3.8	4.9	23.6	10.8	7.7	5.5	3.8	7.7	3.3	9.4	7.6
1 - 2	4.8	2.0	4.0	4.4	22.9	14.3	3.7	6.8	5.4	8.4	2.6	20.8	9.4
0 - 1	13.2	9.5	10.8	19.8	22.6	30.8	14.4	28.3	24.7	20.6	3.2	34.0	21.0
Total losers	20.7	14.7	18.7	29.5	75.6	58.1	26.2	41.9	34.6	38.3	9.1	65.2	39.3
GAINERS													
0 - 1	37.7	36.7	46.2	43.5	9.9	21.8	41.9	35.1	34.6	32.0	28.1	15.2	30.0
1 - 2	22.4	29.3	16.9	10.9	3.6	6.7	17.7	6.4	14.2	13.8	34.3	5.1	14.1
2 - 5	17.3	17.9	16.7	13.7	8.4	11.2	11.9	15.1	13.7	13.8	26.4	12.2	14.4
5 - 10	1.8	1.3	1.4	2.3	2.2	2.0	2.4	1.6	2.8	2.0	1.9	2.3	2.0
10+	-	.1	.1	-	.3	.2	-	-	.1	.1	.1	.1	.1
Total gainers	79.3	85.3	81.3	70.5	24.3	41.9	73.8	58.1	65.4	61.7	90.9	34.8	60.7
PERCENTAGE OF NET INCOME													
LOSERS													
10+	.2	.3	.9	.7	5.5	1.4	1.9	.5	.4	1.4	.1	1.0	1.3
5 - 10	2.0	1.6	1.4	2.6	14.3	6.5	2.9	3.9	2.3	4.6	1.3	6.0	4.5
2 - 5	5.3	3.4	4.9	5.8	30.4	17.0	6.8	8.2	10.0	11.3	4.0	20.6	11.8
1 - 2	3.7	3.6	3.2	4.7	12.2	15.1	4.1	10.8	6.2	7.9	1.3	17.9	8.6
0 - 1	9.5	5.8	8.2	15.8	13.2	18.0	10.5	18.3	15.7	13.2	2.2	19.6	13.2
Total losers	20.7	14.7	18.7	29.5	75.6	58.1	26.2	41.7	34.6	38.3	8.9	65.2	39.3
GAINERS													
0 - 1	17.5	14.5	25.3	28.6	8.2	17.2	23.3	25.5	20.9	19.0	10.0	12.0	17.7
1 - 2	27.6	33.3	29.7	21.2	3.6	8.6	27.5	13.1	19.8	19.1	27.9	5.8	18.3
2 - 5	24.4	30.8	17.5	13.5	6.1	10.7	16.6	10.6	14.6	15.8	43.3	9.0	16.8
5 - 10	4.1	3.7	4.8	3.3	3.6	3.2	3.7	3.6	5.2	3.9	5.8	3.6	4.0
10+	5.7	3.0	4.0	4.0	2.9	2.2	2.6	5.4	4.9	3.8	4.0	4.4	3.9
Total gainers	79.3	85.3	81.3	70.5	24.4	41.9	73.8	58.1	65.4	61.7	90.9	34.8	60.7
No Change	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 3(b)

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Table 4

CONFIDENTIALImpact of replacing rebates by uprated income support for tax units on income support in selected LA areas

National average community charge in 1985/86 = £173 pa or £3.32 pw.

Income support rates uprated by 80% of average charge = £2.66 pw per adult.

Change in net weekly local tax payments when Cmnd 9691 rebates are replaced by uprated income support (IS) levels (1985/86 prices)

Community charge with full safety net	Income support level (£pw)	Net local tax payment		Change in net* local tax payment	
		Cmnd 9691 benefit system (£pw)(as a % of IS level)	Income support* uprated (£pw)(as a % of original IS level)	(£pw)(as a % of original IS level)	(£pw)(as a % of original IS level)
Hackney (av. cc=£360 pw)					
single adult (aged 21)	24.00	1.38 (5.8%)	4.26 (17.8%)	+2.88	(+12%)
Single pensioner	40.60	1.38 (3.4%)	4.26 (10.5%)	+2.88	(+7.1%)
Pensioner couple	63.25	2.77 (4.4%)	8.52 (13.5%)	+5.76	(+9.1%)
Kensington and Chelsea (av. cc=£310 pa)					
Single adult (aged 21)	24.00	1.19 (5.0%)	3.30 (13.8%)	+2.11	(+8.8%)
Single pensioner	40.60	1.19 (2.9%)	3.30 (8.1%)	+2.11	(+5.2%)
Pensioner couple	63.25	2.38 (3.8%)	6.60 (10.4%)	+4.22	(+6.7%)
Hyndburn (av. cc=£120 pa)					
Single adult (aged 21)	24.00	0.46 (1.9%)	-0.35 (-1.5%)	-0.81	(-3.4%)
Single pensioner	40.60	0.46 (1.1%)	-0.35 (-0.9%)	-0.81	(-2.0%)
Pensioner couple	63.25	0.92 (1.5%)	-0.70 (-1.1%)	-1.62	(-2.6%)

* Net local tax payment defined as gross payment less uprated element of income support.

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CABINET

MEMORANDA

	Serial No.	Date	Brief Description
<p>(This column to be left blank)</p>	6	12.9.86	STUDENTS AND THE COMMUNITY CHARGE
			Memorandum by the Secretary of State for Scotland
	7	29.9.86	STUDENTS AND THE COMMUNITY CHARGE
			Memorandum by the Secretary of State for Education and Science
	8		WITHDRAWN
	9	29.9.86	INTRODUCING THE COMMUNITY CHARGE
			Memorandum by the Secretary of State for the Environment

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