

CONFIDENTIAL

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FROM: A G TYRIE

DATE: 26 OCTOBER 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr F E R Butler
Mr J Anson
Mr B Potter
Mr N Holgate
Mr Cropper
Mr Call

E(LF) COMMUNITY CHARGE - TRANSITIONAL ARRANGEMENTS

Political Aspects

Mr Ridley's plans look politically even more suicidal than obligatory implementation in 1990-1. We would be leaving the decision on where the charge would hit hardest to our opponents.

Mr Potter's note deals with several key points. Mr Ridley has provided no analysis of winners and losers, public expenditure implications are barely touched upon, he seems untroubled by the inequities between areas his scheme would generate. Two political points might be persuasive with your colleagues:

i. Mr Ridley's proposals surrender political choice and initiative to Labour councils:

- Labour councils would be able to decide whether an increase in the charge would suit their electoral purposes. Clearly Labour would take advantage of this in inner London to recover their position after the last election. Mr Ridley dismisses this problem by saying: 'we would have no difficulty in showing that the decision lay entirely with the authority' (para. 8). But Labour's defence on the ground would be straightforward and difficult to contradict. They would argue that they are protecting their residents from having to cope with two taxes; better to take the Tory medicine all in one go.

*also RSG
to Lab councils*

- Nor would Labour councils take the flack if there were practical problems of implementation, indeed Labour might choose to inspire some problems. For example, if Labour local authorities did not take adequate steps to collect the new community charge the Joint Boards could find themselves short of cash in ex-Metropolitan counties. Labour would claim that such problems were the inevitable consequence of the new Tory tax. Mr Ridley's counter-claim that it was the local authorities' decision to opt for immediate implementation and therefore not the Government's responsibility, would look pretty frail. What is he going to say? He surely cannot argue that Labour authorities were precipitate in implementing the Government's own policy.

The Government would be faced with an invidious choice: either to be seen to be washing their hands of the problems generated by their new tax, or to be forced into throwing money at them to avoid the acute political embarrassment.

ii. Mr Ridley ignores the absurdities that are created by 1990-1 implementation while retaining the safety net. Mr Holgate's paper (26 October) shows the absurdities. For example, Epping Forest would see an increase of 28 percent in 1990-91, followed by a reduction of 37 percent by 1994-1995. So many local authorities would be able (or would find themselves) raising the community charge during the election period and then lowering it afterwards!

No doubt Messrs Chope and Howard have won some support for instant implementation around the country from our own supporters but that is because our troops have not understood it.

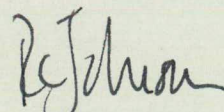
Second Order Points

i. Ending phasing in Year 2. Mr Ridley's paper does not address the question of whether councils should retain the right to switch to immediate implementation after 1990. There are London borough elections in that year. Would a newly elected local authority be permitted to opt for implementation in 1991-2?

If he believed his own line on accountability in paragraph 8 Mr Ridley should argue that the choice should rest with local authorities and that they could opt, after one year of phasing, to miss out the other 3. But I understand Mr Ridley will argue against permitting this. In doing so he will be admitting that, during an election, the Government would be seen as accountable, not local authorities.

ii. A Last Resort. I understand that Mr Ridley will not be proposing to keep a veto on whether a council may opt for immediate implementation. He is aware that this would blow a hole in his accountability argument. Apparently he has looked carefully at and rejected several ways of targeting the choice. These include targeting by class of authority, for example by excluding London, or allowing local authorities to opt out only if their rate bills are less than a given amount. But I expect your colleagues will recognise that there is a special problem for London.

If you lose the main argument as a fall back you could ask Mr Ridley to work up a specific proposal (with winners and losers) which deals with the London problem, making agreement to Mr Ridley's plan conditional on finding something suitable. He wouldn't find this easy and my bet is that we would be able to knock down any specific proposals. But this would be very much a last resort.


A G TYRIE

pp

I have just learnt that the Cabinet Office line is:

- Don't announce a change of policy now. It would look weak. If necessary, respond to 'representations' at Committee stage.
- The Government may be trading short term political gain now for a big price in 1990-91.



FROM: CATHY RYDING
DATE: 26 October 1987

CR
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TYRIE
26/10

MR TYRIE

cc Mr Potter (w/a)

E(LF): COMMUNITY CHARGE - TRANSITIONAL ARRANGEMENTS FOR ENGLAND

... I attach papers on Community Charge - transitional arrangements for England for E(LF) tomorrow. The Chancellor would be grateful for your views as soon as possible.

A handwritten signature in cursive script, appearing to be 'CR'.

CATHY RYDING

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1. MR FELLGETT
2. CHANCELLOR

FROM: N I HOLGATE
DATE: 26-Oct-87

cc: Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Miss Peirson
Mr Potter o/r
Mr Tyrrie

E(LF) 27 OCTOBER: COMMUNITY CHARGE TRANSITIONAL ARRANGEMENTS

You asked for particular examples of the effects of Mr Ridley's proposals in E(LF) (87)42.

2. Mr Ridley hopes that Conservative councils would choose to opt out of the four year transition. Because many of these authorities are in high rateable value areas, their Community Charge (CC) in 1990

- would be high in absolute terms (many over £200, some over £300) at 1987-88 prices for 1987-88 levels of spending; and

- higher than the eventual charge payable in 1994-95 when the safety net has been phased out.

Opting out thus creates a whole new class of losers in 1990.

Examples

3. All examples use a married couple in a property that is 80% of the average rateable value of their area and CC figures for 1987-88 that make no allowance for inflation, increases in real spending, the cost of collecting the CC or losses from evasion.

- South Buckinghamshire: if the council opted out, the household would face a 20% increase in the household rates bill from £660 to £794 in 1990-91. (This compares with a 5% increase in 1990-91 for a four year transition.) However the bill would then fall to £412 in 1994-95, a reduction of 48% from 1990-91.

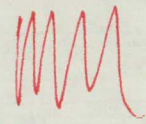
- Elmbridge: the household would face a 29% increase in the bill from £569 to £732 in 1990-91 (compared with a 3% increase for a four year transition). However the bill would then fall to £478 by 1994-95, a reduction of 35% from 1990-91.

- Epping Forest: an increase of 28% from £457 to £586 compared with a 10% increase for a four year transition. However the bill would then fall to £368 by 1994-95, a reduction of 37% from 1990-91.

- Hove: an increase of 37% from £342 to £470, compared with a 16% increase for a four year transition. However the bill would then fall to £348 by 1994-95, a reduction of 26% from 1990-91.

- Barnet: a 21% increase from £524 to £634 in 1990-91, compared with a 7% increase for a four year transition. The bill would then fall to £444

*Rob: Felly at
26/10*



8/10-94/5

-38%

-16%

-19%

+2%

-15%

1994-95, a reduction from 1990-91 of 30%.

4. These councils are extreme examples but many that may wish to opt out will produce this pattern of household bills. I attach a list of local authorities whose opted out CC in 1990-91 would be greater than their 1994-95 CC and which would therefore produce many artificial losers in 1990-91 if they chose to opt out. (Further examples are in Annexes A and B of Mr Potter's submission of 22 October.

5. Losses will be more marked for individuals, the lower the rateable value of their property. According to the 1985 Family Expenditure Survey, two million two adult households (or 20% of all two adult households) live in property that is less than 75% of national average rateable value.

N I Holgate

N I HOLGATE

DISTRICTS WITH A HIGHER COMMUNITY CHARGE IN 1990-91 THAN IN 1994-95
(IF OPTING OUT SELECTED)

Inner London:
Kensington and Chelsea
Westminster

Outer London

Barnet	Havering
Brent	Hillingdon
Bromley	Hounslow
Croydon	Kingston-upon-Thames
Ealing	Merton
Enfield	Redbridge
Haringey	Richmond-upon-Thames
Harrow	Sutton

Metropolitan districts

Bury	Stockport
Trafford	Sefton
Wirral	Birmingham
Coventry	Dudley
Sandwell	Solihull
alsall	Wolverhampton

Counties (* marks counties where a majority of districts would charge more in 1990-91 than in 1994-95.)

Avon	4	out of 6	districts	*
Bedfordshire	4	4		*
Berkshire	6	6		*
Buckinghamshire	5	5		*
Cambridge	5	6		*
Cheshire	8	8		*
Cleveland	0	4		
Cornwall	3	6		
Cumbria	0	6		
Derbyshire	3	9		
Devon	6	10		*
Dorset	8	8		*
Durham	0	8		
East Sussex	7	7		*
Essex	14	14		*
Gloucestershire	4	6		*
Hampshire	12	13		*
Hereford & Worcester	9	9		*
Hertfordshire	10	10		*
Humberside	1	9		
Isle of Wight	0	2		
Kent	13	14		*
Lancs	3	14		
Leicestershire	8	9		*
Lincolnshire	3	7		
Norfolk	7	7		*
Northampton	7	7		*
Northumberland	0	6		

North Yorkshire	0	8	
Nottinghamshire	2	8	
Oxfordshire	5	5	*
Shropshire	3	6	
Somerset	5	5	*
Staffordshire	7	9	*
Suffolk	6	7	*
Surrey	11	11	*
Warwickshire	5	5	*
West Sussex	6	7	*
Wiltshire	2	5	