

MR R I G ALLEN

93/2

FROM: 17 March 1988

cc: Mr Hawtin
Mr Potter o/r
Mr Pickford
Miss Sinclair
Mr Scotter

12/2
1. C. P. S. / R. S. / C. S.
2. R.

[Handwritten initials and signatures]

Ch?
per present

Ch
Lunatic (but what is not Budget figure)
AA

THE BUDGET AND FUNDING OF LOCAL AUTHORITIES

According to the Financial Times (bottom right hand corner of page 11) Michael Howard, the DOE junior Minister, yesterday told the Commons that, following the Budget tax cuts, the top 10% of earners would pay 15 instead of 16 times as much towards local authority services as the bottom 10%.

2. In previous correspondence with DOE we have agreed that they could say that the top 10% pay about 15 times as much as the bottom 10%. This reflects the progressive nature of central government taxation in aggregate, and the fact that about half of local authority expenditure is financed by government grant. The figure of "about 15" was based on historical data about expenditure and taxation, and will no longer be valid following the Budget tax changes.

3. DOE officials accept that there is no basis in fact for Mr Howard's statement, and acknowledge that it was also contrary to my agreement with them that no figures, not even the 15% previously agreed, would be used following the Budget. They have apologised.

4. They will advise Mr Howard to write to Sir George Young (who asked the Question being Answered) withdrawing the figures, and explaining that no figure can be calculated at present, because the previous estimates were based on outturn expenditure patterns which could not be updated with the Budget tax changes. I have asked them to make it clear to Mr Howard that the Treasury is concerned about incorrect statements of this type being made to the Commons, particularly during the Budget Debate.

475/3

9/240

5. If, in the meantime, you should get any queries I suggest you simply take the line that the Treasury does not recognise these figures, and refer any enquiries to the DOE Press Office.

Robin Fellgett

R FELLGETT

figures that would have applied had the community charge been fully in force this year, which would have been to the great benefit of his constituents.

Estuarine Development Schemes

8. **Mr. Ron Davies:** To ask the Secretary of State for the Environment what information he has as to how many estuarine development schemes are presently under consideration for England and Wales.

The Secretary of State for the Environment (Mr. Nicholas Ridley): I am not sure what an estuarine development scheme is.

Mr. Davies: If that is the case, I am not quite sure what we have a Secretary of State for the Environment for.

When the right hon. Gentleman gets round to doing some work in his Department and starts to identify the many estuaries around the coast of England and Wales threatened by developments—to control the ebb and flow of water or provide marinas, barrages or crossings—perhaps he will take the opportunity to study the number of estuaries affected by such developments and identified as sites of special scientific interest. When he has done that, will he be prepared to make a clear statement to the country about the value that he attaches to sites of special scientific interest when they are threatened by development?

Mr. Ridley: I would not dare to make any clear statement about any matter to do with planning in Wales. As the hon. Gentleman knows, it has nothing to do with me. As any application for development in relation to an estuary or anywhere else comes forward, it will be treated in the normal way and all relevant considerations will be properly weighed.

Mr. Steen: Since I have virtually more estuaries in my constituency than Labour voters, would my right hon. Friend be good enough, when looking at estuarial development, to realise the pressure on the land around estuaries, particularly in constituencies such as mine, where there are areas of outstanding natural beauty and where people want to come and live and constantly want to erode the natural beauty of the area? Will he consider issuing some circular or guidance to encourage local planning authorities to resist any suggestion that areas such as that should be spoiled for development?

Mr. Ridley: I shall certainly resist any Labour voter development schemes that come to my notice. The factors that my hon. Friend mentioned are important and are, or should be, taken into account at the level of applications and certainly will be if anything comes to me on appeal. I think that these matters are already covered adequately in circulars.

Rating Reform

9. **Mr. Nellist:** To ask the Secretary of State for the Environment what is his estimate of the number of single pensioners who will be (a) losers or (b) gainers under the poll tax; and if he will make a statement.

Mr. Howard: In England and Wales 80 per cent.—around 2 million—of single pensioners living alone and 66 per cent.—around 2.75 million—of all single pensioners would have gained if the community charge had been introduced in full on the basis of 1987-88 local

authority spending. Twenty per cent.—around half a million and 34 per cent.—just over 1 million—respectively would have paid more.

Mr. Nellist: It is bad enough that a third of a million single pensioners living alone would suffer under the poll tax and be losers, often the poorest pensioners living in the lowest-rated authorities. Why has the Minister not admitted, almost until the answer today, that of the 1 million single pensioners living with their children or grandchildren, two thirds will be losers under the poll tax? Yesterday half a million of the richest people in this country gained £2,000 million in tax cuts while, in reality, 1 million single pensioners in England alone—just over 2,000 per constituency—will lose under the poll tax.

Mr. Howard: It is absolutely typical of the hon. Gentleman that when a measure is taken that ensures that 80 per cent. of single pensioners living alone will benefit, he complains about it. The effect of the Budget yesterday on a single adult on national average earnings would be to make him better off by more than £200 a year. That is virtually enough to pay for his community charge in the average area.

Sir George Young: Does my hon. and learned Friend recall defending the poll tax as a fair tax before the Budget by saying that households in the top 10 per cent. of incomes would pay 16 times as much as households in the bottom 10 per cent? How does he propose to defend it now?

Mr. Howard: My hon. Friend is quite right. We have to reconsider our figures in the light of the Budget. I have to tell the House that we have not yet completed that exercise. Preliminary estimates show that instead of the top 10 per cent. of households paying 16 times as much as the bottom 10 per cent. towards the cost of local authority services, in future they are likely to be paying 15 times as much.

Mrs. Fyfe: Would the Minister care to tell us how much more the top earners are earning when compared to the bottom earners? Is it more than 15 times as much?

Mr. Howard: I am afraid that I tried to follow the hon. Lady's question but I did not catch it.

Mr. Speaker: Quite exceptionally, will the hon. Lady say it again?

Mrs. Fyfe: The Minister said that the top earners would now be paying 15 times as much, implying that the tax changes have made very little difference towards the comparison about which we are talking. Those top earners may be contributing 15 times as much to local taxes but how much more are they earning when compared with the lowest earners? Is it more or less than 15 times as much?

Mr. Howard: It is not how much they are earning or even how much they are paying in national taxes that is the figure that I gave a few moments ago. The top 10 per cent. of households in income terms will pay 15 times as much towards the cost of local authority services as the bottom 10 per cent.

Housing (Maladministration)

10. **Mr. David Martin:** To ask the Secretary of State for the Environment whether he will meet members of the



FROM: MOIRA WALLACE
DATE: 23 March 1988

A large, stylized handwritten signature in the top right corner of the page.

MR FELLGETT

cc PS/Chief Secretary
Mr Hawtin
Mr R I G Allen
Mr Potter
Mr Pickford
Miss Sinclair
Mr Scotter

THE BUDGET AND FUNDING OF LOCAL AUTHORITIES

The Chancellor has seen a copy of your minute of 17 March to Mr Allen. He would like to know what the correct post-Budget figure is.

A handwritten signature in the bottom right area of the page, appearing to read "Mpw".

MOIRA WALLACE

~~BF 28/3 - 29/3~~

- 1. MR POTTER ^{BHP} 23/3
- 2. APS/CHANCELLOR

FROM: R FELLGETT

Date: 23 March 1988

cc: PS/Chief Secretary
 Mr Hawtin o/r
 Mr R I G Allen
 Mr Pickford
 Miss Sinclair
 Mr Scotter

~~PWP~~
 BE 17/4

cc Mr Culpin

THE BUDGET AND FUNDING OF LOCAL AUTHORITIES

The Chancellor enquired (your minute of 23 March) about the correct post-Budget figure.

2. The Chancellor may recall that we earlier agreed with DOE officials that they should refer to the top 10% of households by income contributing about 15 times as much as the bottom 10% of households to local authority finance, on current tax and grant arrangements but under the Community Charge. This estimate took account of the progressivity of central taxation, which funds grant, and the existence of rebates from the Community Charge for poor households. It was based on outturn information about patterns of expenditure and tax payments in 1986, and inevitably subject to considerable uncertainty.

3. Any post-Budget estimate is subject to greater uncertainty, due to the difficulty of estimating behavioural reactions to tax charges. The best estimate available is that it will reduce the ratio by a little less than 1 (eg from 15:1 to over 14:1, if 15 was indeed the correct figure). We have accordingly told DOE to continue to refer to "about 15", while emphasising that this cannot be a precise estimate.

Robin Fellgett

R FELLGETT

7 APR 1988

BF to Moina
→ 15/3



Delayed due to
Enclosures.

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 7601

(reds)

CHIEF SECRETARY *Minister for Local Government*

FINANCIAL SECRETARY

REC.	- 8 APR 1988
ACTION	Mr Potter
COPIES TO	Mr Anson Mr Phillips Mr Hantra Miss Pearson Mr Turnbull Mr McIntyre Mr Gibson

2

REC.	07 APR 1988
ACTION	CST
COPIES TO	

pl cc to
Mr Culpin
& Mr Scotter
28 March 1988

Dear Norman

Mr Fellgett
Mr Call

THE COMMUNITY CHARGE AND THE BUDGET

As you know, we have used as part of our defence of the community charge the argument that those with the highest incomes will pay far more towards the cost of local services than the less well off, because about half the cost of local services is met from national taxation, in the form of Government grants to local authorities.

Our previous estimate had been that the households with the top 10% of incomes would pay some 16 times as much as the households with the bottom 10%. George Young has now asked me how that figure might be affected by the Budget changes.

We need to give a reply that is as helpful and specific as possible: evasiveness will merely mean renewed questioning on this point, and will blunt the impact of an argument which we have been putting in the forefront of our case. I enclose a draft of the letter I would like to send. Because this inevitably involves some interpretation of the impact of the Budget, I would be grateful for your agreement to a response in these terms.

Y - evd
Michael

MICHAEL HOWARD

ps I did actually use the "15+" formula in moving Jerry Jones, quite safe I believe of any Treasury sensitivity on the point - Mansard attached!

The Rt Hon Norman Lamont MP



DRAFT



Minister for Local Government

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 7601

March 1988

During Environment Questions on 16 March, you asked how the Budget affected our estimate that, when the community charge is introduced, the top 10% of households by income would, on present tax and grant arrangements, pay 16 times as much towards the cost of local services as the bottom 10%. You have also asked a Priority Written PQ on the same issue.

Our estimate was based, not on extrapolations from tax rates before the Budget, but on calculations derived from the actual amounts of tax paid, both direct and indirect, as revealed by the Family Expenditure Survey for 1986. Obviously, such sample data can only be obtained some time after tax rates are set. We will not therefore be able to recalculate the relative contributions of the top 10% and the bottom 10% of households on the same basis in the immediate future.

We have, however, undertaken some sensitivity tests which suggest that the ratio is unlikely to fall below about 15:1 as a result of the recent Budget.

It also remains true that the estimated ratio between these two groups would be greater with the community charge than it is with rates, because of the extent of the benefit to the poorest households of the new local government finance system.

You asked me in the House how I propose to defend our proposals. I have no difficulty in continuing to do so with precisely the same arguments I have used in the past.

MICHAEL HOWARD

Sir George Young Bt MP



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