

BF 23/12
ppp

CONFIDENTIAL

FROM: G C WHITE

DATE: 16 December 1988

- 1. MR EDWARDS *✓* *AJDE* *16 xii*
- 2. CHIEF SECRETARY

- cc **PS/Chancellor**
- Sir P Middleton
- Mr Anson
- Mr Phillips
- Mrs Case
- Mrs Lomax
- Miss Peirson
- Mr McIntyre
- Mr Potter
- Mr Fellgett
- Mr Call

1. Alex [hmm...
ashame if
we lose this]

2. pup

THE COMMUNITY CHARGE BILL

The Environment Secretary's letter of 8 December is in response to your letter of 28 November. This in turn was reacting to his proposals for the format of the Community Charge Bill circulated on 11 November.


2. The only point at issue is the explicit identification of the safety net adjustment. Mr Ridley is insisting that the safety net should not be included with the grant figures and should be shown as a separate adjustment. The new community charge regime will switch grant and business rate revenue from Inner London and the North to Southern England. The safety net phases in this transfer. Thus those suffering under the safety net are likely to be Conservative authorities. Mr Ridley will argue that these authorities will wish to show that the community charge would have been a lot lower if the full transfer of grant and business rate revenue took place immediately. This could cause difficulties because it encourages authorities to blame the Government for a higher community charge than is necessary. Whilst these authorities will generally be gainers under the community charge

regime, the safety net means that the full impact of the gain is not felt for some time. Mr Ridley's presentation will encourage authorities to complain about the effect of the safety net rather than appreciate the gains to be obtained under the community charge. From a Treasury point of view it will increase pressure for more grant.

3. Whilst this is an important issue for the Treasury it is unlikely to be a subject on which your colleagues would offer support and No.10 have written to say that the Prime Minister is content with the revised format. You will therefore probably not wish to argue against the revised format but you may like to emphasise that you remain concerned that this might lead to criticism of the community charge policy. In addition you will wish to stress that it has been agreed that the safety net is to be self-financing and that pressure for increased grant will need to be firmly resisted.

4. We are giving further thought to the whole question of the construction of the safety net and Mr Fellgett will be forwarding a submission shortly which seeks your views on the way forward.

5. In the meantime a draft reply covering the format of the community charge bill is attached.



G C WHITE

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DRAFT LETTER FOR THE CHIEF SECRETARY TO SEND TO:

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

THE COMMUNITY CHARGE BILL

Thank you for your letter of 8 December 1988. I have also seen a copy of the letter of 12 December from No.10.

2. Colleagues are generally content with your revised format for the community charge bill and I would not wish to delay consultations with local authority associations. I am therefore content for you to proceed on the basis of the format attached to your letter of 8 December.

3. I do however remain concerned about presentation of the safety net. The new regime will switch grant and business rate revenue from Inner London and the North to Southern England. The safety net will phase in these switches. Many Southern authorities, including our own supporters, will find themselves imposing higher community charges in 1990-91 than if the full transfer of grant and business rate revenue took place immediately.

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4. The danger I see is that some authorities will complain that the safety net is imposing a cost on their chargepayers instead of pointing out that they are gaining under the community charge regime (although the safety net will mean that the gain will not fully materialise for several years). This could lead to complaints from people who should be welcoming the Community Charge and pressures for a more rapid withdrawal of the safety net for those who lose from it, with related pressures for extra grant. I do think it important to consider the detailed presentation most carefully with these risks in mind.

5. I am copying this letter to the Prime Minister, members of E(LF) and to Sir Robin Butler.

JOHN MAJOR

pmf



The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CH/EXCHEQUER	
REC.	-9 DEC 1988
ACTION	CST
COPIES TO	

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

8 December 1988

Dear Chief Secretary

THE COMMUNITY CHARGE BILL

Thank you for your letter of 28 November in response to mine of 11 November. I have also seen the letters on this subject from the Prime Minister, Douglas Hurd, Paul Channon and John Moore.

On the question of specific grants, I do not think the implications are as wide as Douglas suggests. There will be no need to recalculate the precepts on the collection fund or the needs assessments. They will be determined in the ordinary way. Sums representing specific grants will then be added to them on both sides of the bill, so that the first three lines show a combined precept and grant figure, and then subtracted again in the "grant" line. I believe that this is the only way to show the grants explicitly and simply on the face of the bill.

I accept that we need to consider carefully the way in which the specific grant figures will be arrived at; but that is to some extent a secondary question. All that is required is a reasonably accurate indication of the total amount of spending which is represented by Government grants. It will not matter greatly if they are not 100% correct at the end of the day; indeed, in view of the nature of specific grants, it would be surprising if they were. The supporting information to be enclosed with the bill can make this clear.

I accept John Moore's point about the possibility of confusion if the figure at the foot of the bill is not the amount for which the chargepayer is liable if he is receiving a rebate; and I also accept that a notional rebate calculation on the charge for spending at need is unnecessary. I think, however, that we ought not to deny ourselves the use of the word "rebate" simply because the legislation refers to it as "community charge benefit". This latter term was not my Department's first choice. The expression was used because it was thought that "rebate" might not cover all the payment methods envisaged. I understand, however, that DSS subsequently obtained, in another context, advice from the Law Officers that "rebate" could describe all those methods; and I therefore think we should use the word we would have preferred wherever it will help understanding.



I take Paul Channon's point that we need to look at the different elements of grant which cover both capital and revenue; my officials will certainly be discussing this with grant-giving Departments as part of the process of determining the way in which the figures for specific grants are to be derived. The figures included in the bill must be calculated only by reference to grants for revenue.

Finally, on the safety net you expressed the view that it should be included in the grant figure, though other colleagues were content that it should be shown as a separate item. I think we must adopt this latter approach for the reasons set out in my letter of 11 November. So far as consistency between England, Wales and Scotland is concerned, both Malcolm Rifkind and Peter Walker are proposing forms of bill which are very different from the English version in a number of respects; I do not, therefore, think that we need to stick on this one point.

I enclose a revised version of the bill. I propose now to consult formally the local authority associations on a bill in that form. It is vital that local authorities should have our firm proposals as quickly as possible, since the form of the bill fundamentally affects the computer software necessary to implement and operate the community charge. Work on systems design is already under way, as it must be if it is to be in place by 1990, and we cannot now afford any further delay.

I am copying this letter to the Prime Minister, members of E(LF) and to Sir Robin Butler.

Yours sincerely
R. Ridley

NR

NICHOLAS RIDLEY

(approved by the Secretary of State
and signed in his absence).

EXAMPLE OF A COMMUNITY CHARGE BILL FOR A SHIRE DISTRICT

(Introductory details of amount of charge, how to pay, details of rebate etc)

HOW YOUR BILL IS MADE UP

The community charge pays for spending on services by local councils. Some of this spending is also paid for by the Government. If your councils were providing a standard level of services your community charge would be £202 before transitional "safety net" contributions to or from other councils. The way the community charge is worked out is shown below.

(£ per head)

YOUR BILL

THE READY RECKONER

	Amount needed by your councils to pay for the spending they propose	Amount needed to pay for the standard level of service
County name	715	686
District name	102	80
Parish name	11	
TOTAL	828	766
LESS		
Government grants	311	311
Business rates	253	253
TOTAL	264	202
PLUS/LESS		
Contributions to or from safety net (see notes)	37	37
TOTAL	301	239
PLUS		
Adjustment (see notes)	16	
COMMUNITY CHARGE	317	
Less rebate entitlement	---	
Amount payable by you	317	

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 December 1988

CHIEF SECRETARY	
REC.	77 12 1988
10	Mr Potter
	Cx, Sir P Mordaunt
	Mr Anson, Mr Phillips
	Mr Tombull, Mrs Gause
	Miss Pearson, Mr McIntyre

McCall

MP

Dear Roger,

THE COMMUNITY CHARGE BILL

The Prime Minister has seen your Secretary of State's further letter of 8 December to the Chief Secretary, and is content with the revised format for the Community Charge bill.

I am copying this letter to the Private Secretaries to members of E(LF) and Trevor Woolley (Cabinet Office).

Yours,
P.G.

(PAUL GRAY)

Roger Bright, Esq.,
Department of the Environment.

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Prup



Ch

Nigel F was appounded
 by Sir W Clarke who was
 contemplating inviting
 Alan Walters to speak to
 the board for a time.
 Nigel F expressed strong
 doubts, & says he thinks
 Sir W Clarke open to persuasion.
 Let Nigel to say completely
 out of the question?

Approved - If necessary
 can speak to Sir W
 AA

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BE 13/12

10 DOWNING STREET
LONDON SW1A 2AA

M

From the Private Secretary

12 December 1988

Dear Roger,

THE COMMUNITY CHARGE BILL

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I am copying this letter to the Private Secretaries to members of E(LF) and Trevor Woolley (Cabinet Office).

Yours,
P

(PAUL GRAY)

Roger Bright, Esq.,
Department of the Environment.

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CH/EXCHEQUER	
REC.	12 DEC 1988
ACTION	CST
COPIES TO	

✓ 12/12

MP



CH/EXCHEQUER	
REC.	16 DEC 1988
ACTION	CST
COPIES TO	

QUEEN ANNE'S GATE LONDON SW1H 9AT

✓ 16/12

16 December 1988

Dear Nicholas,

THE COMMUNITY CHARGE BILL

Thank you for copying to me your letter of 8 December to John Major.

I am disappointed that you do not feel able to accept my suggestion for dealing with specific grants. I still see difficulties in showing grossed up figures on the Bill, particularly for the joint police authorities and the Metropolitan Police. I would not wish to see these difficulties used to question the manner in which specific grant payments are made. If the intention is to show the grant explicitly and simply on the face of the Bill then I remain of the view that this is best achieved by a separate entry "below the line". I do not wish to delay further the consultations with local authorities. But in the light of their comments on the proposals I may wish to return to this issue again.

Copies of this letter go to the Prime Minister, member of E(LF) and Sir Robin Butler.

Yours,
Nicholas

The Rt Hon Nicholas Ridley, MP.