

lg2.ds/potter/minutes/17

POTTER
TO
CST
21 JUN

SECRET AND PERSONAL

FROM: BARRY H POTTER (LG1)
DATE: 21 June 1989
x4790

CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Mr Edwards
Mr Hudson

NOTE ON ASSISTANCE TO COMMUNITY CHARGE PAYERS IN THE NORTH

I attach a speaking note for your discussion with No.10 as requested.

BHP

BARRY H POTTER

SECRET AND PERSONAL

NOTE ON ASSISTANCE TO COMMUNITY CHARGE PAYERS IN THE NORTH

Problem:

Original E(LF) proposal and Mr Ridley's latest ideas on the safety-net allow the first £25 per adult of grant losses to feed through to community charges. This figure on the basis of low spending assumption: in practice will be higher.

Necessary to feed through some losses in first year, if gains are to come through in the South. But difficult for the North to bear losses on this scale. Represents a considerably greater proportionate burden for them, because average domestic rate bill per adult is very low.

Solution:

Find mechanism to stop the first £25 per adult of losses being suffered in areas where average domestic rate bill per adult is low. Common characteristic of these areas is that they tend to have low average domestic rateable values. Suggest special treatment of these areas, linked to a threshold level of average domestic rateable value.

Specific Proposals:

(i) New specific grant paid to local authority areas with average domestic rateable values below threshold of £140. Would cover some 27 local authorities including Calderdale, Rossendale, Pendle, York and Hyndburn; but also Rotherham, Bolsover and Copeland.

SECRET AND PERSONAL

(ii) Grant paid at rate of £25 per adult - sufficient to allow no losses on average rate bill per adult in these areas, if authorities stick to the spending assumption.

(iii) Specific grant phased out over 5 years; but amounts could be fixed now; grant equal to a 10% subsidy for community charge payers in these areas in the first year falling in real terms thereafter.

Cost:

Around £75 million in 1990-91; cost in subsequent years depends on precise format.

Impact on Community

Charges:

Could be combined with either the original E(LF) or new Ridley proposals on the safety-net - or any other variant which allows through the first £25 of losses. If cost is additional on AEF, would decrease community charges in qualifying areas by £25 while leaving other CCs unchanged. If costs met from within AEF, would add £2-£3 on community charges elsewhere.

Legislation:

Would be necessary if paid as a specific grant [may be variant available in which the special treatment of these areas forms part of the safety-net]; should be able to withstand a legal challenge, providing legislation is drafted carefully.

POTTER
TO COST
21 JUN

SECRET AND PERSONAL

FROM: BARRY H POTTER (LG1)
DATE: 21 June 1989
x4790

CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Mr A J C Edwards
Mr Hudson

THE SAFETY NET AND THE NORTH

I had a word with Juliet Wheldon (T.Sol) yesterday evening about whether the proposed specific grant for areas of low average domestic rateable values might be subject to judicial review.

2. Miss Wheldon was reassuring. The main point is that, as noted in the original minute, the specific grant would require new primary legislation. Providing that legislation were drafted in a sufficiently watertight form so that it overrode any other legislation pertaining to the safety net, Miss Wheldon believes that there should be no risk of successful legal challenge. She reminded me that the risks of judicial review arise mostly where one is seeking to interpret existing law in a new way.

3. Miss Wheldon's view, which of course is simply provisional and on the basis of a very quick telephone conversation yesterday evening, is that providing Parliamentary Counsel is properly instructed, the risks of successful challenge are low.

4. It has also occurred to me that there may be a variant of the proposal which does not require primary legislation at all. The relevant Section (84) of the Local Government Finance Act 1988 provides wide powers on the form of the safety net providing that it is self-financing. It ought therefore to be possible to phrase the safety-net in the following way:

SECRET AND PERSONAL

"The safety net will allow losses of up to £25 per adult to feed through in all losing areas, except in those authorities where average domestic rateable values per hereditament are below £135; these authorities will bear no losses in the first year; the cost of the safety-net will be financed by"

5. I asked Miss Wheldon whether such a formulation might be possible. Her view was that it would require further investigation of Section 84. She pointed out, however, that if there were any doubt about the vires for such a form of safety-net, powers could be taken in the Local Government and Housing Bill to provide the necessary cover.

BHP

BARRY H POTTER