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PCSPS

[See notes on paper below: MB timing of commission]

POTTER TO CHEX 5/9

CHANCELLOR

FROM: B H POTTER (LG1)
X4790
DATE: 5 September 1989

cc: Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips o/r
Mr Edwards (LG)
Mrs Lomax (GEP)
Mr McIntyre (ST)
Mr Hudson (LG1) o/r
Mr Rutnam (LG1)
Mrs Chaplin

COMMUNITY CHARGE SAFETY NET: MEETING ON 6 SEPTEMBER

You already have an annotated agenda for the meeting between you, the Chief Secretary and the Environment Secretary on 7 September from Mr Edwards (minute of 1 September). This note provides an update on DOE's thinking and sketches out a possible Treasury line for the meeting .

DOE Proposals

2. I understand that Mr Patten spoke to the Prime Minister yesterday morning about a range of DOE issues. Inter alia he outlined some thoughts on the local authority current settlement.

3. We understand that the Prime Minister showed only limited sympathy with Mr Patten's view that, in the light of backbench response to his predecessor's plans, more money was needed for the settlement. The Prime Minister reminded Mr Patten of the dangers that more grant would lead to higher expenditure; at the same time, more money was apparently not ruled out.

4. A meeting has now been arranged for Wednesday 13 September (Treasury Ministers, the Prime Minister and Environment Secretary) Tomorrow Mr Patten will circulate new proposals for the LA current settlement to us. Following the discussion on 7 September, Mr Patten will then send a minute to the Prime Minister.

DOE Note

5. The DOE note to the Prime Minister will be in three parts.

(A) Mr Patten will argue that the basic concept of safety net contributions is unacceptable to backbenchers and must be be dropped. His main proposal will therefore be to abolish paying for the protection of chargepayers in "losing" areas by contributions from gainers to the cost of the safety net. It follows that the taxpayer must bear the cost of phasing in the losses. This is now estimated at £660 million for 1990-91. Mr Patten will seek all this amount as an addition to the agreed and announced AEG of £23.1b.

(B) The note will also flag up growing DOE concerns about the community charge rebate scheme. Like us, DOE officials take the view that political pressure will build up over the next few months on individual community charges and hence on rebates, rather than the esoteric matter of average community charges in different areas. It is not yet clear whether Mr Patten will put forward specific proposals in the note: if so, they will be on the details ie capital limits for pensioners, earnings limits and the slope of the taper. DOE officials have (thankfully) now convinced Mr Patten that a centrally run system of individual safety nets, whereby rebates would be related to increases in local tax bills, is simply unworkable.

(C) The note will also offer something on community charge capping (partly, I suspect, because the Prime Minister raised this yesterday). Presumably this is intended to meet the criticism that extra grant for local authorities will not keep down community charges but merely increase local authority spending. However, any such capping is not likely to be very effective: it has to be remembered that most of the extra grant proposed by DOE would go to rich authorities, which spend close to their needs assessment. Even if they boosted their spending a little above needs assessment, they would not be caught by feasible criteria for community charge capping a modest number of authorities.

Treasury line

6. Our main concern on Thursday must be A above. (The attached note from ST covers B). The flaws in the argument at (A) above are clear and set out in Annex 3 to Mr Edwards' minute. But the appeal to backbencher criticism of doing away with safety net contributions is clear. DOE and No.10 have been lobbied hard by MPs, individuals LAs and the ADC inter alia. Mrs Chaplin has confirmed that the political pressure, no matter how ill-informed,on the safety net is intense. There is also a long standing desire within DOE to have the safety net abolished.

7. One Treasury strategy might be to accommodate this concern: accept that the safety net contribution concept should be dropped; but seek to avoid the full extra £660 million addition to AEG. Part or all of this sum could be found from within AEG, either by top-slicing RSG or by reducing NNDR income (as explained in my minute of 4 August).

8. LG recommend you should not pursue this approach. The main problems are as follows:

i) Anything close to a splitting the difference solution next week cannot be afforded. Giving rich local authorities in the South-East an extra £300m (when they do not face elections) is both very bad value for money and not a priority for scarce Exchequer resources. It will leak into higher public expenditure.

ii) Any half-way house solution in unappealing. Either the Government would have to retain a reduced safety-net contribution (thus still leaving a target for further bids) at say £300m; or the safety net could be dropped and contributions paid for by top-slicing the remaining £300m from RSG. But the latter step would push up standard comunity charges and make some LAs perhaps worse off than under Mr Ridley's proposals. And it would quickly be perceived that the Government was being "shifty".

iii) Either way, the pressure for more money to buy out the residual safety net or reduced RSG would remain;

iv) As attention shifts from areas to individuals, pressure will mount on rebates; Mr Patten should recognise an extra £300m or £600m would not buy out the political problems.

9. The alternative strategy must be to retain the concept of a safety net (retitled) and go for a minimum change package (in terms of public expenditure cost) that can be sold politically.

10. Any such package is going to have to be much improved in presentational terms. The key elements are:-.

- dropping the term safety net altogether;

- talking in terms not of safety net contributions but of phasing in gains;

- separating the concept of phasing in gains from transitional protection ie the two specific grants.

11. Our starting position could indicate no change (apart from the presentational ones). But realistically some concessions need to be made. The trick is finding a low cost package that will attract support. Some ideas are as follows.

What are the arguments against?

a) Bringing the ILEA specific grant back inside the safety net would reduce the cost of the safety net by £70 million. This is just sufficient to allow through exactly 50% of all gains in the first year or to reduce the maximum contribution to the safety net from £75 to £50.

600
470

b) If all remaining 50% of gains were allowed through in the second year (thus completing the phasing in in two years), a package of half now, the rest next year might be attractive.

c) There would still be political concerns about losing authorities. But the worst of this could be met by continuing transitional protection ie the specific grants for the north and London.

What wd that do? What would be?

d) The means of allowing gains through could be switched eg to a flat rate amount per adult for everyone.

<u>Treasury tactics</u>

12. All of the above have nil extra cost. Going further, the possibilities are genuinely limited and subject to the political difficulties outlined in paragraph 8 above.

e) Any addition to AEF/RSG would reduce changes across the board.

Explain

f) An extra specific grant could be created to allow a £x per adult Exchequer contribution to the safety net (better targetted than extra RSG but with no logic whatever). This reduces the 'cost' to be met by postponing gains.

13. You may judge that most of paragraph 11 above plus a small amount under 12(f) is the best buy. Depending on the outcome of Thursday's meeting, a further minute to the Prime Minister before next Wednesday may well be advisable.

BHP

BARRY H POTTER

stl.vh/JPMc/attach

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Note from ST.

COMMUNITY CHARGE: HELP FOR PEOPLE ON LOW INCOMES

Mr Patten might argue for more generous benefits as a means of dealing with pressure on the community charge. If this is raised, you can draw on the following points in resisting concessions:

(i) a more generous rebate system is already planned for the community charge (and operating in Scotland) than has applied for rates. The income taper will be 15 per cent instead of 20 per cent, costing over £100 million and helping an extra one million people. Although this has already been announced (in April last year, to see off Mr Mates), further credit can be taken for it;

(ii) because of the cut in the taper and the fact that more people will be liable for community charge, rebate expenditure is already expected to be much higher than on rate rebates: In England and Wales, about £1¾ billion, instead of £1¼ billion. And over ten million chargepayers (1 in 4) in England and Wales will get a rebate, compared with six million ratepayers. So a very large minority of the population will already get help, without any further concessions (and rather contrary to the Government's policy of reducing dependence on benefits);

(iii) in addition to the rebate scheme, income support levels have been increased to provide help towards the minimum 20 per cent payments. This costs over £½ billion a year;

(iv) pensioners are set to gain from measures already in the pipeline: abolition of earnings rule, extra income support for over-75s/disabled (each effective from October and costing total of £575 million in full year), and independent taxation. The extra income support will feed through directly into community charge benefit, by raising the threshold above which the income taper operates (by £2.50 for singles, £3.50 for couples). The Chief Secretary's minute to the Prime Minister of 10 August, copied to Mr Patten, detailed these measures.

stl.vh/JPMc/attach

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BACKGROUND

Comparison of community charge benefit with rate rebate scheme

2. The following examples show how community charge rebates will be more generous than rate rebates <u>without any further concessions</u>:

(i) Pensioner couple aged 60-74, with basic State pension and occupational pension giving total net income of £100 per week, paying average rates/community charge*:

1989-90 rates bill: £7.59 per week
1990-91 CC bill: £5.80 per week (ie combined bills);

(ii) Family with two children, aged 10 and 13, paying average rates/community charge*:

1989-90: maximum rate rebate payable at £90.40 per week (net income)
1990-91: maximum CC rebate payable at £94.95 per week (net)

1989-90: minimum (50p) rate rebate payable at £127.15 per week (net)
1990-91: minimum (50p) CC rebate payable at £148.02 per week (net).

DSS further work

[illegible]

3. A No.10 letter of 24 July to Mr Newton conveyed the PM's request that DSS "assess the possibility of setting the capital limit on eligibility for community charge rebates at £16,000 - ie double the normal limit, just for pensioner couples." The PM also wanted to know the costs and implications for this "including the impact of the introduction of independent taxation for husband and wife in April 1990". I understand that the Policy Unit was behind this.

4. Mr Newton's minute of 8 August said the proposal had "clear attractions" but that further work was needed. The cost could be £15-30 million. The PM (No.10 letter of 9 August) commented that this could not be taken in isolation from the safety net and other community charge proposals; that any proposal would need to be considered in the Economic Committee; and that the number of people dependent on benefits would be substantially increased. The CST (minute of 11 August) pointed to the measures already announced for pensioners and argued that, against the general Survey background, we would need to think very hard before giving still more help through the benefit system, directed to those with over £8,000 of free capital. We expect to see a draft DSS paper soon.

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* Average rate bill per household in 1989-90 is £510 (£9.80 per week. Average CC bill per person in 1990-91 (based on LAs' need to spend) projected at £275 (£5.28 per week). Even if the average CC bill in 1990-91 were assumed to be £300, the pensioner couple would still only pay £5.99, well below their rates bill this year.

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CHANCELLOR

FROM: B H POTTER (LG1)
X4790
Date: 6 September 1989

cc: Chief Secretary
Sir Peter Middleton
Mr Anson
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Mr Edwards (LG)
Mrs Lomax (GEP)
Mr McIntyre (ST)
Mr Hudson (LG1) o/r
Mr Rutnam (LG1)
Mrs Chaplin

Brief from Paul McIntyre will be up by lunch.
You will no doubt wish to write to the PM before you go to Antibes (she asked for Patten's paper for the weekend). We will need to get your views on the social security side before you see Patten so that we can put a draft in your box tomorrow night.
JC

COMMUNITY CHARGE: MEETING ON 7 SEPTEMBER

I attach a brief for tomorrow's meeting with the Environment Secretary.

2. Mr Patten's minute is much as expected: but the attached paper gives more detail, particularly on community charge rebates. Mr McIntyre (ST) will brief separately on this.

3. The brief is set out as follows:

A. The DOE proposals.

B. Criticisms of DOE proposals on the safety net.

C. Treasury line on the safety net.

D. Other issues.

4. You should be aware that Mr Patten has already discussed some of the ideas on community charge rebates and transitional relief with Mr Newton. Both Ministers see the latter as formidable but potentially politically attractive.

Barry H. Potter

BARRY H POTTER

POTTER → CHEX 6/9

A

A. DOE Proposals

Mr Patten's note is attached. (It is broadly as set out in my minute of yesterday) It covers four areas.

i) The basic concept of safety net contributions is unacceptable and must be dropped; instead

- protection of chargepayers in losing areas should be paid for by taxpayer, not contributions from gaining areas;

- estimated cost £660m for 1990-91; to be an addition to the announced AEG of £23.1b.

ii) Even with extra grant, there will need to be community charge capping to prevent very high levels of charge. The note recommends capping up to 20 authorities.

iii) There is growing DOE (and DSS) concern about individual community charges and the community charge rebates scheme: the accompanying paper discusses possible improvements in the rebate scheme. It also considers a targetted household relief scheme. (Separate brief from Mr McIntyre to follow.)

iv) The note considers but rejects an increase in the announced Total Standard Spending for 1990-91.

B

B. Criticism of DOE proposals on the safety net

1. The main points against the new DOE proposals on the safety net are as follows:

(a) The public expenditure position is extremely tight. Vital to keep tight control. £660m is a huge bid (and Scots and Welsh would seek consequentials taking cost to £750b). Extremely hard to persuade colleagues of priority for more grant: most of it for the richest local authorities in the country. (And paper acknowledges a half-way house solution would be unattractive.)

(b) No guarantee that even Tory LAs would use extra grant to reduce community charge: there will be high leakage into additional public expenditure.

(c) The recent NALGO pay award to non-manuals would make it look like the Government was increasing grant to bail out the cost of the pay award. A disastrous signal, particularly with the non-manuals and teachers about to negotiate.

(d) The Scots got no extra help for their safety net.

(e) Safety net is an esoteric issue understood by almost no one: extra money now would not be effective in improving the case for the community charge nor in preventing criticism of the charge as the introduction draws nearer.

(f) The AEF settlement is already generous: more grant would be a waste of money.

2. <u>Moreover</u> the concept of the gainers compensating the losers was a feature of the proposals from publication of the Green Paper. <u>Cannot go back on that now</u>.

3. Retreat from that principle would make it very difficult to defend the position on business rates, (where again gainers also compensate losers). Can be no question of the Exchequer paying for those losses: the bill would be astronomical (£1.7b).

C

C. Treasury line

Understand there is strong, vociferous but misguided backbench and local authority pressure. But see no justification for putting extra Exchequer money into the safety net for 1990-91. The need is for much improved presentation - a reconstructed package that can be successfully sold.

2. The presentation needs to be radically different: the key elements are

- dropping the term "safety net"

- talking in terms not of safety net contributions but of phasing in gains; and

- separating the concept of phasing in gains from transitional protection to the losers financed by specific grants.

3. Basic need is to do a little more for gainers, while sustaining protection for losers.

4. <u>FOR GAINERS</u> useful to add a little to the gains coming through in 1990-91 to meet backbench pressure. Bringing the ILEA specific grant back inside the safety net would reduce the cost of the safety net by £70m. Attractions in using this £70m to allow through exactly 50% (instead of 42%) of gains to gainers in the first year. All losing authorities (not in receipt of Pendle grant) would then be evenly treated ie bearing the first £25 per adult of losses.

5. Prepared to do much more for gainers in later years. See the case for ending contributions from gainers in year 2.

6. <u>This would allow presentation of a package in which the gainers get 50% of their gains in the first year and all their gains from the second year on.</u>

7. FOR LOSERS, agree cannot increase losses in first year. Losers also have expectations of protection up to 1993-94. Would be continued protection for losers: accept this will have to be paid for from year 2 on by Exchequer. Timing and extent of such Exchequer support to be discussed further (see annex).

(NOT FOR USE: aim would be to recover costs within the annual AEF settlement.)

8. ON MECHANICS of protection for losers, necessary to take powers for the Exchequer payments from 1991-92 up to 1993-94 for losing authorities. Two options

i) a new power to pay money into the safety net;

ii) a power to pay specific grant directly to meet the cost of protecting losers.

9. Former more attractive presentationally; but latter likely to be simpler legislatively (and would avoid need to commit the Government publically on the amounts and timing, because it would not be covered in the Transition Report)..

10. Would be essential to ensure that Clause 135 of the Local Government and Housing Bill gave the necessary powers for any new specific grant. A condition for agreeing to this course would be that the power to pay specific grant to losing authorities should be clearly time- limited in the legislation to 1993-94. (This would include Pendle grant).

11. ON TIMING three main elements in the Treasury proposed package

- the change on ILEA allowing the percentage of gains through to gainers in the first year to become 50%;

- allowing gains to come through in full from the second year onwards; and

- the Exchequer support for losing authorities in 1991-92 up to 1993-94.

12. Need to consider carefully how when and in what combination these are best presented to colleagues: critical points are Party Conference (10-13 October); laying the RSG proposals (31 October); the Autumn Statement (mid-November); any Opposition debate on the RSG proposals (early November); and the full debate on the Transition Report and Final RSG Order in January.

D

D. Other issues

1. Community charge capping:

   i) Support for this in principle: welcome DOE's intentions.

   ii) But nothing magic about a figure of 20 authorities. Logic is that the greatest degree of capping should be in the early years. Believe DOE should review candidates in light of budgets in March 1990 and not rule out capping more than 20.

   iii) Also important to have deterrent effect of capping. So no selection criteria should be published in advance.

2. Total Standard Spending

True that the 3.8% increase between 1989-90 budgets and 1990-91 total standard spending is tight, given commitments (police pay, teachers pay etc) which must be reflected in service breakdown. But no question of increasing it now:

   i) would look like concession in face of NALGO pay settlement;

   ii) would give wrong signal in advance of LA manuals and teachers negotiations;

   iii) would lead to strong pressure on AEF;

   iv) right comparison is between 1989-90 GREs and 1990-91 Total Standard Spending - an increase of 10½%.

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ANNEX

COST OF SAFETY NET

1.	Total cost of protecting losers in full	=	£980m
2.	Ridley announcement that first £25 per adult to be borne by chargepayers	=	£320m
3.	Cost of protection in 1990-91 (paid for by gainers)	=	£660m

2. For years 2-4, expectation is of broadly straight line reduction in support:

1990-91	£660m
1991-92	£480m
1992-93	£320m
1993-94	£160m

3. But decisions still to be taken on:

- form: a further £x per adult to be borne or x% of residual cost
- profile: straight-line or non-linear eg to sustain support in 1991-92 at higher level
- duration: to end in 1993-94 or earlier.

4. These details can be considered later as could presentation of AEF for 1991-92 and 1992-93 in the Autumn Statement.

COPY NO. 2 OF 5

SECRETARY OF STATE FOR THE ENVIRONMENT

PLPS

6/9/89.

PRIME MINISTER

LOCAL AUTHORITY GRANT SETTLEMENT

As you know I have been looking at the settlement proposals which Nicholas Ridley announced on 19 July, and the implications for the community charge next year. There is a good deal of political pressure developing about aspects of the 19 July proposals, and I have therefore also been considering some possible modifications. The attached paper analyses the position in some detail. It may be helpful to summarise the key points here.

2. There are three basic concerns being expressed:

(i) Growing resentment in those areas where charge-payers would be asked to make contributions to the safety net in order to protect charge-payers in other areas from heavy losses.

(ii) Concern about the very high levels of charge in prospect in some areas. There are for example some 40 areas in which our present exemplifications show charges over £350 a head assuming expenditure rises by 7% next year. Where this concern overlaps with the first, i.e. where being required to contribute to the safety net will itself drive the community charge above the standard level of £275 a head, the grievance is particularly acute.

(iii) Concern about the position of individuals and householders who stand to face big losses when the community charge comes in. This problem is likely to loom much larger in the spring when individual bills begin to go out. The problem is most serious (in terms of percentage loss of disposable income) for those just above the income support level. I do not think we should under-estimate the political pressure likely to develop in due course on this front, not least from our own supporters.

3. After reviewing a number of possibilities my view is that if we consider that we need to tackle these three concerns, the best approach would be as follows:

(i) Pay for the contributions to the safety net by extra grant. On present calculations this would require an additional £650 million of grant, though the final figure could not be determined until December. This would remove the major concern being expressed on our own back benches at present, and would itself be sufficient to bring the community charge down to more reasonable levels in many parts of the country.

(ii) Be prepared to use community charge capping vigorously in up to 20 of the highest spending authorities. This would not be easy politically, technically or legally, but it is the only means by which we can hope to restrain the community charge in some of these areas. Coupled with the Exchequer paying for the safety net it should enable community charge levels to be kept below £350 a head in all but some 10-20 authorities.

(iii) Explore with DSS possible improvements to the rebate system. An alternative would be to try to design some form of targetted interim household relief. This would pose formidable administrative problems and would - as indicated in the paper - be costly. Possible options are set out in an annex.

4. Apart from these proposals some may argue that there is a case for a general increase in total standard spending and of grant on the grounds that the 3.8% increase from this year's budgets allowed for in the 19 July settlement is unrealistic. Views on this may be affected by whatever proposals John McGregor brings forward for the teachers' pay settlement in the next week or two. Subject to that my own view is that we should stand firm on the 19 July figures in order not to encourage authorities to think that we are softening in our anti-inflationary stance. However, the combination of concern about the cost of the teachers' pay settlement and worry about the political effects of the introduction of the community charge may well increase the support in our own party for shifting some of the burden of education from charge payers to tax payers.

5. If we decide to make any change in the 19 July proposals I think it is essential that we should do so sooner rather than later. This is important politically so as to retain the initiative before back bench pressures mount and possibly force more expensive concessions later. It is also essential for legal and administrative reasons so that we can complete the statutory procedures of consultation and the complex processes of data checking and drafting four separate statutory reports to the required timetable. I should therefore welcome a chance to discuss with you and other colleagues concerned at an early date. I am sending copies to Nigel Lawson, Norman Lamont, Kenneth Baker and to Sir Robin Butler.

C.P

DOE
6 September 1989

LOCAL AUTHORITY GRANT SETTLEMENT

1. I have been considering very carefully the obstacles we face in introducing the community charge next year and what steps we might take to help overcome them. This minute sets out my main concerns, and how we might deal with them. I am very conscious of the problems which the Chancellor faces in managing the economy and that we must not let up on our drive to moderate local authority spending. But we face a number of transitional issues with the community charge, and we need to consider whether these are sufficiently serious to require action. If we think there is a case, it would be better to act now rather than to be driven to last minute measures (possibly at greater cost) after much damaging and public acrimony. Any action we may decide to take needs to be sufficient to prevent continuing damaging criticism on the grounds that even our further measures are inadequate.

2

2. The community charge has very great advantages over the present unfair system of rates. Making all adults contribute to the cost of local services is fairer, and will greatly increase accountability. But changing any tax base, and in particular doubling the number who will pay, will inevitably involve gains and losses for both areas and individuals. However much these changes may be justified, they will not be easy for the losers to accept and will give rise to concern and opposition. We must make sure that we can get the new system up and running, and accepted as a better arrangement, without being overwhelmed by the difficulties associated with the transition. Special measures were necessary for the revaluations in 1963 and 1973, and also in 1985 in Scotland.

3. The introduction of the community charge in Scotland, has gone reasonably well but it is worth noting that there it accounts for only about 20% of local authority revenue, compared with 30% in England. In Wales, the proportion is even less

- 19% - and the community charge for standard spending is £100 less than in England. That is why our proposals have been better received there than in England.

The Settlement Generally

4. Nicholas Ridley announced in July that for England Total Standard Spending (TSS) would be set at £32.8 billion, an increase of 3.8% or £1.2 billion over local authorities' 1989/90 budget. Aggregate external finance (AEF) was set at £23.1 billion, giving a community charge for standard spending (CCSS) of about £275. Nicholas also announced revised proposals for the transitional safety net.

5. When E(LF) agreed these figures, we naturally had in mind the priority of controlling inflation and the need to restrain public expenditure. But I think it was also recognised that, regrettably, authorities' spending is likely to increase by more than 3.8%. Indeed, the paper E(LF)(89)2 set out colleagues' assessments of spending pressures, and envisaged an increase of 8.4% in cash terms assuming an inflation rate of 4% (except for police and teachers' pay, and road maintenance costs where more realistic assumptions were used). These figures suggest that local authorities are unlikely to make real terms cuts on the scale that we have implied in our proposals.

6. Some increases in expenditure are inevitable because of our own policies. Collecting the community charge will cost £200 million more than rates according to our own estimate, and the 9% police pay rise will cost £330 million. We are shortly to announce the remit for the Interim Advisory Committee on Teachers' Pay (IAC), which will inevitably be more than 3.8%. If the remit were 7.5%, this would cost £560 million. At this crucial time for the education service we have to recognise these pressures: if we do not it will add impetus to the pressure for the Exchequer to take over funding of teachers' salaries.

2

7. So these three items, for which the Government has a direct responsibility, will take up £1,090 million of the £1.2 billion available. We shall therefore have to argue that local authorities should be able to provide all other services (accounting for £11½ billion of spending) at virtually the same cash cost as this year.

8. I have illustrated in Table 1, column 2, what actual charges would be if spending is 7% more than this year's budgets. Only 153 out of 366 areas would then have charges at or below our norm of £275. Regrettably, spending could be higher than this. Indeed, the Local Authority Associations are predicting an increase of as much as 11%. Of course, we will do all we can to make clear that local authorities are responsible for the resulting high charges, but it is quite possible that, as in Scotland this year, they will use the cover of the introduction of a new system to blame the Government while increasing spending and reserves. I have shown in column 4 of Table 1 what charges would be if spending did increase by 11%, not to condone that but to show the not wholly unlikely worst case. The average charge would be over £330.

<u>The Difficulties of Transition - Gainers and Losers</u>

9. As a fairer system, the community charge implies shifts in grant between areas, and also changes in the way the burden of local taxation falls on particular households within each area. Originally, we proposed a system comprising a long term safety net and dual running with existing rates to phase-in all these changes gradually. But, for good reasons, we shortened the safety net period to a maximum of four years and dropped dual running. The safety net phases-in changes between areas, but changes between individuals and households within areas will come through in full in April 1990.

10. Recently, concern has focused on the area safety net and, in particular, over contributions to the net. A safety net is necessary because areas which have traditionally had low rate

bills need time to adjust to the new burden. Also, the new system means that the cost of high spending will fall entirely on chargepayers, and the safety net provides a short period during which high spending authorities can bring spending down before the full community charge takes effect. The problem is that with a self-financing net this protection for "losers" has to be paid for by postponing the gains flowing to other areas.

11. There has been less concern so far about the effects on individuals, although we can expect this to change once bills are issued in April. Under the new system, 18 million adults will for the first time receive a bill for local authority services (although some 13 million of these will be the spouse or partner of someone who at present pays rates). Many who have paid rates but live in houses with low rateable value will face increased bills. The rebate system will, of course, soften the blow in many cases as will the safety net (including the £200m of extra support we have provided for areas of low average rateable value and for Inner London). But many people of modest means will necessarily face a substantial increase in what they are expected to pay - and if they live in an area which is contributing to the safety net they will have to pay extra to help people in other areas.

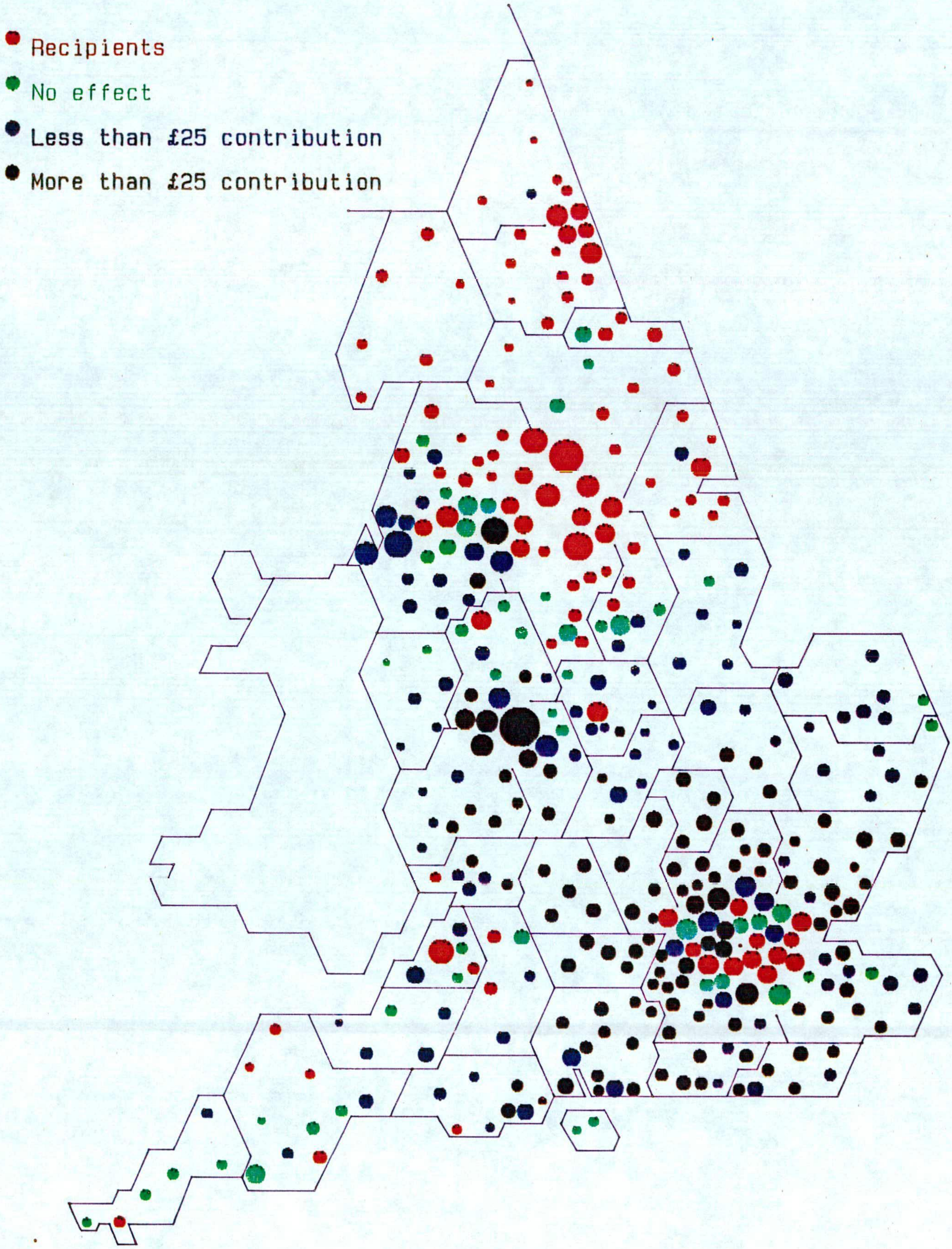
2

12. I shall deal first with the issue of the Area Safety Net before looking at the effects on individuals and the rebate system.

<u>The Area Safety Net</u>

13. In general the effect of the safety net is to distribute grant to charging authorities in such a way that for a transitional period, the chargepayers of high rateable value, low-spending authoritites subsidise the chargepayers of high-spending authorities. Nicholas moved some way towards meeting this concern by allowing up to £25 of losses to come through, allowing gainers to see nearly half their gain in the first year. The map below shows the distribution of contributions and

1990/91 Safety net adjustments



The areas of the circles are proportional to adult population receipts. Many Members from the areas concerned continue to make it patently clear that our proposals are not good enough. They are resistant to any explicit contribution by their constituents which they see as a cross-subsidy from prudent, low-spending authorities to the profligate. The Transition Report which would give effect to these proposals is a free-standing part of the Settlement and requires affirmative resolution. We shall not find it easy when it is debated in January.

14. We have limited room for manoeuvre. We must have a safety net to protect losing areas for a transitional period, or couples and individuals will be faced with very sharp increases on this year's rate payments - the average increase per chargepayer could be £200 or more in some areas. The Transition Report will commit us to the structure of the scheme for a period of up to four years - we should need primary legislation to change course later. We have to shape the scheme now in a way that will be acceptable immediately and over the transitional period as a whole.

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15. Moreover, the July announcement proposed that the average increase in payment in any area next year should be limited to £25 per chargepayer. We should have more pressure if we were now to try to impose bigger increases. Nor do I think that we can now try to amend the proposals in any way that would result in a larger contribution from any area to fund the transitional protection elsewhere.

16. If we conclude that we need to avoid the continuing argument and acrimony which will result from pursuing our present proposals, in my judgement the only realistic option is to increase Exchequer grant, as our supporters have urged us to do, to meet some or all of the cost of protecting losers during the transitional period. Any rejigging of our existing proposals would be bound to make some authorities worse off, and I do not think that would be acceptable.

17. The cost of full protection next year would be about £650 million (the figure cannot be estimated precisely until December), falling as the safety net unwinds. That would significantly reduce community charges in all 216 authorities currently contributing to the net, mainly in the shire areas (see column 6 of Table 1). I have, of course, considered whether a smaller amount of grant would achieve our purpose. An extra £325 million, for example, would enable us to halve contributions, to reduce the maximum contribution from £75 to below £40, or to remove 80 authorities from the list of contributors leaving 134 (shown in Annex A). But half a concession is unlikely to satisfy many of our critics, and indeed the remaining critics would press even more vigorously to end all contributions. The 1922 Committee and individual backbenchers have left me in no doubt that it is the principle of contributions that they oppose, and a half concession is unlikely to satisfy them.

18. I am therefore driven reluctantly to the conclusion that to meet the mounting criticism we are receiving the only effective option is to meet the cost of the area safety net fully by an increase in Exchequer grant for the transitional period. I realise that this would increase the planning total. Although much of the extra grant would go to prudent authorities and ought to be used to hold down charges, there is the risk that some would be used to increase spending and hence General Government Expenditure. I therefore do not recommend it lightly.

19. Eliminating contributions to the safety net would avoid the problem of high charges in areas where spending is in fact reasonable. In Westminster, for example, the charge before the safety net would be £269 (with a 7% spending increase), just below the norm of £275. But with a safety net contribution of £75 imposed the actual charge would be £344. This distorts the message of accountability: charges can be high either because of unreasonable spending or because of the safety net contribution. If contributions are dropped, high charges can only be a result

of authorities' own spending, and it will be easier to get this message across. In most cases where charges are excessive, we have the weapon of charge-capping - I return to this later.

Individual Losers

20. The area safety net deals with an unacceptable increase in the community charge over the average domestic rate payment per adult in an area. It remains the case, however, that even in an area where people will gain on average from the introduction of the community charge, many individuals will be expected to contribute more to the cost of local services either because they have not paid rates before, even indirectly, or because their rate payment was lower than their community charge. It is, of course, the purpose of the community charge to bring about a more equitable distribution of financial burdens between local voters. But we should not under-rate the short term political implications of the individual increases when they become apparent next April. The pattern of individual losers is broadly as follows:

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Of 36 million chargepayers:-

- 18 million have been paying rates;
- 13 million have been the spouse or partner of someone paying rates;
- 5 million will pay for the first time, including about 4 million young adults living with parents and about 1 million pensioners living with their children.

If local authorities increase spending by 7%, then comparing 1990/91 charges with 1989/90 rate bills in cash terms:

Of the 36 million chargepayers:-

- 21 million will be single people or members of couples who pay more under the new system;

- 12 million people will be single people or members of couples that pay more than £2 a week extra.

Of those 12 million paying more than £2 a week extra:-

- 1 million are pensioners;
- 8 million are former ratepayers or their partners;
- 9 million have rateable values below £150;
- 8½ million have incomes of less than £15,000 per year;
- 1 million will be entitled to community charge benefit;
- 4 million live in the North [NE, NW, or N regions];
- 2 million live in London;
- 2½ million live in the South East outside London.

If spending increases by more than 7%, the number of losers will be higher.

21. In considering the impact on individuals we look first at the extent to which protection is offered by the community charge rebate scheme and then at alternative forms of relief.

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<u>Rebates and Other Forms of Relief</u>

22. The community charge rebate scheme, described briefly in Annex B, is designed to help those on the lowest incomes irrespective of whether they face transitional losses. The scheme is more generous than the rates rebates scheme that it replaces and is expected to attract 9 million claimants at a cost approaching £2 billion a year. This is a substantial commitment to helping the least well off. But those above the rebate thresholds in the middle income groups are most likely to lose from the introduction of the charge and I have been considering whether the rebate scheme could ease this problem. For instance a pensioner couple with community charges of £275 each would not be entitled to a rebate if they had an occupational pension much

above £60 a week. Similarly, a single pensioner would be out of entitlement with an occupational pension of more than about £30 a week. In neither case will they be entitled if they have savings of over £8,000.

23. Subject to Tony Newton's advice, it is always possible to make rebates even more generous. At your suggestion Tony is already exploring an adjustment of capital limits. This and two other options are briefly described in Annex B with cost ranges of between £50 and £90 million for minor adjustments or between £250 to £300 million for more radical shifts. Such changes would inevitably be of a permanent character.

24. The only way we could provide temporary help for those outside the rebate scheme would be to offer some form of transitional household relief. This is explored in Annex C. At one extreme, a blanket scheme reimbursing household losses above, say, £2.50 a week might cost £2 billion and attract up to 8 million claims. This is a non-starter. But the more the scheme is targetted to deal selectively with elderly, disabled or pensioner groups the greater is the scope for anomalies and the need for a major bureaucracy. Pursuing this option would pose considerable difficulties, though if it were regarded as politically essential we would have to see what could, in practice, be done at such a late stage. If this were to be considered seriously it would be essential to put planning of what would be a very complex operation in hand immediately.

Community Charge Capping

25. Any transitional arrangement which seeks to shield chargepayers initially from the full impact of the community charge necessarily weakens accountability and the downward pressure on authorities' expenditure. I propose during the autumn to make it very clear to authorities that if they fail to restrain expenditure and play their part in the fight against inflation, and instead budget excessively, I shall not hesitate

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to cap them. I believe this in itself may provide some deterrence against spending up for the great majority of authorities.

26. However, past experience would suggest that regrettably a few authorities might seek to exploit the transitional arrangements and budget excessively and I propose to curb such excesses, should they occur, by charge capping. Charge capping might well also be the most appropriate means of securing lower charges in the few authorities where, due to historically high levels of spending, the safety netted charges are high, even if they budget for only modest increases from 1989/90.

27. I envisage that adopting this approach to capping might result in up to 20 authorities being selected. The list at Annex D shows the authorities in the field from which the capped authorites are likely to be drawn. On the basis of present spending patterns, 20 capped authorities might account for half the aggregate overspend measured against our Standard Spending Assessments for all English authorities. I believe we could cap this number successfully. But we could not realistically cap many more than this. Capping involves a detailed scrutiny of individual authorities' budgets and must be carried out to a very tight timetable - the whole precess will run from March to June/July. We must operate with scrupulous care if we are to avoid successful legal challenge.

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Conclusion

28. Any action we take to deal with the acute problems which we face must take into account the economic situation which Nigel Lawson and John Major set out in the public expenditure discussions in July. Although the proposals we announced for Total Standard Spending imply very small increases in spending on most services, and local authorities are bound to say they are unrealistic, I recognise the difficulty of making any change here. But we should not allow the prospects of the success of a

good, fair policy to be jeopardised by discontent among our natural supporters about the impact on them in the initial stages.

29. If we decide that there is a case for modifying our existing proposals for the safety net, I believe the most realistic option would be to transfer the cost from community charge payers to national taxation. Exchequer support for local government would need to increase by about £650 million. We should need to press authorities very strongly that if we put them in a position to hold down charges in this way, they should not use it as an opportunity for increasing spending and we should be prepared to back this up with capping powers if necessary.

30. Looking beyond the immediate concern to the position of individuals, we should consider with Tony Newton whether there is a need for any changes in the rebate arrangement. If we do see a need, I believe we should announce any changes as part of a package with any change to the safety net.

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2 Marsham Street
6 September 1989

Annex A

AREAS STILL CONTRIBUTING TO SAFETY NET IF £300M EXTRA AVAILABLE TO REDUCE CONTRIBUTIONS

Adur
Arun
Ashford
Aylesbury Vale
Barnet
Basildon
Basingstoke and Deane
Birmingham
Blaby
Bracknell
Braintree
Bridgnorth
Broadland
Bromsgrove
Broxbourne
Cambridge
Camden
Castle Point
Charnwood
Chelmsford
Cherwell
Chester
Chichester
Chiltern
Christchurch
City of London
Colchester
Cotswold
Crewe and Nantwich
Croydon
Dacorum
Daventry
Dudley
East Dorset
East Hampshire
East Hertfordshire
Eastbourne
Eastleigh
Elmbridge
Enfield
Epping Forest
Epsom and Ewell
Fareham
Gosport
Gravesham
Guildford
Harborough
Harrow
Hart
Hastings
Havant
Hertsmere
Horsham
Hove
Huntingdonshire
Kensington and Chelsea
Knowsley
Lewes
Lichfield
Luton
Macclesfield
Maidstone
Maldon
Malvern Hills
Manchester
Mid Bedfordshire
Mid Sussex
Milton Keynes
Mole Valley
New Forest
Newbury
North Bedfordshire
North Hertfordshire
Oxford
Poole
Reading
Redditch
Reigate and Banstead
Richmond-upon-Thames
Rochester upon Medway
Rochford
Rother
Rugby
Runnymede
Rushcliffe
Rushmoor
Salisbury
Sandwell
Sevenoaks
Shepway
Slough
Solihull
South Bedfordshire
South Bucks
South Cambridgeshire
South Herefordshire
South Northamptonshire
South Oxfordshire
South Staffordshire
Southend-on-Sea
Spelthorne
St Albans
Stevenage
Stockport
Stratford on Avon
Suffolk Coastal
Surrey Heath
Tendring
Test Valley
Tewkesbury
Three Rivers
Thurrock
Trafford
Tunbridge Wells
Uttlesford
Vale of White Horse
Walsall
Waltham Forest
Warwick
Watford
Waverley
Wealden
Welwyn Hatfield
West Oxfordshire
Westminster
Winchester
Windsor and Maidenhead
Woking
Wokingham
Wolverhampton
Worcester
Worthing
Wychavon
Wycombe

AREAS NO LONGER CONTRIBUTING TO SAFETY NET IF £300M EXTRA AVAILABLE TO REDUCE CONTRIBUTIONS

Babergh
Beverley
Boston
Bournemouth
Breckland
Brent
Brentwood
Brighton
Canterbury
Castle Morpeth
Cheltenham
Congleton
Corby
Coventry
Crawley
Dover
East Cambridgeshire
East Devon
East Lindsey
East Northamptonshire
Ellesmere Port and Neston
Fenland
Forest Heath
Fylde
Gedling
Gillingham
Gloucester
Harlow
Hereford
Hinckley and Bosworth
Hounslow
Ipswich
Kennet
Kettering
King's Lynn and West Norfolk
Leominster
Liverpool
Melton
Mendip
Mid Suffolk
Newham

North Cornwall
North Dorset
North Kesteven
North Norfolk
Northampton
Northavon
Norwich
Oadby and Wigston
Peterborough
Portsmouth
Preston
Purbeck
Rutland
Sefton
Shrewsbury and Atcham
South Hams
South Holland
South Kesteven
South Norfolk
South Shropshire
South Somerset
Southampton
St Edmundsbury
Stafford
Stroud
Sutton
Tamworth
Tandridge
Taunton Deane
Thanet
Tonbridge and Malling
Vale Royal
Wellingborough
West Dorset
West Lancashire
West Lindsey
West Somerset
Wirral
Woodspring
Wrekin
Wyre Forest

ANNEX B

COMMUNITY CHARGE REBATE SCHEME

1. Community charge rebates are administered by charging authorities as agents for DSS. The initial caseload will comprise three groups of people. Those already receiving housing benefit will be treated automatically as having claimed a community charge rebate; those on income support will be given a claim form this autumn; those falling into neither category will have to initiate their own claims, which they will be able to do from this autumn. The intention is that community charge bills should be sent out net of rebate.

2. Rebates have been designed to assist those chargepayers at the foot of the income ladder - single parents, part-time and low income earners, the disabled and their carers and those with very modest pensions or savings. The scheme is expected to offer assistance to about 11 million individuals of whom we would expect 9 million to claim at a cost approaching £2 billion. Despite the fact that the scheme is more generous than the rate rebates it replaces, the scheme's parameters exclude significant numbers of individuals of modest means whose net incomes lie just outside the rebate thresholds.

CALCULATION OF REBATES

3. Rebates are payable according to the capital resources and net income of the claimant. If the net income is less than the applicable amount for income support plus the appropriate earnings disregard (£5 for a single person, £10 for a couple, £15 in some special circumstances) then the claimant is eligible for the maximum rebate of 80% of the community charge, provided he does not have capital of more than £8,000. Capital below £3,000 is ignored. Between these two limits capital is assumed to be

earning a notional income, which is counted as part of the claimant's net income. Claimants whose net income is above this applicable amount may still be entitled to a rebate of less than the maximum. 15p is deducted from the maximum rebate for every £1 of net income above the threshold. The resulting amount - provided it is 50p or more - is the rebate to which the claimant is entitled. Married couples and partners living as married are assessed jointly for rebate purposes. All other individuals receive personal rebates.

OPTIONS FOR CHANGE

4. There are a number of ways in which we could use the rebate system to further soften the impact of the community charge on individuals of limited means. We could adjust the rebate rules to bring more recipients into the net or we could make different modifications to ensure that more help went to those already within the net. Three levers are available for operating such tuning:

(i) **Reducing slope of benefit taper**

The benefit taper determines how quickly, as an individual rises up the scale of weekly net income, rebate is reduced from the maximum of 80% of the community charge. The current proposal is to set the taper at 15% which means that 15p is deducted from maximum rebate for every £1 of net income above a threshold. This is already an improvement on the existing rates rebate taper of 20%. Reducing the slope even further would be costly. We calculate that a reduction to 10% could entitle over 2 million additional adults at an additional cost of between £250 and £300 million a year. (Precise figures would depend upon the proportion of those eligible who applied: the upper figure implies, as would be unusual, a "take up" of 100%). At that level the total number of rebate recipients would be approaching 1 in 3 of all adults, as against 1 in 4 under current proposals. Reducing the taper would benefit all sectors of low income households and is the most direct means of targetting additional help to low income groups without benefiting the more comfortably off.

(ii) **Increasing the capital limits**

This is the approach the Prime Minister asked DSS to explore. Our own calculations suggest that if for example we doubled the capital limits to £16,000 (and correspondingly ignored the first £6,000) this would bring an additional 700,000 individuals within rebate entitlement at a cost of up to £80 million a year (depending on take up). Such an improvement would be of help to pensioners and older age groups with some savings.

(iii) **Increasing the earnings disregard**

By contrast this would help low-income earners, but offers little to pensioners. Doubling the earnings disregard to £10 and £20 pw for single people and couples respectively would bring an additional 600,000 adults within entitlement at a cost of up to £70 million (depending on take up) a year. This option would be of help to some young adults living at home and who have not paid rates in the past.

OPERATIONAL CONSTRAINTS

5. Any fundamental changes in rebate arrangements will require local authorities and their contractors to make late changes in their computer software and billing arrangements. There are significant constraints on the scope for change - very late changes in Housing Benefit arrangements two years ago were

beyond the capacity of authorities and computer companies to resolve in time and produced severe administrative confusion for several months. The changes imposed on local authorities to start on 1.4.90 (community charge, business rates, new rules for housing and capital accounting) are known to be at the limit of what some authorities can cope with. If we are forced to have changes now we should aim to announce them as soon as possible.

ANNEX C

TRANSITIONAL HOUSEHOLD RELIEF

1. Individuals or couples whose community charge(s) were higher than their previous rate bill would make a claim to a central agency for transitional household relief. The agency would need confirming details of claimants' previous rate bills and current community charge rebate (if any) from the relevant local authority. If the increase exceeded a prescribed amount the agency would pay relief to compensate for any excess above the prescribed amount. The relief could be paid monthly direct to the claimants or to the charging authority. The relief would continue at a reducing rate designed to be phased out over a short transitional period or for so long as the claimants stayed at the same address, whichever was earlier.

2. If the relief was made available to everybody including those paying for local services for the first time (mainly young adults over 19 still at home and "grannies") the caseload would be insupportable. With losses of £2.50 a week allowed, all first time payers would be entitled to a safety net - perhaps 3½ million single people and couples - as would about 4½ million previous ratepayers. The total caseload would be about 11 million and the cost in the region of £1½ billion.

3. Some options for targetting the relief might be:

(i) restrict the relief to couples and single adults previously paying rates (ie no relief for first-time contributors). This would reduce the caseload to 4½ million and the cost to about £800 million;

(ii) as (i) but extending the relief to pensioners, disabled and their carers and other special groups who did not previously pay rates. This might add ½ million people to the caseload at a total cost of £900 million;

(iii) as (ii) but for couples, relief limited to allow increases of up to £2.50 per person. This would reduce the caseload to about 2 million at a cost of £300 million;

(iv) restrict relief to those with low incomes - the population eligible for community charge rebate or previously eligible for rate rebates. This would greatly reduce both caseload and cost. Very few of those eligible for these benefits would have losses greater than £2.50 as a large proportion will only pay 20% of their charge. We cannot cost this at present, but it is likely to cost less than option (iii). This level of restricted relief however is unlikely to assist many low-income losers and might be little more than a clumsy alternative to improving the existing community charge rebate scheme.

4. It is to be noted that none of these options requires the relief to be means tested unless we assumed, as is reasonable, that receipt of community charge or rate rebate was itself a reliable means test. But there are no obvious tests (other than means inquiry) which identify individuals at the level immediately above benefit levels. For this reason almost any household relief would have to be available to the comfortable if we are to ensure that it reaches low-income losers.

5. There would have to be administrative short cuts and rough justice built into any system. There would be no time for detailed primary legislation and any scheme would have to be administered centrally with local authorities' role limited to providing rate and rebate data. Considerable effort would have to start virtually immediately in working up the details of even a closely-targetted scheme. Even at that level the task of assembling 2000 staff, suitable accommodation and commissioning computer equipment in time for April 1990 would be formidable.

Annex D

CHARGECAPPING 1990/91

Which authorities are charge-capped in 1990/91 will depend on authorities' spending decisions for 1990/91, and the precise selection criteria we adopt.

The following is a list of authorities which, on the pattern of 1989/90 budgets, are the highest overspenders relative to Standard Spending Assessments (using the package used for E(LF) exemplifications), excluding authorities with budgets likely to be below £15 million which are exempt from capping. This list therefore shows the group of authorities from which the candidates for charge capping next year are likely to be drawn. If the pattern of budgets change other authorities could be in the field for capping.

Barking and Dagenham
Barnsley
Basildon
Blackpool
Bournemouth
Brent
Brighton
Bristol
Calderdale
Camden
Doncaster
Greenwich
Hammersmith and Fulham
Haringey
Hillingdon
Islington
Kingston upon Hull
Langbaurgh-on-Tees
Leicester
Lewisham
Middlesbrough
Northampton
Portsmouth
Sheffield
Southwark
Tower Hamlets

ILLUSTRATIVE SAFETY NET COMMUNITY CHARGE AND SAFETY NET

NOTES TO TABLE 1

The safety net arrangements are those announced on 19 July. These are that:-

- losing areas pay the first £25 of losses.
- gaining areas receive around 45% of their potential gain in the first year.
- additional protection to low average domestic rateable value areas (£100 m in total).
- additional help for Inner London to deal with inherited ILEA expenditure (£100 m in total)

The assumed level of grant and business rate available to support local authority spending (AEF) is £23.1 bn, as announced on 19 July.

The total Standard Spending is £32.8 bn as announced on 19 July.

The adult population is assumed to be 36 million. This makes some allowance for exemptions and under registration.

COLUMN 1 : illustrative safety netted community charges if authorities in aggregate spent at £32.8 bn, using the proposed package of Standard Spending Assessments (SSAs).

COLUMN 2 : as column 2 but assuming that authorities spend £33.8 bn in aggregate, 7% above 1989/90 budgets, ie 3% above the forecast GDP deflator of 4%.

COLUMN 3 : as column 3 but assuming that authorities spend £35.05 bn in aggregate. This is 11% above 1989/90 budgets ie 4% above a more realistic inflation figure of 7%.

COLUMN 4 : shows the provisional safety net adjustment for 1990/91 using current data.

COLUMN 5 : is as column 5 but assumes that the safety net is wholly funded by central government. The estimated cost on current figures is around £650 m.

COULMN 6 : shows the change in both safety net contributions and the community charge as a result of central government funding the safety net.

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Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
Total England	269	296	331	-	-18	18
Total Inner London	281	325	381	-101	-115	14
Total Outer London	321	350	388	5	-10	15
Total Metropolitan Areas	270	301	341	-17	-30	13
Total Shire Areas	260	284	315	14	-7	21

DATE: 1[illegible]-SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
GREATER LONDON						
City of London	374	379	386	75	-	75
Camden	365	402	449	47	-	47
Greenwich	246	288	342	-246	-246	-
Hackney	299	353	421	-	-	-
Hammersmith and Fulham	348	395	454	-177	-177	-
Islington	410	457	517	-	-	-
Kensington and Chelsea	295	326	365	74	-	74
Lambeth	277	326	387	-106	-106	-
Lewisham	241	282	334	-199	-199	-
Southwark	247	295	356	-162	-162	-
Tower Hamlets	240	299	374	-273	-273	-
Wandsworth	175	212	259	-160	-160	-
Westminster	303	344	397	75	-	75
Barking and Dagenham	269	301	342	-103	-103	-
Barnet	313	336	366	67	-	67
Bexley	272	297	329	-25	-25	-
Brent	484	529	586	10	-	10
Bromley	263	285	312	-	-	-
Croydon	223	247	277	60	-	60
Ealing	323	356	397	-	-	-
Enfield	300	328	364	22	-	22
Haringey	557	607	669	-36	-36	-
Harrow	301	328	362	35	-	35
Havering	282	306	336	-17	-17	-
Hillingdon	353	383	420	-57	-57	-
Hounslow	368	401	443	6	-	6
Kingston-upon-Thames	324	351	385	-	-	-
Merton	309	337	373	-	-	-
Newham	348	394	453	12	-	12
Redbridge	244	268	299	-	-	-
Richmond-upon-Thames	334	356	384	31	-	31
Sutton	305	330	362	5	-	5
Waltham Forest	309	343	387	22	-	22

DATE: 1 SEP-89

Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1 1990/91 CC with spending 3.8% above 1989/90 budgets	COL 2 1990/91 CC with spending 7% above 1989/90 budgets	COL 3 1990/91 CC with spending 11% above 1989/90 budgets	COL 4 Provisional 1990/91 safety net adjustment	COL 5 Safety net adjustment when Govt funded	COL 6 Benefit from Govt funding of safety net
GREATER MANCHESTER						
Bolton	253	283	321	-	-	-
Bury	319	348	384	-	-	-
Manchester	292	329	375	40	-	40
Oldham	259	292	332	-10	-10	-
Rochdale	277	311	354	-69	-69	-
Salford	294	326	366	-	-	-
Stockport	297	324	357	21	-	21
Tameside	274	305	343	-39	-39	-
Trafford	269	296	330	25	-	25
Wigan	294	324	362	-59	-59	-
MERSEYSIDE						
Knowsley	283	320	367	22	-	22
Liverpool	294	330	377	11	-	11
St Helens	287	318	358	-36	-36	-
Sefton	282	310	345	8	-	8
Wirral	371	403	445	14	-	14
SOUTH YORKSHIRE						
Barnsley	221	249	285	-130	-130	-
Doncaster	270	301	339	-90	-90	-
Rotherham	255	286	324	-85	-85	-
Sheffield	288	318	356	-85	-85	-
TYNE AND WEAR						
Gateshead	255	286	324	-61	-61	-
Newcastle upon Tyne	304	336	377	-36	-36	-
North Tyneside	338	370	409	-16	-16	-
South Tyneside	252	284	325	-51	-51	-
Sunderland	226	256	295	-46	-46	-
WEST MIDLANDS						
Birmingham	247	281	323	45	-	45
Coventry	302	335	376	12	-	12
Dudley	283	309	341	25	-	25
Sandwell	253	284	323	34	-	34
Solihull	270	295	326	65	-	65
Walsall	288	318	356	24	-	24
Wolverhampton	264	296	337	57	-	57
WEST YORKSHIRE						
Bradford	218	253	298	-44	-44	-
Calderdale	236	269	310	-124	-124	-
Kirklees	217	249	289	-92	-92	-
Leeds	245	272	306	-9	-9	-
Wakefield	243	272	308	-88	-88	-

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Table 1

ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
	COL 1	COL 2	COL 3	COL 4	COL 5	COL 6
	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
AVON						
Bath	280	305	337	-15	-15	-
Bristol	323	350	385	-22	-22	-
Kingswood	265	288	318	-	-	-
Northavon	290	314	344	11	-	11
Wansdyke	292	316	347	-	-	-
Woodspring	298	322	353	9	-	9
BEDFORDSHIRE						
North Bedfordshire	276	302	336	46	-	46
Luton	307	334	369	74	-	74
Mid Bedfordshire	289	314	347	37	-	37
South Bedfordshire	327	354	388	51	-	51
BERKSHIRE						
Bracknell	275	299	331	41	-	41
Newbury	249	272	301	67	-	67
Reading	254	280	312	27	-	27
Slough	214	238	269	69	-	69
Windsor and Maidenhead	303	328	359	62	-	62
Wokingham	282	305	334	75	-	75
BUCKINGHAMSHIRE						
Aylesbury Vale	246	270	301	58	-	58
South Bucks	295	319	350	75	-	75
Chiltern	310	334	366	75	-	75
Milton Keynes	284	309	342	64	-	64
Wycombe	290	315	346	75	-	75
CAMBRIDGESHIRE						
Cambridge	288	313	345	48	-	48
East Cambridgeshire	223	246	275	15	-	15
Fenland	221	245	275	3	-	3
Huntingdonshire	228	251	280	29	-	29
Peterborough	263	288	319	15	-	15
South Cambridgeshire	250	272	300	64	-	64
CHESHIRE						
Chester	285	310	343	24	-	24
Congleton	271	296	327	11	-	11
Crewe and Nantwich	294	320	353	20	-	20
Ellesmere Port and Neston	283	309	342	13	-	13
Halton	268	294	327	-	-	-
Macclesfield	313	338	369	59	-	59
Vale Royal	262	287	318	7	-	7
Warrington	272	297	330	-	-	-

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ILLUSTRATIVE 1990/91 SAFETY NETTED COMMUNITY CHARGES AND SAFETY NET ADJUSTMENTS

	---- consistent with 19 July announcement ---					
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CLEVELAND						
Hartlepool	263	297	339	-44	-44	-
Langbaurgh-on-Tees	333	367	409	-23	-23	-
Middlesbrough	300	335	379	-36	-36	-
Stockton-on-Tees	317	350	391	-	-	-
CORNWALL						
Caradon	220	244	275	-	-	-
Carrick	231	255	286	-	-	-
Kerrier	216	240	271	-7	-7	-
North Cornwall	217	241	272	4	-	4
Penwith	219	243	274	-	-	-
Restormel	221	245	276	-	-	-
CUMBRIA						
Allerdale	197	223	256	-55	-55	-
Barrow in Furness	198	225	259	-95	-95	-
Carlisle	240	266	299	-17	-17	-
Copeland	191	217	250	-76	-76	-
Eden	209	235	267	-15	-15	-
South Lakeland	274	300	332	-1	-1	-
DERBYSHIRE						
Amber Valley	274	300	333	-49	-49	-
Bolsover	227	254	288	-102	-102	-
Chesterfield	282	310	344	-63	-63	-
Derby	311	338	373	-	-	-
Erewash	290	316	350	-39	-39	-
High Peak	279	306	340	-56	-56	-
North East Derbyshire	302	328	362	-53	-53	-
South Derbyshire	306	331	364	-11	-11	-
Derbyshire Dales	320	347	380	-	-	-
DEVON						
East Devon	235	258	286	8	-	8
Exeter	233	256	286	-	-	-
North Devon	206	229	257	-11	-11	-
Plymouth	220	243	273	-	-	-
South Hams	244	267	296	17	-	17
Teignbridge	231	254	282	-	-	-
Mid Devon	218	241	270	-1	-1	-
Torbay	283	308	340	-13	-13	-
Torridge	169	192	221	-22	-22	-
West Devon	212	235	263	-	-	-

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	---- consistent with 19 July announcement ---					
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	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
DORSET						
Bournemouth	252	274	303	4	-	4
Christchurch	277	297	323	38	-	38
North Dorset	207	226	251	12	-	12
Poole	264	285	311	38	-	38
Purbeck	216	236	261	16	-	16
West Dorset	214	234	259	12	-	12
Weymouth and Portland	228	249	276	-2	-2	-
East Dorset	284	304	330	45	-	45
DURHAM						
Chester-le-Street	262	287	320	-24	-24	-
Darlington	273	300	334	-13	-13	-
Derwentside	209	236	270	-73	-73	-
Durham	252	278	311	-33	-33	-
Easington	200	227	261	-66	-66	-
Sedgefield	225	253	288	-79	-79	-
Teesdale	183	208	239	-19	-19	-
Wear Valley	205	232	268	-87	-87	-
EAST SUSSEX						
Brighton	327	353	386	10	-	10
Eastbourne	306	329	358	49	-	49
Hastings	252	274	303	23	-	23
Hove	260	283	311	40	-	40
Lewes	276	297	324	45	-	45
Rother	284	305	332	56	-	56
Wealden	264	285	311	34	-	34
ESSEX						
Basildon	399	427	463	47	-	47
Braintree	270	293	323	44	-	44
Brentwood	396	425	461	15	-	15
Castle Point	293	317	347	63	-	63
Chelmsford	302	325	355	75	-	75
Colchester	264	287	318	37	-	37
Epping Forest	338	362	392	75	-	75
Harlow	418	449	488	9	-	9
Maldon	283	307	336	60	-	60
Rochford	312	336	366	70	-	70
Southend-on-Sea	312	337	369	62	-	62
Tendring	282	306	337	38	-	38
Thurrock	341	368	402	32	-	32
Uttlesford	301	325	355	75	-	75

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	1990/91 CC with spending 3.8% above 1989/90 budgets	1990/91 CC with spending 7% above 1989/90 budgets	1990/91 CC with spending 11% above 1989/90 budgets	Provisional 1990/91 safety net adjustment	Safety net adjustment when Govt funded	Benefit from Govt funding of safety net
GLOUCESTERSHIRE						
Cheltenham	268	293	324	16	-	16
Cotswold	257	279	308	35	-	35
Forest of Dean	226	249	278	-3	-3	-
Gloucester	229	252	282	4	-	4
Stroud	248	271	300	4	-	4
Tewkesbury	248	270	298	30	-	30
HAMPSHIRE						
Basingstoke and Deane	206	227	254	57	-	57
East Hampshire	242	264	291	61	-	61
Eastleigh	245	266	294	51	-	51
Fareham	245	266	294	57	-	57
Gosport	223	245	274	31	-	31
Hart	265	287	314	68	-	68
Havant	238	260	289	58	-	58
New Forest	233	255	283	42	-	42
Portsmouth	205	229	260	1	-	1
Rushmoor	208	230	259	32	-	32
Southampton	209	233	263	17	-	17
Test Valley	222	243	270	55	-	55
Winchester	247	269	297	63	-	63
HEREFORD AND WORCESTER						
Bromsgrove	227	248	275	50	-	50
Hereford	179	200	227	8	-	8
Leominster	163	184	212	18	-	18
Malvern Hills	228	249	277	41	-	41
Redditch	244	267	296	35	-	35
South Herefordshire	172	193	220	23	-	23
Worcester	237	260	289	29	-	29
Wychavon	242	264	291	51	-	51
Wyre Forest	229	252	280	17	-	17
HERTFORDSHIRE						
Broxbourne	302	325	355	34	-	34
Dacorum	325	349	380	68	-	68
East Hertfordshire	311	335	367	34	-	34
Hertsmere	362	386	416	59	-	59
North Hertfordshire	330	355	386	60	-	60
St Albans	335	360	390	73	-	73
Stevenage	362	389	423	34	-	34
Three Rivers	353	378	409	72	-	72
Watford	308	334	367	43	-	43
Welwyn Hatfield	384	411	445	45	-	45

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HUMBERSIDE						
Beverley	312	340	376	7	-	7
Boothferry	227	257	294	-58	-58	-
Cleethorpes	289	319	357	-42	-42	-
Glanford	284	312	349	-6	-6	-
Great Grimsby	276	306	344	-43	-43	-
Holderness	287	315	351	-5	-5	-
Kingston upon Hull	233	265	304	-63	-63	-
East Yorkshire	256	285	322	-56	-56	-
Scunthorpe	309	340	380	-58	-58	-
ISLE OF WIGHT						
Medina	252	276	305	-	-	-
South Wight	272	296	326	-	-	-
KENT						
Ashford	219	242	271	28	-	28
Canterbury	213	236	266	16	-	16
Dartford	237	262	293	-	-	-
Dover	195	218	247	4	-	4
Gillingham	199	223	252	16	-	16
Gravesham	216	240	270	22	-	22
Maidstone	210	233	262	29	-	29
Rochester upon Medway	183	206	234	30	-	30
Sevenoaks	232	255	284	34	-	34
Shepway	256	281	312	30	-	30
Swale	209	233	263	-	-	-
Thanet	224	248	279	13	-	13
Tonbridge and Malling	227	251	281	3	-	3
Tunbridge Wells	224	247	276	29	-	29
LANCASHIRE						
Blackburn	183	211	247	-31	-31	-
Blackpool	264	293	329	-21	-21	-
Burnley	176	204	240	-63	-63	-
Chorley	242	268	301	-	-	-
Fylde	265	291	325	10	-	10
Hyndburn	176	203	238	-63	-63	-
Lancaster	236	263	297	-21	-21	-
Pendle	169	197	232	-82	-82	-
Preston	228	255	290	7	-	7
Ribble Valley	240	266	299	-12	-12	-
Rossendale	199	226	261	-63	-63	-
South Ribble	253	279	312	-1	-1	-
West Lancashire	262	288	321	18	-	18
Wyre	249	275	309	-	-	-

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LEICESTERSHIRE						
Blaby	253	277	309	18	-	18
Charnwood	246	271	302	25	-	25
Harborough	283	309	341	32	-	32
Hinckley and Bosworth	249	274	306	10	-	10
Leicester	257	287	325	-28	-28	-
Melton	248	273	305	14	-	14
North West Leicestershire	259	284	317	-	-	-
Oadby and Wigston	268	294	326	17	-	17
Rutland	233	258	289	14	-	14
LINCOLNSHIRE						
Boston	204	228	258	5	-	5
East Lindsey	197	221	251	10	-	10
Lincoln	211	236	267	-	-	-
North Kesteven	202	225	254	5	-	5
South Holland	204	228	258	1	-	1
South Kesteven	213	237	267	12	-	12
West Lindsey	198	221	251	4	-	4
NORFOLK						
Breckland	217	239	267	8	-	8
Broadland	237	259	286	21	-	21
Great Yarmouth	234	258	288	-	-	-
North Norfolk	220	243	271	11	-	11
Norwich	252	276	307	6	-	6
South Norfolk	241	264	292	14	-	14
King's Lynn and West Norfo	203	225	254	0	-	0
NORTHAMPTONSHIRE						
Corby	263	290	324	15	-	15
Daventry	278	304	337	35	-	35
East Northamptonshire	225	251	283	10	-	10
Kettering	241	268	301	6	-	6
Northampton	289	317	352	10	-	10
South Northamptonshire	256	281	312	50	-	50
Wellingborough	230	255	288	16	-	16
NORTHUMBERLAND						
Alnwick	267	294	329	-31	-31	-
Berwick-upon-Tweed	239	266	300	-38	-38	-
Blyth Valley	296	324	360	-53	-53	-
Castle Morpeth	298	324	357	8	-	8
Tynedale	282	309	342	-7	-7	-
Wansbeck	241	270	306	-88	-88	-

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NORTH YORKSHIRE						
Craven	212	235	264	-11	-11	-
Hambleton	231	254	282	-	-	-
Harrogate	268	292	322	-	-	-
Richmondshire	212	235	264	-15	-15	-
Ryedale	236	258	287	-9	-9	-
Scarborough	221	246	276	-34	-34	-
Selby	230	254	283	-26	-26	-
York	194	217	247	-26	-26	-
NOTTINGHAMSHIRE						
Ashfield	216	241	273	-30	-30	-
Bassetlaw	253	278	311	-11	-11	-
Broxtowe	261	286	318	-	-	-
Gedling	267	292	324	10	-	10
Mansfield	249	275	308	-32	-32	-
Newark and Sherwood	253	279	311	-	-	-
Nottingham	242	269	303	-	-	-
Rushcliffe	271	295	327	24	-	24
OXFORDSHIRE						
Cherwell	250	270	297	26	-	26
Oxford	259	281	308	47	-	47
South Oxfordshire	280	301	326	55	-	55
Vale of White Horse	263	283	308	53	-	53
West Oxfordshire	247	267	293	35	-	35
SHROPSHIRE						
Bridgnorth	212	237	267	21	-	21
North Shropshire	203	228	259	-	-	-
Oswestry	227	252	284	-	-	-
Shrewsbury and Atcham	239	264	296	16	-	16
South Shropshire	200	225	256	11	-	11
Wrekin	263	290	324	5	-	5
SOMERSET						
Mendip	247	271	301	4	-	4
Sedgemoor	259	284	314	-	-	-
Taunton Deane	253	277	307	3	-	3
West Somerset	262	287	318	13	-	13
South Somerset	257	282	312	2	-	2

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STAFFORDSHIRE						
Cannock Chase	257	281	312	-	-	-
East Staffordshire	232	255	286	-	-	-
Lichfield	269	293	322	33	-	33
Newcastle-under-Lyme	259	283	313	-	-	-
South Staffordshire	266	289	318	34	-	34
Stafford	243	266	295	13	-	13
Staffordshire Moorlands	251	274	305	-	-	-
Stoke-on-Trent	235	260	292	-20	-20	-
Tamworth	257	281	311	10	-	10
SUFFOLK						
Babergh	248	271	299	7	-	7
Forest Heath	224	247	274	2	-	2
Ipswich	280	305	337	4	-	4
Mid Suffolk	232	255	283	11	-	11
St Edmundsbury	220	242	269	13	-	13
Suffolk Coastal	264	287	316	31	-	31
Waveney	235	258	287	-	-	-
SURREY						
Elmbridge	367	389	418	75	-	75
Epsom and Ewell	359	382	410	53	-	53
Guildford	282	303	330	70	-	70
Mole Valley	303	325	353	45	-	45
Reigate and Banstead	318	340	368	54	-	54
Runnymede	259	281	309	47	-	47
Spelthorne	266	285	310	38	-	38
Surrey Heath	301	323	350	69	-	69
Tandridge	292	315	344	14	-	14
Waverley	308	330	357	73	-	73
Woking	332	356	386	49	-	49
WARWICKSHIRE						
North Warwickshire	309	334	365	-	-	-
Nuneaton and Bedworth	315	341	373	-	-	-
Rugby	297	321	352	22	-	22
Stratford on Avon	325	349	379	59	-	59
Warwick	326	350	381	48	-	48

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WEST SUSSEX						
Adur	264	285	313	23	-	23
Arun	244	265	291	35	-	35
Chichester	233	253	279	40	-	40
Crawley	267	290	320	3	-	3
Horsham	225	244	269	49	-	49
Mid Sussex	255	275	301	44	-	44
Worthing	229	250	277	26	-	26
WILTSHIRE						
Kennet	233	256	286	11	-	11
North Wiltshire	251	275	306	-0	-0	-
Salisbury	244	267	297	24	-	24
Thamesdown	274	300	332	-	-	-
West Wiltshire	257	281	312	-2	-2	-
ALL PURPOSE AUTHORITY						
Isles of Scilly	239	277	325	-268	-268	-