

PO-CH | NL | 0413

PART A

Part A.

CONFIDENTIAL
(Circulate under cover and notify REGISTRY of movement)

Begins : 11/11/88.

Ends : 16/12/88.

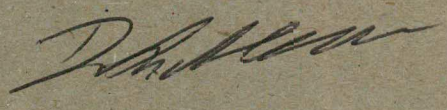
THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH | NL | 0413
PART.A.

Chancellor's (Lawson) Papers:
The Community Charge Bill.

PO CH | NL | 0413
PART.A.

DD's : 25 Years



24/1/96.

MFB 15/11

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:



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

CHEXCHEQUER	
REC.	11 NOV 1988
AMOUNT	CST
ISSUED TO	

✓ 11

// November 1988

Dear Chief Secretary

THE COMMUNITY CHARGE BILL

I am writing to seek colleagues' agreement to proposals on the content of the community charge bill which will be sent to chargepayers in England.

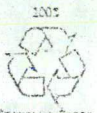
The community charge bill is the one piece of paper that all chargepayers will read. We want chargepayers to be able to see from their bill whether their councils are high or low spending.

We have power to make regulations insisting that bills contain prescribed matters and that they should be accompanied by prescribed information. I propose to use those powers to ensure that the bills give details of authorities' proposed spending for the financial year and a comparison with the amounts if councils and other precepting bodies included on the bill were spending at need. I also propose to ensure that councils are not allowed to include any information on the bill other than that we prescribe.

In formulating these proposals I have sought to ensure that the message is not obscured by the inclusion of any more details than are strictly necessary.

Because it is important that chargepayers should be fully aware of the total contribution made by national taxpayers to local spending, I propose that the bill should include all grants, including specific grants. They will need to be reflected in the expenditure and needs assessments as well as the grant figure itself.

If the bill is to show how the actual community charge is arrived at it will also have to show contributions to or from the community charge safety net. For a limited number of years this will mean showing on the face of the bill that not all councils are in a position to levy the same charge. If we do not show the effect of the safety net, the bill will simply not add up. If, on the other hand, we were to seek to include it in, or subtract it from, the grant figure, there would be protests from contributing



authorities, who would appear to have higher community charges for no apparent reason. Such an approach would also appear as a crude attempt to hide the effect of the safety net, the existence of which is a matter of public knowledge. The safety net will have a limited life, and the information accompanying the bill will explain clearly what it is and why it is necessary.

If the figures are to add up it will also be necessary to contain a balancing entry to account for losses on collection, under-registration, etc. This will give chargepayers some indication of their council's efficiency in registering their population and collecting the charge. We are still considering the question of the "relevant population" for the purposes of grant calculation, precepts on the collection fund and payments from the national non-domestic rate pool, and I shall be writing with my proposals in due course.

The bill will need to show separately the contribution made by business rates. The business community will want the amount they contribute to local spending to be clearly identifiable.

I enclose an illustration of a community charge bill showing all these points. I am being pressed by the local authority associations to say what the form of the bill will be. I should be grateful therefore for your agreement by 25 November to my consulting the associations on the basis that the form of the bill, on the lines enclosed, will be prescribed in regulations.

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

Yours sincerely
R. Ridley

By 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 any rebate, information on how to get rebate etc.)

HOW YOUR BILL IS MADE UP

The community charge pays for spending by County Councils, District Councils and Parish Councils. Some of this spending is also paid for by Government grants and rates paid by businesses. If these councils were providing a standard level of services your community charge would be £ (£ after rebate) before adjustment to reflect transitional 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		
District name		
Parish name		
TOTAL		
LESS		
Government grants		
Business rates		
TOTAL		
PLUS/LESS		
Contributions to or from safety net (see notes)		
TOTAL		
PLUS		
Adjustment (see notes)		
<u>COMMUNITY CHARGE</u>		



MP

CH/EXCHEQUER	
REC	15 NOV 1988
ACTION	CST
COPIES TO	

✓ 15/11

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 November 1988

Dear Roger,

THE COMMUNITY CHARGE BILL

The Prime Minister has seen your Secretary of State's letter of 11 November to the Chief Secretary and the attached illustration of a Community Charge Bill. Subject to the views of colleagues she is content with these proposals.

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

Yours,
Paul

PAUL GRAY

Roger Bright, Esq.,
Department of the Environment

CONFIDENTIAL

11/140

FROM: G C WHITE
DATE: 23 NOVEMBER 1988

1. MR POTTER

2. CHIEF SECRETARY

I agree. Highlighting
the safety net adjustment cc
will enable DSE to press
for more grant. We must
try to avoid the safety net
adjustment featuring on
the Community Charge bill.
BHP 23/4

PS/Chancellor
Sir P Middleton
Mr Anson
Mr Phillips
Mrs Case
Mr Edwards
Mr Turnbull
Miss Peirson
Mr A M White
Mr Fellgett
Mr Call

THE COMMUNITY CHARGE BILL

The Environment Secretary wrote to you on 11 November outlining his proposals on the standard presentation on the face of the Community Charge Bill; this will be sent to all Community Charge payers in England.

2. It is important that the Bill should be easily understood, making clear how the Community Charge is derived. But it must also show the total amount of spending planned by the local authority; the level of government grants (revenue support grant, specific grants and national non-domestic rate payments); and the residual amount to be financed by the local authority itself.

3. You may recall that Mr Ridley minuted the Prime Minister on 30 July 1987 on the transition from rates to the Community Charge. He included an example of how the Community Charge Bill might look. This initial proposal assumed that local authority expenditure covered in the Bill would be restricted to that financed by Revenue Support Grant, National Non Domestic Rate payments and the Community Charge. The Chancellor subsequently wrote to Mr Ridley on 11 August 1987 expressing reservations about this approach and suggesting that the Bill would need to show the total expenditure and total grant support from central Government

(ie including that financed by specific grants). Since then we have been discussing the format of the Bill with DOE officials. They have now agreed to the inclusion of specific grants.

Assessment

4. Mr Ridley's proposals are generally acceptable. However there is one important point on which we have not been able to reach agreement at official level. It was agreed earlier that the charge payer should be able to see from the Bill whether he is in a low or high spending authority; this would be by reference to the amount needed to pay for the standard level of service. But the actual Community Charge for spending at need will differ from that shown because of the safety net. Mr Ridley proposes to show explicitly an adjustment for the safety net.

5. The safety net eases the transition from the present to the new local government system in different parts of the country. It will operate in such a way that those local authorities where there is a sharp increase between the rates collected in 1989-90 and the community charge collected in 1990-91 will benefit at the expense of authorities where the introduction of the community charge has a less dramatic effect. Each local authority will be allowed to raise, in 1990-91, the same amount from all residents in real terms as they did in 1989-90 (assuming that their spending is constant in real terms). The safety net as a whole will be self-financing and will, in particular, ease the transition for authorities in inner London.

6. We believe that to show the adjustment explicitly will encourage those authorities (and their charge payers) who will suffer under the safety net to complain (broadly people in Southern England outside inner London). Such complaints could well be used by DOE to put pressure on us to provide additional grant. We would therefore prefer to see the adjustment hidden within the grant figures.

7. Moreover safety nets could turn out to be a longer term feature of the new system. The existing Rate Support Grant system includes a mechanism, known as 'safety nets and caps', which

smooths increases in rates in individual authorities. Although it has been agreed that such a mechanism should not be introduced into the new grant system it would not be surprising if changes to the community charge become so unstable that some form of 'safety nets and caps' needs to be re-introduced.

8. There would be two ways of doing this. First an adjustment factor could be incorporated into the needs assessment so that grant is automatically distributed in a way that avoids large fluctuations in community charge payments. But this is undesirable because the needs assessment should be an objective assessment of what local authorities need. The second method would be to continue with some form of safety net. The latter may well be preferable and there is therefore a possibility that in future we may need to return to a system similar to the existing 'safety nets and caps'. It therefore seems undesirable to create a precedent at this stage and explicitly show the safety net adjustment.

9. We understand from officials in the Welsh Office that the Secretary of State for Wales has expressed agreement for the safety net adjustment to be shown as an additional line. ~~Whereas~~ In Scotland, although the format of the Bill is slightly different, we understand that they are proposing to include the safety net adjustment within the grant figures.


10. You cannot adduce the Treasury concerns discussed in paragraph 6 in your response to Mr Ridley. But you can draw on the following arguments:

- (a) the safety net is a complication that makes the presentation unnecessarily confusing;
- (b) it is a means of re-distributing grant and its effect should be included in the grant figures.

- (c) whilst it is only intended as a short-term measure for the transitional period it is not certain that a similar type of adjustment will not be necessary as an integral part of the grant system.
- (d) it is desirable to adopt a consistent approach to the treatment of the safety net in all three countries.

11. Finally, the proposed Bill will still however have to include one further adjustment. This reflects the two different population bases in use; grant and NNDR calculations will be based on OPCS estimates whereas the local authority will have to set the community charge on the basis of the local register. The accompanying notes will explain this in more detail but the level of adjustment will indicate how efficiently an authority compiles its register and collects the community charge. We believe that this will provide an incentive to authorities to administer the community charge in a cost-effective manner.

12. A draft reply is attached.



G C WHITE

CONFIDENTIAL

DRAFT LETTER FOR THE CHIEF SECRETARY TO SENT TO
NICHOLAS RIDLEY

THE COMMUNITY CHARGE BILL

Thank you for your letter of 11 November 1988 seeking agreement to your proposals on the format of the Community Charge Bill in England.

I am generally content with these proposals which produce a simple but comprehensive account of expenditure and how it is to be financed. But I am concerned that the additional line for contributions to and from the safety net will not be easily understood by the chargepayer. It is a rather technical term that makes the Bill more complex than it needs to be. The safety net is in effect a means of re-distributing grant: as such I think it would be appropriate to include it within the line for Government grant.

It also seems unwise to risk establishing a need to identify and explain safety net adjustments on the Bill itself. Indeed it might be prudent to bear in mind the possibility that changes to the pattern of community charge will be large enough to warrant the re-introduction of some form of 'safety nets and caps'. No-one can yet know how stable future GRES will prove to be. But we would presumably not wish to draw attention to future 'nets and caps' on the face of the Bill. I would therefore much prefer to include the safety net adjustment within the grant figure.

CONFIDENTIAL

I understand that the proposals for the Community Charge Bill in Scotland will not include an explicit line for the safety net and I hope that the same principle can be adopted in England and Wales. I think it will be desirable for all three countries to adopt a consistent approach.

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

JM



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

BF
24/11

From the Secretary of State for Social ~~Services~~ Security

The Rt Hon Nicholas Ridley MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON

23 November 1988

CH/EXCHEQUER	
REC.	23 NOV 1988
ACTION	CST
COPIES TO	

✓ 23/11

Nicholas Ridley

THE COMMUNITY CHARGE BILL

Thank you for copying to me your letter of 11 November to John Major. I have two particular concerns about the draft of the bill. Firstly, it seems to me that most people's immediate reaction will be to go straight to the amount of the charge shown at the bottom of the page, and to assume it to be the amount they have to pay. I accept that you say that "introductory details of the amount of the charge, how to pay, details of any rebate, information on how to get rebate etc" will also appear in the actual bill, but for the avoidance of doubt I would like to see it made clear at this point that it is a gross figure and not necessarily the amount that is payable. This could be done quite simply by adding a few words in parenthesis, for example "(This does not take into account any community charge benefit to which you may be entitled.)"

In line 4 of "How your bill is made up", you are proposing to show what the community charge would be, including any "rebate". As you know, the Local Government Finance Act does not use this word, and it was at your Department's insistence that help with meeting the community charge is to be known as community charge benefit. The regulations which will be laid in the spring must follow the LGFA terminology. Members of the public are of course familiar with the word "rebate" because it is used in the housing benefit scheme. However, if we are to call the new benefit "community charge benefit", I think it would be better from the start of the scheme to refer to it as such.

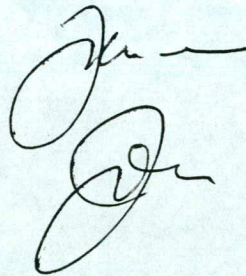
My major concern is about the inclusion of a hypothetical "rebated" figure. As I understand it, this would mean that, in every case where benefit is in payment at the date the bill is issued, the benefit section would have to carry out a second calculation using the claimant's actual circumstances and the hypothetical charge to arrive at a net figure. This would have considerable manpower cost implications for benefit sections and I would be most concerned if providing a second figure in any way

caused delays in assessing claims to benefit. Certainly, my Department would not be prepared to finance any additional administrative costs through the housing benefit or community charge benefit administration subsidy arrangements. Moreover, it is not clear that authorities are yet aware that they may be required to prepare a second calculation solely for the purpose of the bill. It has not been raised in the extensive discussions which have taken place between local authority association representatives and officials of my Department. And finally, the inclusion of details of benefit which is not being awarded is likely to prove confusing for many claimants, especially since the actual benefit awarded will be shown in a different section of the bill.

These seem to me to be major considerations, and I would therefore ask you to look again at your proposals.

My officials have already spoken to yours about the way in which benefit awarded is to be shown on the bill, making clear the net amount that the chargepayer has to pay.

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

A handwritten signature in black ink, appearing to be 'John Moore', written in a cursive style.

JOHN MOORE



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CH/EXCHEQUER	
REC.	25 NOV 1988
NOTES	CST
COPIES TO	

vas/11

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

Dear Nickey,

24 NOV 1988

THE COMMUNITY CHARGE BILL

Thank you for sending me a copy of your letter of 11 November to John Major about the Community Charge Bill. I am content for you to consult the local authority associations on the general basis you outline.

In the detail of what you propose, however, there is a difficulty, which I should perhaps draw to your attention now. The arithmetic will not work if capital grants are simply included in the "grants" total in the table. Your table deals with revenue expenditure, including the financing costs of capital; but not capital costs themselves, to which capital grants are applied. I suggest our officials should discuss this and report back on how this technical difficulty might be overcome without unduly complicating the table.

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

[Handwritten signature]
[Handwritten signature]

PAUL CHANNON



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

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

CHIEF SECRETARY	
REC.	25 NOV 1988
ACTION	Mr Potter
COPIES TO	Cc Sir P Middelton 24 NOV 1988
	Mr Anson, Mr Phillips
	Mr Tomball, Mr Case,
	Miss Pearson Mr McIntyre, Mr Call.

Dear Nickey,

THE COMMUNITY CHARGE BILL

Thank you for sending me a copy of your letter of 11 November to John Major about the Community Charge Bill. I am content for you to consult the local authority associations on the general basis you outline.

In the detail of what you propose, however, there is a difficulty, which I should perhaps draw to your attention now. The arithmetic will not work if capital grants are simply included in the "grants" total in the table. Your table deals with revenue expenditure, including the financing costs of capital: but not capital costs themselves, to which capital grants are applied. I suggest our officials should discuss this and report back on how this technical difficulty might be overcome without unduly complicating the table.

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

ms,
Pal

PAUL CHANNON

FROM: J C J RAMSDEN
 DATE: 25 NOVEMBER 1988

1. MR MCINTYRE ✓
 2. CHIEF SECRETARY

cc PS/Chancellor
 Sir P Middleton
 Mr Anson
 Mr Phillips
 Mrs Case
 Mr Edwards
 Mr Turnbull
 Miss Peirson
 Mr A M White
 Mr Potter
 Mr Fellgett
 Mr Call

THE COMMUNITY CHARGE BILL

Mr Ridley wrote to you on 11 November with his proposals for a standard form of Community Charge bill, to be sent to all Community charge payers in England, and designed to bring out any difference between the actual charge by each authority and the charge needed to provide the "standard level of service". Mr White's submission of 23 November covered most of the points which need to be made. But it crossed with Mr Moore's letter of the same date which raises further issues.

2. As Mr Moore correctly says, Mr Ridley's pro-forma bill refers throughout to a community charge "rebate" whereas it is DOE who have insisted throughout on re-christening the rebate as "Community charge benefit". Obviously DOE should follow their own new terminology. Mr Ridley will presumably have no difficulty with that.

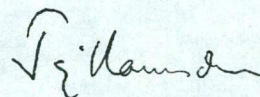
3. The more substantive point in Mr Moore's letter concerns the third sentence in the pro-forma bill, under the heading "HOW YOUR BILL IS MADE UP". Mr Ridley is proposing that each charge payer would be told, at this point, what his charge would have come to if his authority had delivered the "standard level of service" and what this normal charge would be "after rebate". It is the latter point which is troubling Mr Moore. As he points out, each person's notional "rebate" would have to be worked out separately.

The work (consisting of around 6.8 million separate calculations) would have to be done by the local authorities, who pay the benefit for the DSS. No doubt the authorities would ask for more money: they have made enough fuss about calculating peoples actual cc benefit, let alone an additional notional figure for each claimant.

4. DOE have probably not thought this point through and may be ready to drop the idea of showing a notional charge "after rebate". But it may be worth adding a passage at the end of your reply on the following lines:

"I have also seen John Moore's letter of 23 November and I agree that it would be wrong to incur extra administrative costs as a result of calculating a second, notional, rate of community charge benefit for each claimant. I suggest that the point could be made just as effectively by showing what the charge would have been for the standard level of service but adding that this figure ignores any community charge benefit to which the chargepayer may be entitled."

5. LG agree



J C J RAMSDEN



CH/EXCHEQUER	
REC.	25 NOV 1988
ASST.	CST
OFFICE	
TO	

25/11
QUEEN ANNE'S GATE LONDON SW1H 9AT

25 November 1988

Dear Nicholas

THE COMMUNITY CHARGE BILL

You copied to me your letter of 11 November to John Major. I am generally happy with your proposals on the content of the Bill but I do have concerns about the treatment of specific grant.

It is clearly right that the community charge payer should be told how much grant is provided in support of local authority services. But the approach which you propose would require accounting adjustments to be made to the precepts levied on the fund and to the needs assessments, both of which will be calculated net of specific grant. This will complicate the preparation of the Bill for what seems to be no real gain in clarity for the community charge payer on what he is being asked to pay for. Given the number of specific and supplementary grants paid to local authorities (24 are identified in the recent consultation paper on the RSG report), there is an obvious risk that errors will arise in seeking to gross up the figures, which would in any case be calculated on a different basis from those included in the RSG report and in the new planning total.

I am also concerned that since the figures would be presented in gross terms it would appear, particularly for the joint police authorities and the Metropolitan Police, that there has been a large increase in expenditure in the first year of the new system (I accept that there will be some element of this since block grant will no longer be paid direct to spending authorities). This has considerable presentational disadvantages.

In my view a better way of dealing with this would be to show specific grant payments "below the line". This would still enable the community charge payer to see how much grant in total the Government is providing, but would not require adjustments to the precept figures or the needs assessment calculations. The documentation accompanying the Bill could provide for gross spending figures to be shown and would enable the authority to provide a fuller explanation of the amount of specific grant which is being paid in respect of particular services.

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

*Yours,
Nicholas*

The Rt Hon Nicholas Ridley, MP.
Secretary of State for the Environment

CONFIDENTIAL

pnp.



cc:
 PS/Chancellor
 Sir Peter Middleton
 Mr Anson
 Mr H Phillips
 Mrs Case
 Mr Edwards
 Mr Turnbull
 Miss Peirson
 Mr Potter
 Mr G C White
 Mr A M White
 Mr Fellgett
 Mr Call

Treasury Chambers, Parliament Street, SW1P

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

28 November 1988

Dear Secretary of State,

THE COMMUNITY CHARGE BILL

Thank you for your letter of 11 November 1988 seeking agreement to your proposals on the format of the Community Charge Bill in England.

I am generally content with these proposals which produce a simple but comprehensive account of expenditure and how it is to be financed. But I am concerned that the additional line for contributions to and from the safety net will not be easily understood by the chargepayer. It is a rather technical term that makes the Bill more complex than it needs to be. The safety net is in effect a means of redistributing grant: as such I think it would be appropriate to include it within the line for Government grant.

It also seems unwise to risk establishing a need to identify and explain safety net adjustments on the Bill itself. Indeed it might be prudent to bear in mind the possibility that changes to the pattern of community charge will be large enough to warrant the re-introduction of some form of 'safety nets and caps'. No-one can yet know how stable future GREs will prove to be. But we would presumably not wish to draw attention to future 'nets and caps' on the face of the Bill. I would therefore much prefer to include the safety net adjustments within the grant figure.

CONFIDENTIAL

I understand that the proposals for the Community Charge Bill in Scotland will not include an explicit line for the safety net and I hope that the same principle can be adopted in England and Wales. I think it will be desirable for all three countries to adopt a consistent approach.

I have also seen John Moore's letter of 23 November and I agree that it would be wrong to incur extra administrative costs as a result of calculating a second, notional, rate of community charge benefit for each claimant. I suggest that the point could be made just as effectively by showing what the charge would have been for the standard level of service but adding that this figure ignores any community charge benefit to which the chargepayer may be entitled.

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

Yours sincerely,

P. Wainwright

pp JOHN MAJOR

*[Approved by the Chief Secretary
and signed in his absence.]*

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	

CONFIDENTIAL



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.
 Got Nigel to say completely
 out of the question.

Abandoned - If necessary
 can speak to Sir W
 AA

CONFIDENTIAL



BE 13/12

10 DOWNING STREET
LONDON SW1A 2AA

M

From the Private Secretary

12 December 1988

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

✓ 12/12

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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.

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BF 23/12
ppp

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FROM: G C WHITE

DATE: 16 December 1988

- 1. MR EDWARDS *ADDE 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