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From: R T J Wilson
19 March 1990

P 03649

RA
~~MR GRAY~~

COMMUNITY CHARGE CAPPING 1990-91

1. As you know, E(LG) is to discuss community charge capping on Tuesday 27 March. The Department of the Environment think that they will only be able to circulate the paper in final form next Monday, the day before the meeting takes place, but will try to get the text to you and to the Chancellor's private office by Friday night for the weekend box.
2. Unavoidably therefore Ministers will be asked to take decisions on difficult and complex material, of some political importance, with very little time to digest it, let alone reflect on it.
3. You may therefore like to see informally the attached draft of the paper which I have secured on a personal basis this afternoon. It still lacks some information, in particular the precise cap which will be applied to each authority. But it gives a good indication of Mr Patten's present thinking on the criteria to be applied and the 19 authorities which will be selected: see annexes.
4. I think the DOE are labouring heroically to try and carry out a complex exercise within a very tight timetable without laying themselves open to judicial review. But it seems clear from the paper that the selection of local authorities chosen for capping is likely to require extremely skilful presentation and explanation.

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5. First, the criteria do not relate to excessive increases in expenditure compared with the present financial year. Instead the comparison will be with the SSA. Authorities' expenditure will be judged to be excessive if their budget exceeds the SSA by more than 12.5 per cent and exceeds the SSA by more than £100 per adult; and they will be capped if their expenditure is excessive on this basis, and is at least £26 per adult above the criteria (see paragraph 9). The reasons for adopting this approach, rather than a comparison with the previous year's budget, are given in paragraph 13.

6. More generally it will require considerable powers of exposition to explain why, say, Calderdale, with an actual community charge of £297, is to be capped whereas, say, Hackney, with a community charge of £499, is not.

7. It will also be important to keep a sharp eye on the anomalies which seem likely to be thrown up. For instance:

i. one local authority - Haringey - will be capped even though its community charge is marginally less than the charge assumed by the Government last July;

ii. some community charge payers may have to pay more, not less, to their local authorities because of charge capping; see Annex C, paragraph f.

8. These are first reactions. The purpose of this minute is simply to give you a chance to digest the material too before it comes forward formally. If you have any reactions which I could pass back to DOE, I would be glad to have them.

BT.
R T J WILSON

DRAFT

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MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON LOCAL GOVERNMENT

COMMUNITY CHARGE CAPPING 1990/91

Memorandum by the Secretary of State for the Environment

1. This paper sets out my proposals on charge capping for 1990/91. We need to decide:

- whether any authorities should be capped; and, if so,
- the criteria for selecting individual authorities; and
- the size of the cap we should propose for each selected authority.

Authorities' spending and charges

2. We now have details of all authorities' budgets and [except for Lambeth] charges for 1990/91. Overall, authorities are budgeting £x bn above net Total Standard

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Spending (TSS), the total amount we considered it appropriate for authorities to spend, net of specific grants, in 1990/91. The whole of this excess above net TSS falls on the community charge. The actual average charge set is £[363]. The average for shire areas is £[360], for metropolitan areas £[366], and in London, the average is £[371]. If all authorities had budgeted in line with their SSAs the average charge would be around £273 (£278 before allowing for special grants).

Use of capping powers in 1990/91

3. In essence charge capping enables us to require an authority which has budgeted excessively to reduce that budget which then feeds through to reduced community charges. A description of the capping process is at Annex A. Charge capping is thus an "in year" system, unlike our previous ratecapping powers in England which meant an authority was capped in a year only if its budget for the previous year was judged excessive (see Annex B). Our clear public stance has been that whilst ideally there should be no need for charge capping, if authorities ignore the need for expenditure restraint and sensible budgets we shall not hesitate to cap them in order to protect chargepayers from inordinately high charges.

4. We now need to decide, in the light of the budgets which authorities have set, whether I should exercise my capping powers and, if so, which authorities should be selected and what their caps should be. As set out in my minute of 5 February to the Prime Minister, if we are to proceed with capping we need ideally to take decisions very quickly so that I can make an announcement to Parliament and notify the selected authorities of their proposed caps on 3 April. This will ensure that the statutory 28 day period, during which authorities may respond to their proposed caps, ends before the local elections on 3 May.

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5. Whilst capping will undoubtedly be welcomed by those facing high charges, it is not without presentational and political drawbacks. If we cap any authorities this will be portrayed as an admission that our new system with its improved accountability has failed. And in those areas where there are elections, notably London, it will be argued that by selecting authorities before the election we are even not prepared to let the electorate judge their authorities. As explained in Annex C any capping scheme will give rise to anomalies; in particular due to the safety net and special grants some authorities with relatively low charges will be capped whilst others with higher charges will not; and there will be cases where an authority with charges below the assumed charge for transitional relief will nevertheless be capped.

6. Local government will criticise any scheme both on principle and on the grounds of the additional burden and expense authorities will incur when revising their budgets and issuing fresh charge bills. Particular administrative complexities will be faced due to the need to reassess community charge benefit. Charging authorities having to issue fresh bills because a precepting authority has been capped are likely to be particularly aggrieved about the additional administrative burdens, even though they can recover the cost from the precepting authority concerned. And the very act of capping will continue to keep the community charge, and the Government's involvement with it, very much in the public eye right through to the summer recess and possibly beyond. We are likely to be faced with capped authorities publicly arguing that our caps are forcing them to make cuts in highly sensitive areas such as social services or education.

7. However, I believe we have little option but to cap the budgets of a limited number of the highest spending authorities. Otherwise we should be failing to live up to our undertaking to cap excessive spending and protect chargepayers

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from very high charges. We have always recognised that in the first year of the new system there might be need for capping given the accountability pressures would not be fully in place, notwithstanding that it fits uneasily with the philosophy of the community charge. But as illustrated in Annex D we must recognise that capping cannot be a universal panacea for the problem of charges being higher than the public expected.

Selection of authorities for capping

8. The statute provides that I may select authorities whose budgets are in my opinion either excessive, or represent an excessive increase over the previous year, but I am not empowered to select any authority whose budget is below a threshold of £15m. Selection must be on the basis of general principles, but I may adopt different principles for different classes of authorities (eg shire districts, county councils) where there are reasoned grounds for doing so. Charge capping, as was the case with rate capping, is likely to be a highly litigious matter, and we need to approach our decisions with extreme care. I propose that we should select those authorities whose budgets are judged excessive by reference to their SSAs. This is broadly analagous with the approach under rate capping under which authorities were selected if their budgets were judged excessive by reference to their Grant Related Expenditure Assessments (GRES) - which SSAs have replaced in the new system.

9. I propose that an authority's budget should be judged excessive if it exceeds SSA by more than $12\frac{1}{2}\%$ (the lowest criterion we used for rate capping) and by more than £100 per adult, and that an authority would be selected for capping if its budget was excessive on this basis, provided that the budget was at least £26 per adult above the criterion. The purpose of the proviso is to ensure that we cap only those authorities where the maximum possible reduction in the community charges (see paragraph 17 below) is worth the

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inevitable costs of revising budgets and issuing fresh bills. Counsel has advised that we cannot require a capped authority to reduce its budget below the criteria used as a benchmark to judge excessivity. My proposals mean that unless maximum possible reduction is at least £26 off the charge (50 pence per week) an authority would not be capped. If we were to cap authorities for smaller reductions I believe we would be a laughing stock.

10. The results of applying this criterion are shown in Table A. 19 authorities are caught and the maximum possible reduction in public expenditure would be £216m (0.7% of the forecast £36.1bn total for local authorities' 1990/91 expenditure). Table B shows the result of this criterion in the context of all authorities' charges.

11. In my view this joint percentage/per capita criterion is the most satisfactory approach. By requiring an authority to meet the two tests it ensures that it is only capped if it has a significant overspend on SSA relative to the size of its budget, which also results in a significant burden on chargepayers. A percentage approach by itself would give no direct recognition to the level of burden on chargepayers. It could leave chargepayers in some areas facing overspends in excess of £100 and in other areas authorities could be capped even though the effect on the charge was only a few pounds. A per capita approach by itself would not be an adequate measure of overspend relative to the budget concerned, and could be difficult to defend in litigation if it represented only a small percentage overspend in the case of some authorities.

12. By using a single uniform criterion for all authorities (subject to special arrangements to allow for the abolition of ILEA - see paragraph 16 below, and for the City of London in recognition of its special circumstances as being able to levy a local business rate) we shall minimise the risk of legal challenge to selection. If we were to adopt different

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criteria for different classes there could be arguments about the justification for the differences. It would be illogical, and unfair, to allow one class of authority to impose a greater burden on chargepayers than another class before we were prepared to cap; such a situation would be difficult to explain publicly.

13. I am proposing to select authorities only on the basis of "absolute excessiveness" relative to SSA. [It is also open to me under the statute to select authorities on the basis of "excessive increase", that is, if an authority's budget represents an excessive increase over that for the previous year. For the reasons given in my letter of [] March to the Chief Secretary, I do not intend to use this option for 1990/91]. In summary, to use this option for next year we would have to calculate notional budget figures (ie the budget which would have been set had the new system been in operation in 1989/90) for individual authorities for 1989/90 as the baseline for measuring increases in 1990/91 budgets. Whilst we have indeed calculated such notional figures for the area safety net and transitional relief scheme, I do not believe they are sufficiently robust for capping purposes. Given the penal nature of capping it is essential that any notional base is calculated with precision if it is to withstand successfully legal challenge. To do this with the precision necessary for capping is a complex process with an inevitably high rate of error, and in any event we lack the necessary data. Treasury Counsel has advised that there are significantly more legal risks attached to using the excessive increase option in 1990/91 than adopting the course I am proposing.

Relationship between budgets and charges

14. Colleagues should be aware that there is not a direct relationship between charges and budgets, principally because of the area safety net and special grants (low rateable values areas grant and Inner London education grant). In areas which

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are maximum contributors to the safety net, even if authorities budget at their SSAs, the charge would be over £350 (£278 + £75 contribution to the safety net). In such a case an overspend above SSA of say £50 per adult would take charge over £400. Capping, which under the statute operates on excessive budgets, not on the level of the charge, would not be appropriate in such circumstances. Conversely, areas which are substantial recipients from the safety net can have relatively low charges even if the authorities there budget very highly relative to SSA and hence are candidates for capping. This is further exacerbated in areas in receipt of special grants. In short, the circumstance is almost inevitable where some authorities which are capped have substantially lower charges than some of those which are not capped (see Table B which shows Calderdale capped under my proposals with a charge of £297 whilst say Barnet's charge is £338).

15. Some authorities with charges of over £400 are not caught because the authorities themselves have budgets below the statutory £15m threshold (below which authorities are exempt from capping) and authorities precepting on them do not meet the excessiveness criteria. In addition, there are some areas with over £400 charges where the authorities, although not under the threshold do not meet the criteria proposed. [Nevertheless, the criteria which I propose above ensure that most [cappable] authorities with charges of over £400 are indeed capped.] [The authorities with over £400 charges which would not be capped are

Inner London Boroughs

16. I propose to apply the same criteria to all classes of authority except that for Inner London Boroughs I intend to deduct from each Borough's budget for the purposes of comparison with SSA the amount of its inner London education grant entitlement. This deduction is intended to meet our objective of making an allowance for that part of the ILEA

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overspend inherited by those boroughs which it would not be reasonable to expect an authority to be able to cut in 1990/91. The amount of the grant would serve as a proxy for the amount of such inherited overspending, which we were prepared to recognise, and would be consistent with the sums approved by Parliament in the Special Grant Report. As noted below, the individual circumstances of authorities caught by the selection criteria would be taken into account in setting the caps themselves. [On the basis of the criteria which I propose the effect of deducting inner London education grant is to remove [Tower Hamlets] from the field for capping.]

Proposed caps

17. Each authority's cap - that is, the alternative, lower budget figure which I propose - needs to reflect its individual circumstances and be realistic and achievable. Counsel has advised that an authority cannot be capped to below the level at which it is selected for capping - the higher of the two levels in the case of joint criteria such as I am proposing; nor can an authority be capped to below £15m (the threshold below which authorities are exempt from capping). The table shows for authorities selected under [each of] my proposed criteria for each authority on the basis of a careful examination of its circumstances. The table also the effect of my proposed caps on the actual charge.

[18. commentary on proposals]

Conclusion

19. My proposal will mean that we cap 19 authorities, saving in total £ m, giving reductions in the community charges ranging from £ to £ . This will be welcomed by the chargepayers concerned. But inevitably there will be disappointment in other areas where the authorities are not capped and the charges are higher than considered reasonable. It will be difficult to explain why we have capped, although

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with good reason, some authorities with charges considerably below others which have not been capped. We shall have to be prepared to defend ourselves against attack on the one hand that by capping 19 authorities we are admitting our new system of accountability has failed and we are creating administrative chaos for authorities, and on the other hand that by capping only 19 authorities we have failed to live up to our pledge to protect chargepayers from excessive budgets.

20. Colleagues are invited to agree:

- (i) that I should use my capping powers for 1990/91;
- (ii) that the authorities (shown in Table A) should be selected whose budgets are more than 12½% above SSA and more than £100 per adult above SSA, provided that the budget is at least £26 per adult above the 12½%/£100 per adult criterion;
- (iii) that I should set for these authorities the caps proposed in the Table A.

CP

Department of the Environment
March 1990

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CHAR CAPPING:

Authority	Cont rol	Budget over 89-90	Over SSA		Maximum reduction
			%	£/head	12.5% and £100 over SSA
Basildon	Noc	30%	194%	154	54
Greenwich	Lab	9%	32%	314	190
Haringey	Lab	9%	30%	351	204
Barnsley	Lab	16%	27%	178	78
Lambeth	Lab	22%	26%	365	190
Derbyshire *	Lab	19%	25%	157	57
Amber Valley	Con				
Bolsover	Lab				
Chesterfield	Lab				
Derby	Con				
Erewash	Con				
High Peak	Noc				
N E Derbyshire	Lab				
South Derbyshire	Lab				
Derbyshire Dales	Con				
Hammersmith and Fulham	Lab	5%	21%	239	100
Wigan *	Lab	13%	21%	151	51
Calderdale *	Noc	8%	21%	160	60
Southwark	Lab	8%	20%	238	92
Hillingdon *	Noc	7%	20%	143	43
Doncaster *	Lab	12%	20%	144	44
Rotherham *	Lab	13%	19%	134	34
North Tyneside *	Lab	10%	19%	137	37
Rochdale *	Lab	15%	19%	152	51
Brent	Lab	6%	18%	202	63
St Helens *	Lab	16%	16%	130	30
Camden	Lab	17%	15%	180	35
Islington	Lab	10%	15%	188	30

* = not caught on equivalent GRE (rescaled) criterion

Authorities indented not caught by criterion

note

Table in final version of paper will show reductions resulting from proposed caps (rather than maximum reductions) and estimated charges resulting (rather than minimum reduced charges).

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CHAR CAPPING:

Minimum reduced charge					Authority
Charge set	12.5% and £100 over SSA	Assumed charge	Charge at SSA		
478	424	395	315	Basildon	
408	218	252	-8	Greenwich	
573	369	573	278	Haringey	
330	253	222	128	Barnsley	
640	450	308	196	Lambeth	
Derbyshire					
398	341	270	220	Amber Valley	
353	296	220	145	Bolsover	
414	357	282	208	Chesterfield	
458	401	315	278	Derby	
419	363	283	227	Erewash	
393	336	279	218	High Peak	
420	363	297	216	N E Derbyshire	
439	382	301	262	South Derbyshire	
432	375	316	263	Derbyshire Dales	
424	325	347	109	Hammersmith and Fulham	
382	331	293	209	Wigan	
297	237	245	115	Calderdale	
390	298	254	61	Southwark	
367	323	359	236	Hillingdon	
338	294	264	173	Doncaster	
337	303	240	165	Rotherham	
399	362	334	237	North Tyneside	
386	335	269	206	Rochdale	
498	435	481	296	Brent	
411	381	297	256	St Helens	
534	499	344	301	Camden	
499	469	380	256	Islington	

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Table B

CHARGE CAPPING: Authorities affected by capping / not affected by capping

Charging authority <i>in descending order of charge</i>	Control	Charge set £	12.5% and £100 over SSA
Lambeth	Lab	640	D
Haringey	Lab	573	D
Camden	Lab	534	D
Hackney	Lab	499	
Islington	Lab	499	D
Brent	Lab	498	D
Bristol	Lab	490	
Oxford	Lab	489*	
Basildon	Noc	478	D
Derby	Con	458	C
South Oxfordshire	Con	456*	
Epsom and Ewell	Ind	452*	
Liverpool	Lab	449	
Windsor and Maidenhead	Con	449*	
Newham	Lab	449	
Elmbridge	Con	449*	
Reading	Lab	447	
Welwyn Hatfield	Lab	445*	
Reigate and Banstead	Con	445*	
Ipswich	Lab	440	
South Derbyshire	Lab	439*	C
Castle Morpeth	Noc	438*	
Waltham Forest	Lab	438	
Stevenage	Lab	435*	
Ealing	Lab	435	
Wokingham	Con	434*	
Derbyshire Dales	Con	432*	C
Woodspring	Con	432*	
Macclesfield	Con	430*	
Middlesbrough	Lab	429	
Cambridge	Lab	428*	
Stockton-on-Tees	Lab	428*	
Harlow	Lab	425*	
Manchester	Lab	425	
Walsall	Lab	425	
Hammersmith and Fulham	Lab	424	D
Northavon	Con	423*	
Three Rivers	Noc	423*	
Sandwell	Lab	423	
Langbaugh-on-Tees	Noc	421	

D = Authority caught, C = County caught, * = Budget under £15m.

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CHARGE CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Southend-on-Sea	Noc	420	
N E Derbyshire	Lab	420*	C
Erewash	Con	419*	C
Thurrock	Lab	417*	
Crewe and Nantwich	Noc	417*	
Blyth Valley	Lab	415*	
Hertsmere	Con	414*	
South Bedfordshire	Con	414*	
Chesterfield	Lab	414*	C
Vale of White Horse	Con	412*	
West Oxfordshire	Con	412*	
St Helens	Lab	411	D
Wycombe	Con	409*	
Greenwich	Lab	408	D
Birmingham	Lab	406	
Waverley	Con	405*	
Leicester	Lab	405	
Ellesmere Port and Neston	Lab	404*	
Watford	Noc	404*	
Luton	Con	403	
Chiltern	Con	402*	
Chester	Noc	401*	
Surrey Heath	Con	401*	
Guildford	Con	400*	
Dacorum	Con	400*	
Congleton	Noc	400*	
North Hertfordshire	Con	399*	
South Bucks	Con	399*	
Stockport	Noc	399	
North Tyneside	Lab	399	D
Wansdyke	Con	399*	
Milton Keynes	Noc	398	
Amber Valley	Con	398*	C
North Bedfordshire	Noc	398*	
Mid Bedfordshire	Con	397*	
Chelmsford	SLD	397*	
St Albans	Con	396*	
Salford	Lab	396	
Hounslow	Lab	396	
Wolverhampton	Lab	395	
Halton	Lab	395*	

D = Authority caught, C = County caught, * = Budget under £15m.

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
<hr/>			
Torbay	Con	395*	
Richmond-upon-Thames	SLD	395	
Hart	Noc	395*	
Kingswood	Con	395*	
Coventry	Lab	394	
Warrington	Lab	394*	
Rushcliffe	Con	394*	
Bracknell	Con	394*	
Solihull	Con	393	
Newcastle upon Tyne	Lab	393	
High Peak	Noc	393*	C
Vale Royal	Noc	391*	
North Warwickshire	Lab	391*	
Newbury	Con	390*	
Nottingham	Con	390	
Southwark	Lab	390	D
Suffolk Coastal	Con	390*	
Tynedale	Noc	389*	
Cotswold	Ind	389*	
Mole Valley	Noc	388*	
Fylde	Con	388*	
Rochford	Con	388*	
Dudley	Lab	387	
Warwick	Con	386*	
Nuneaton and Bedworth	Lab	386*	
Rochdale	Lab	386	D
Lancaster	Noc	386*	
Bath	Con	385*	
Eastbourne	Con	385*	
Hartlepool	Lab	385*	
Preston	Lab	384*	
Blackpool	Noc	384	
Great Grimsby	Lab	384*	
Wrekin	Lab	383*	
Wigan	Lab	382	D
Epping Forest	Con	381*	
Sutton	SLD	381	
Stratford on Avon	Con	381*	
Stroud	Noc	380*	
Kensington and Chelsea	Con	380	
Broxtowe	Con	380*	

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CHARCAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Hastings	Noc	380*	
East Hertfordshire	Con	379*	
West Lancashire	Con	378*	
Mansfield	Lab	378*	
Forest Heath	Con	377*	
Castle Point	Con	377*	
Newark and Sherwood	Noc	377*	
Wyre	Con	376*	
Cherwell	Con	376*	
Brentwood	Con	375*	
Sefton	Noc	375	
Bury	Lab	373	
Tandridge	Con	373*	
Beverley	Con	373*	
Brighton	Lab	373	
Charnwood	Con	372*	
Bassetlaw	Lab	371*	
Gedling	Con	371*	
Oadby and Wigston	Con	370*	
South Wight	Con	370*	
Rutland	Noc	370*	
Eastleigh	SLD	369*	
East Hampshire	Con	368*	
Spelthorne	Con	368*	
Harborough	Noc	368*	
Cleethorpes	Noc	367*	
Hillingdon	Noc	367	D
North West Leicestershire	Noc	366*	
Oldham	Lab	366	
Blackburn	Lab	365	
Norwich	Lab	365*	
Knowsley	Lab	365	
Teignbridge	Noc	365*	
Holderness	Ind	364*	
Cheltenham	Noc	364*	
Chorley	Con	363*	
South Somerset	SLD	363*	
Tewkesbury	Noc	362*	
Harrogate	Con	362*	
Broxbourne	Con	361*	
Glanford	Con	361*	

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Mendip	Noc	361*	
Fareham	Con	360*	
Peterborough	Noc	360*	
Woking	Noc	359*	
Slough	Lab	359*	
Rother	Con	359*	
Winchester	Noc	359*	
East Dorset	Con	358*	
Ribble Valley	Con	358*	
South Ribble	Con	358*	
South Northamptonshire	Con	358*	
Uttlesford	Con	357*	
Darlington	Noc	356*	
Cannock Chase	Lab	356*	
Scunthorpe	Lab	356*	
Sheffield	Lab	356	
Durham	Lab	355*	
Aylesbury Vale	Con	355*	
Daventry	Con	354*	
Gloucester	Noc	354*	
Bolsover	Lab	353*	C
Sedgemoor	Con	352*	
Leeds	Lab	351	
Lewes	Con	351*	
Taunton Deane	Con	351*	
Adur	SLD	351*	
Waveney	Noc	350*	
Corby	Lab	350*	
Plymouth	Con	350	
Havering	Noc	350	
Northampton	Con	349	
Lichfield	Con	349*	
Newcastle-under-Lyme	Lab	349*	
South Lakeland	Noc	349*	
Tameside	Lab	349	
Wealden	Con	349*	
Wansbeck	Lab	348*	
Braintree	Noc	348*	
Alwicks	Noc	347*	
Shepway	Noc	347*	
Rugby	Noc	347*	

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Hinckley and Bosworth	Con	347*	
Maldon	Noc	347*	
Tendring	Noc	346*	
Redditch	Lab	345*	
Bolton	Lab	345	
Kingston-upon-Thames	Con	345	
Crawley	Lab	345*	
East Devon	Con	345*	
Exeter	Noc	344*	
Malvern Hills	Noc	343*	
Forest of Dean	Noc	343*	
Blaby	Con	343*	
Wyre Forest	Noc	343*	
Chester-le-Street	Lab	343*	
Wirral	Noc	341	
Worcester	Lab	340*	
Gosport	Con	340*	
Christchurch	Con	339*	
Havant	Con	339*	
Bromsgrove	Con	339*	
Mid Devon	Ind	339*	
Stafford	Noc	339*	
Melton	Con	338*	
Doncaster	Lab	338	D
Barnet	Con	338	
East Staffordshire	Noc	338*	
Rossendale	Lab	338*	
Rotherham	Lab	337	D
Thamesdown	Lab	337*	
Carlisle	Lab	337*	
Weymouth and Portland	Noc	336*	
West Somerset	Ind	335*	
Colchester	Noc	335*	
South Hams	Con	334*	
Shrewsbury and Atcham	Noc	333*	
Derwentside	Lab	332*	
Mid Suffolk	Con	332*	
West Devon	Ind	331*	
Babergh	Noc	330*	
Dartford	Con	330*	
Barnsley	Lab	330	D

D = Authority caught, C = County caught, * = Budget under £15m.

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CHAP CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Hove	Con	330*	
Maidstone	Noc	330*	
Kerrier	Noc	329*	
Tamworth	Noc	329*	
Enfield	Con	329	
Copeland	Lab	328*	
Barrow in Furness	Lab	328*	
New Forest	Con	328*	
South Cambridgeshire	Ind	328*	
Test Valley	Con	328*	
West Wiltshire	Con	328*	
East Yorkshire	Con	326*	
Great Yarmouth	Noc	326*	
Oswestry	Noc	325*	
Rushmoor	Con	325*	
Poole	Con	325*	
South Staffordshire	Con	325*	
Wychavon	Con	324*	
North Wiltshire	Con	323*	
Kettering	Noc	323*	
Berwick-upon-Tweed	Noc	323*	
Basingstoke and Deane	Con	323*	
Sevenoaks	Con	322*	
Tunbridge Wells	Con	322*	
Harrow	Con	322	
Caradon	Ind	321*	
Restormel	Noc	321*	
Gateshead	Lab	321	
Medina	Con	321*	
Ashfield	Lab	320*	
Tonbridge and Malling	Con	320*	
Bournemouth	Con	320	
Broadland	Con	320*	
St Edmundsbury	Con	319*	
North Devon	Noc	319*	
Staffordshire Moorlands	Noc	318*	
North Shropshire	Ind	317*	
Mid Sussex	Con	317*	
Southampton	Lab	317	
Penwith	Noc	317*	
Hyndburn	Lab	315*	

D = Authority caught, C = County caught, * = Budget under £15m.

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Bridgnorth	Ind	315*	
Arun	Con	314*	
Wakefield	Lab	313	
West Dorset	Ind	313*	
Stoke-on-Trent	Lab	313	
Salisbury	Noc	313*	
South Norfolk	Con	313*	
East Cambridgeshire	Ind	312*	
Hambleton	Noc	312*	
North Cornwall	Ind	312*	
Carrick	Noc	311*	
Breckland	Con	310*	
Sunderland	Lab	310	
South Shropshire	Ind	310*	
South Tyneside	Lab	309	
Portsmouth	Con	309	
Wear Valley	Lab	308*	
Kingston upon Hull	Lab	307	
Kennet	Noc	307*	
East Northamptonshire	Con	306*	
Horsham	Con	304*	
Sedgefield	Lab	303*	
Canterbury	Con	300*	
Isles of Scilly	Ind	300*	
Thanet	Noc	300*	
Burnley	Lab	299*	
Pendle	SLD	299*	
Ashford	Con	299*	
Swale	Noc	299*	
Dover	Con	298*	
Huntingdonshire	Con	298*	
Trafford	Con	298	
Calderdale	Noc	297	D
Eden	Ind	297*	
Lewisham	Lab	297	
Tower Hamlets	Noc	297	
Worthing	Con	296*	
Runnymede	Con	295*	
North Dorset	Ind	295*	
Chichester	Con	294*	
Gravesham	Noc	294*	

D = Authority caught, C = County caught, * = Budget under £15m.

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
Fenland	Con	293*	
Purbeck	Noc	291*	
Boothferry	Noc	291*	
North Norfolk	Ind	291*	
Kirklees	Noc	290	
Redbridge	Con	290	
Hereford	SLD	289*	
Allerdale	Noc	289*	
West Lindsey	Noc	288*	
Wellingborough	Con	288*	
City of London	Ind	288	
Croydon	Con	287	
King's Lynn and West Norfolk	Con	285*	
Gillingham	Con	285*	
Torridge	Ind	285*	
South Holland	Noc	284*	
Lincoln	Lab	284*	
Leominster	Ind	284*	
Ryedale	Ind	283*	
Selby	Noc	283*	
Bromley	Con	283	
North Kesteven	Noc	282*	
Boston	Noc	280*	
Barking and Dagenham	Lab	280	
Bexley	Con	280	
Merton	Noc	280	
Easington	Lab	278*	
South Kesteven	Con	278*	
East Lindsey	Ind	277*	
Bradford	Con	276	
Richmondshire	Ind	276*	
Scarborough	Noc	275*	
South Herefordshire	Ind	273*	
York	Lab	264*	
Craven	Noc	256*	
Rochester upon Medway	Con	249*	
Teesdale	Ind	245*	
Westminster	Con	195	
Wandsworth	Con	148	

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CHAR CAPPING: Authorities affected by capping

Charging authority	Control	Charge set £	12.5% and £100 over SSA
----- Derbyshire	----- Lab	----- D	-----

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ANNEX A

CHARGE CAPPING PROCEDURE

1. Charge capping is an "in year" system. This contrasts with rate capping which was a pre-year system. Pre-year capping meant that if an authority was not capped for the year on the basis of its expenditure in previous year there was no limit on the rate or precept it could set (other than the risk of its leading to capping in the following year). This created a particular loophole which enabled some authorities to get away for one year with very large rate increases eg Hammersmith & Fulham in 1987/88 some [120%], [Brent over 30%, Haringey over 60% in 1989/90]. Our inability to act led to a good deal of criticism from local residents and their MPs.

2. Under charge capping authorities first set their budgets and submit information about them to the Secretary of State. If on the basis of general principles applicable to classes of authorities he decides that an authority's budget is excessive, or represents an excessive increase over the previous year, the Secretary of State designates it for capping and proposes a maximum limit for the budget (the cap). For these purposes the budget is expressed in terms of an authority's demand on the collection fund in the case of a charging authority or aggregate precepts in the case of a precepting authority (ie the expenditure net of income such as specific grants and fees and charges.) Authorities whose budgets are under £15m are exempt.

3. Authorities are notified of their selection and the caps proposed at the same time. Caps are not set on the basis of general principles but have to take account of the individual circumstances of the authorities concerned. Authorities have 28 days to respond. If the authority accepts the proposed cap the Secretary of state confirms it. If the authority proposes a different figure, the cap is set by Order and may be higher

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or lower than or the same as the originally proposed figure. Where the Secretary of State agrees to a higher cap than that which he originally proposed for an authority he may impose conditions about its expenditure and financial management. If the authority does not respond, the cap is likewise set by Order but must be at the originally proposed level. The Orders are subject to Commons Affirmative resolution procedure.

4. Once the cap is set the authority has 21 days to reduce its budget and the revised budget feeds through into reduced community charges.

5. A summary of the charge capping procedure is at (i). At (ii) is a separate chart showing the process from the perspective of the Government, local authorities and the public and how these interact.

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CHARGE CAPPING PROCEDURE

MARCH/
APRIL

- Authorities send budget information (Deadline: 18 March) and charge information (Deadline: 2 April).
- S of S designates authorities for capping if on basis of general principles applicable to classes of authorities he considers budgets excessive (or excessive increase over previous year). [Authorities with budgets under £15m exempt.]
- S of S proposes maximum budget limits (caps) for each designated authority on basis of what is reasonable in individual circumstances, i.e. not general principles.
- Notices to authorities informing them of designation, principles and proposed caps issue 3 April.

MAY/
JUNE

- Authorities 28 days to reply: Deadline: 1 May
 - (i) If authority accepts: S of S confirms by notice.
 - (ii) If no answer: cap set by Order at level S of S proposed.
 - (iii) If different cap proposed: S of S considers. Cap set by Order at same, higher or lower level than the S of S proposed.

LOCAL ELECTIONS 3 MAY.

- Orders: Commons affirmative resolution: May/June.
- Notices confirming caps in Orders: May/June.
- If S of S raises limit he may impose conditions on expenditure or financial management by means of notice.

JUNE/
JULY

- Authority has 21 days after cap set to reduce budget.
- Lower budgets feed through to lower charges. Authorities issue substitute charge demands: June/July.

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TIMING	GOVERNMENT	LOCAL AUTHORITY	PUBLIC
MAR/APR	Secretary of State considers budget information, selects authorities and proposes caps: announcement on 3 April.	Sets <u>budget</u> in March and tells DoE. Preceptors issue precepts to charging authorities, which issue <u>charges</u> by 1 April. If authority is capped it considers whether and how to respond within 28 day period. If challenging cap it will consider what alternative amount to propose to the Secretary of State and reasons for it and what further information (if any) to submit to support case. Authority may seek meeting with Ministers.	Receive charge bills end March/ beginning April. May pay in lump sum or by instalments. First instalment due April or May.
MAY/JUN	28 day period ends 1 May. - If authority accepts cap Secretary of State confirms by notice. - If authority does not respond Secretary of State sets by Order (Debate in Commons) and confirms by notice. - If authority challenges, Secretary of State considers case (Ministers may meet authority) and decides whether to set cap at same, higher or lower level than proposed. He also considers whether to impose conditions on authority's expenditure or financial management and, if so, what these should be. Cap set by Order (debate in Commons on this and non-responders Order). Cap confirmed by notice. Any conditions included in notice.	Authority has 21 days to set substitute budget reflecting cap. If preceptor, substitute precepts issued to charging authority. Substitute charges set and new bills issued as soon as practicable after substitute budgets made. Charging authorities have to recalculate instalments, benefit, transitional relief. Overpayment by chargepayers refunded. As above. (June/July) As above. (June/July). If conditions imposed authority has to comply with them for remainder of financial year.	Chargepayers continue to pay charge initially set until substitute charge set. Receive new lower bills + refunds where appropriate. Benefit etc changes. As above. As above.

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ANNEX B

RATE CAPPING

1. Unlike charge capping rate capping involved placing a limit directly on the rate or precept of the authority concerned. Authorities were selected for rate capping on the basis of their budgeted total expenditure in the previous year. For the purposes of enabling the Secretary of State to fix a limit on the rate or precept he first determined an expenditure level for the authority; it was open to the authority to seek redetermination of that amount at a higher level. But it was not the expenditure that was capped: the determination was simply a first step towards calculating the cap on the rate or precept. If the authority did not accept the cap proposed it was open to it to agree a different figure with the Secretary of State. The process from designation (initially in a Report to Parliament) and determination of expenditure levels to final fixing of caps took about 8 months (from July 1988 to February 1989 in the 1989/90 rate capping round).

2. Also unlike charge capping (which is an in-year system) rate capping operated in advance of the year to which the caps related. Thus an authority knew before it set its budget what its cap was. Authorities were therefore capped on the basis of their budgeted total expenditure in the year before the year for which they were capped. For 1989/90 authorities were designated if their budgeted total expenditure for 1988/89 was likely to exceed their Grant Related Expenditure Assessments (GRES) by at least 12½% and (if they had not been capped for 1988/89) exceed their total expenditure for 1987/88 by at least 6%.

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CHARGE CAPPING:
POSSIBLE ANOMALIES

High charges not caught

- (a) Where an authority makes a contribution to the safety net at or near the £75 maximum. Even budgeting in line with SSA would mean a charge of over £350 (£278 + £75). A relatively modest overspend would take authority's charge over £400. Example: Wokingham (charge £434; overspend £7 ^{per adult} - area overspend £69 per adult), Manchester (charge £425; overspend £46 per adult - area overspend £50 per adult).
- (b) Where an authority has a very high SSA a high overspend in £ per adult may not represent a high percentage overspend. Example: Hackney (charge £499 - area overspend 1.7% and £183 per adult; area overspend per adult £184).
- (c) Where the district is under the £15m threshold and the county is not caught. Examples: Oxford (charge £489; overspend £23 per adult - area overspend £119 per adult); Epsom and Ewell (charge £452; overspend £64 ^{per adult} - area overspend £109 per adult).

Lower charges caught

- (d) Where an authority's charge is much lower than that implied by its budget because it benefits substantially from transitional support (area safety net, inner London education grant or low rateable value areas grant). Examples: Calderdale (charge £297; transitional support £163 per adult (safety net £138 per adult, LRV/areas grant £25 per adult); overspend

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per adult £160 - area overspend per adult £172). Greenwich (charge £408; transitional support £285 per adult (safety net £212 per adult, IL education grant £73 per adult); overspend per adult £314 - area overspend per adult £315).

Charges below assumed charge caught

- (e) An authority may be capped even though the charge set is below the assumed charge. The latter (and the spending assumption on which it is based) does not represent a target or guideline or an amount which an authority could or should set or spend. It is simply a reference point for the calculation of an appropriate degree of protection under the safety net and transitional relief scheme. The SSA represents an appropriate level of spending. The only case in this category is Haringey (actual charge £572.89; assumed charge £573.17; overspend above SSA 29.8% and £351 per adult - area overspend £352 per adult).

Chargepayers worse off because of capping

- (f) Charge capping could result in a chargepayer, after taking account of community charge benefit, having to pay more, not less, to his local authority. These circumstances arise because of the de minimis rule in the benefit regulations which provides that where but for this rule benefit entitlement would be less than 50p per week, the entitlement is set to 0. Thus capping could leave the chargepayer some £26 worse off for the year.

Similar capped charges reduced by different amounts

- (g) This situation is likely to arise inter alia because the relationship between budgets and charges is indirect and obscured by transitional arrangements in

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particular, because the amount by which budgets (and therefore charges) are reduced must reflect the individual circumstances of the capped authority and be realistic and achievable and because no authority can in any event be capped below the level implied by the higher of the two criteria (if a combined criterion) or £15m (the statutory threshold below which authorities are exempt from capping) whichever is the higher.

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ANNEX D

CHARGE CAPPING: DISAPPOINTED EXPECTATIONS

1. The Department has received many representations from conservative MPs, local conservative groups and members of the public pressing for capping in particular cases. Inevitably, if the capping powers are used and these authorities are not capped this is likely to lead to a degree of frustration on the part of the MPs and others concerned.

2. Some examples of authorities, the range of charges involved and why the authority is not caught on a criterion of 12½% and £100 are:

Local Authority	Charge, or charge range if county	Why not caught
Avon	385 - 490	implied reduction only £17ph
Bedfordshire	397 - 414	9.1% and £64ph
Cheshire	385 - 430	12.5% and £83ph
Cornwall	311 - 329	6.2% and £42ph
Devon	285 - 395	7.8% and £50ph
Humberside	291 - 384	11.7% and £83ph
Lancashire	299 - 407	11.4% and £81ph
Bristol	490	implied reduction only £8ph

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Harlow	425	Below £15m
Southend	420	39.3% and £45ph
Wolverhampton	395	7.7% and £72ph

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12.5 + £100prhead.

- Spring ahead before 3 May.
- Up front forecasts.
- $\frac{£}{head} \div SSA$. Rate caps in new year below 12.5 below CREs.
Counsel h. ryl kb. margin of error - SSAs.

Also % overspend on SSA.

- Add'l spending? Doubtful bec. of fractional nature of budgets.
-