



CONSERVATIVE CENTRAL OFFICE

32 SMITH SQUARE WESTMINSTER LONDON SW1P 3HH TELEPHONE 01-222 9000
TELEX 8814563 FACSIMILE 01-222 1135

FROM: THE CHAIRMAN OF THE PARTY
THE RIGHT HON. KENNETH BAKER MP

Sept 8th 1989

Dear Margaret,

I am sending up to you in Salmoreal an analysis of the effects of the Community Charge on 10 marginal seats. Yours is the only copy which identifies them by name. There are only 7 copies of this report and the Ministers attending the meeting on Thursday will have a copy each. I fear that it makes rather bleak reading. It is the worst position, but it's that one we will be defending in the Spring, unless we can do something.

Rather better news! I am in I

looked at the building next to No 32 and it relieves our
accommodation problems and it will not cost us any more
in rent since we save as much by moving the
off-site departments ^{some of} into the new space.



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FROM: THE CHAIRMAN OF THE PARTY
THE RIGHT HON. KENNETH BAKER MP

SECRET

Jim Mangon

8 September 1989

On August 2nd I was presented with a study on the impact of the Community Charge on the Little Venice Ward in North Westminster. The survey covered all two-person households in the Ward and it showed that there were three losers to every one gainer and that all the council flats which had been sold were losers. I then decided to ask our own Local Government Department to take ten marginal seats across the country and to make their own estimate of the effect of the Community Charge. David Trowbridge and Richard Marsh have done an outstanding job.

Every 250th house on the electoral register in these ten seats was taken, which amounts to a survey of some 2,345 households. These could be one-person, two-person, three-person or more. It is therefore a random sample but one which gives a representative picture. Two levels of Community Charge were taken: one assuming 7% increase in Council spending and the other 11%. These 2 levels of the Community Charge were provided by the DOE but may vary by a few pounds per Authority as the DOE figures were being revised right up to the last minute. These Community Charge levels do take account of the safety net. I have not identified Constituencies but will do so at the meeting next week.

The level of the resultant Charge in 1990-91 was compared with the actual Rate levied in 1989-1990. I appreciate that we are not comparing like with like, since rates could be expected to rise. However, I think that most people will judge the Community Charge against the rates they are paying now and, secondly, in election year Councils up for election would tend to hold down any increase, which is certainly Westminster's intention.

In an exercise of this sort, it has not been possible to take into account the effect of Rate or Community Charge rebates since this information is not publicly available. However, it is reasonable to assume that those who get Rate rebates will get Community Charge rebates.

This analysis, given these qualifications does show that at a 7% increase in council spending some 73% of households and some 82% of individuals will pay more in the Community Charge than they currently pay in rates. The figures are worse for an 11% increase in council spending.

These figures do bear out the conclusions of the earlier surveys and ones which we have subsequently received from Eric Pickles in Bradford, Peter Bowness in Croydon and Angela Rumbold in Mitcham and Morden.

My conclusion is that, although this is likely to be the worst position, it does reflect the political reality of the impact of the Community Charge in these marginal seats. There is already a substantial movement among backbenchers for the Treasury to finance the whole of the safety net in year one, and I attach a letter from George Gardiner which summarises this case. It is not for me to judge whether the Order without this concession will get through the House. We have had some letters from MPs and constituency Chairmen about this issue. However, such a concession would I fear not help any of the seats in our survey apart from Wolverhampton North East, which would benefit by about £60 per person. Our figures do show that we will have considerable political difficulties over the overall level of the Community Charge in these marginal seats and we should consider measures to mitigate the impact at the household and individual level.

There are just seven copies of this report. All are numbered and distributed as follow:

The Prime Minister
The Chancellor of the Exchequer
The Chief Secretary
The Environment Secretary
The Chairman of the Party

Two held by David Trowbridge and Richard Marsh in Central Office

I don't think I need emphasise how important it is to ensure that there should be absolute confidentiality on this report.



The Prime Minister

From: George Gardiner, M.P.



House of Commons,
LONDON, SW1A 0AA.

25 AUG 1989

Rt Hon Kenneth Baker MP
Chairman
Conservative Central Office
32 Smith Square
London SW1P 3HH

RB to see.
25/8

23rd August 1989

Dear Kenneth

COMMUNITY CHARGE : SAFETY NET PENALTIES

You may recall our conversation on this matter over lunch before you were appointed Chairman of the Party, when I stressed to you the political damage that will be caused if the arrangements for safety net penalties as outlined by Nicholas Ridley before the reshuffle remain in the first year of operation of the new Community Charge. You no doubt know that strong opposition to these arrangements has been voiced by the Executive of the 1922 (on which I serve) to the Prime Minister, and since his appointment to Chris Patten.

As you know, I am chairman of the "92 Group", which currently has some 96 Members, and I would like to convey to you the extreme anxiety felt by the vast majority of our Members if the safety net penalties, inflicted almost without exception on our own supporters who have had the wisdom to elect prudent-spending Conservative councils, remain in force.

I have always argued strongly in favour of the Community Charge in my own constituency, on the basis that it would be fairer as between individuals and as between local councils than the existing system. However, what I cannot defend to my constituents is the notion that each of them should pay a £71 penalty in the first year of operation to help cushion the impact on chargepayers with high-spending councils, since this is so blatantly unfair. Why build into the first year of application of the new system one of the worst features of the old?

The obvious answer is for the cost of the safety net to be assumed by the Exchequer. I can understand the Chancellor being reluctant to commit £650 million to eradicating this penalty, but it is nevertheless a political necessity. Introduction of the Community Charge presents

/....

presents the biggest hazard we are likely to encounter between now and the next election. Of course we expect to hear many protests from those who find themselves losers under the new system, but unless the safety net penalty is removed we shall turn vast numbers of our natural supporters, who would otherwise be gainers, into opponents of the Community Charge too. No amount of massage to the figures in the second and third year of operation will eradicate the damage inflicted by the safety net penalties in the first.

I would also urge you to use all your influence to get this matter settled favourably before the Party Conference, or at the very least in Chris Patten's speech. As you may know, there is talk of organising a protest meeting at Blackpool; my own view is that this should not take place till after Chris Patten's speech - better to give him the chance to defuse the situation before the fury of delegates is expressed.

I have also written to David Waddington, explaining that there is no way I could vote in support of a grant settlement that bore so unfairly on my constituents.

Unlike Bob McCrindle, I am not making the contents of my letter to you public.

May I also remind you of a small outstanding debt, which probably got overlooked in your move? It is for £24 - your share of the hire of the hall for our NHS public meeting. I have settled the total, so please make your cheque out to me.

With best wishes,

James
James

Debbie

—
These are Kenneth Baker's ultra-secret notes to the PM on the Community Charge.

Can you keep them in your files.

J.

NOT TO BE PHOTOCOPIED

No. 1

SECRET

PRIME MINISTER'S COPY

THE IMPACT OF THE COMMUNITY CHARGE

A Survey of 10 Conservative Marginals

LOCAL GOVERNMENT DEPARTMENT
RESEARCH DEPARTMENT

CONSERVATIVE CENTRAL OFFICE

6.9.89

NOT TO BE PHOTOCOPIED

THE IMPACT OF THE COMMUNITY CHARGE

Summary of Conclusions

- * The introduction of the Community Charge next year will create far more 'losers' - households which will pay more in Community Charge than they currently pay in rates - than 'winners' in Conservative marginal constituencies.
- * With a Community Charge based on a **seven per cent** increase in council spending between this year and next, **73 per cent of households and 82 per cent of individuals** within those households will pay more in Community Charge than they currently pay in rates.
- * With a Community Charge based on an **11 per cent** increase in spending, **79 per cent of households and 88 per cent of individuals** lose.

- * These figures yield the following ratios:

7 per cent Community Charge

2.69 to 1 losers to winners (households)
4.66 to 1 losers to winners (individuals)

11 per cent Community Charge

3.79 to 1 losers to winners (households)
7.34 to 1 losers to winners (individuals)

- * The detailed conclusions arising from the survey as shown, constituency by constituency, in the charts beginning after page 5 of the report.

Note that unless otherwise stated, the data in the charts all relate to households rather than individuals.

THE SURVEY

A. PURPOSE

1. This report describes the results of a survey of the likely impact of the Community Charge when it is introduced in ten marginal constituencies in England next year.
2. The survey was conducted in each constituency during August under the direction of Central Office Agents. The results were analysed in Central Office.
3. The purpose of the survey is to predict the effect of the introduction of the Community Charge on the finances of a sample range of typical households in each constituency. To do this, likely Community Charge bills for the households in 1990-91 have been compared with their current rate bills. No attempt has been made to update rates bills to what they might have been next year if rates were not to be abolished. Since people's perception of the impact of the charge on them will be coloured by comparison with what they actually paid when they last paid rates (rather than some theoretical figure of what their rate bill might have been) it was considered that this type of comparison is the more relevant one. However, this does, of course, throw the Community Charge into a worse light than is strictly fair.
4. The survey does not take Community Charge rebates into account in any way. Comparison was made between households' current rate bills and their potential Community Charge bills. Since access to the information which would enable us to calculate rebate eligibility is of course restricted, it is not possible to allow for rebates in a survey of this kind. However, as a general rule of thumb, households entitled to rate rebates will be entitled to Community Charge benefit (indeed, the latter system is more generous than the former, so eligibility will extend wider) so the comparisons made are still valid.

B. SELECTION OF CONSTITUENCIES

5. The survey was carried out in the following constituencies:

Constituency	Member of Parliament	Majority in 1987	
Bury North	Alistair Burt	6,911	(12.3%)
Colne Valley	Graham Riddick	1,677	(3.0%)
Darlington	Michael Fallon	2,661	(5.0%)
Dulwich	Gerald Bowden	180	(0.5%)
Hornsey & Wood Green	Sir Hugh Rossi	1,779	(3.0%)
Hyndburn	Ken Hargreaves	2,220	(4.6%)
Ipswich	Michael Irvine	874	(1.7%)
Nottingham East	Michael Knowles	456	(1.0%)
Portsmouth South	David Martin	205	(0.4%)
Wolverhampton N.E.	Maureen Hicks	204	(0.4%)

6. Each constituency selected for the survey appears on the Central Office list of 'official' marginal constituencies. Constituencies were chosen to give a fair geographical spread to the survey.

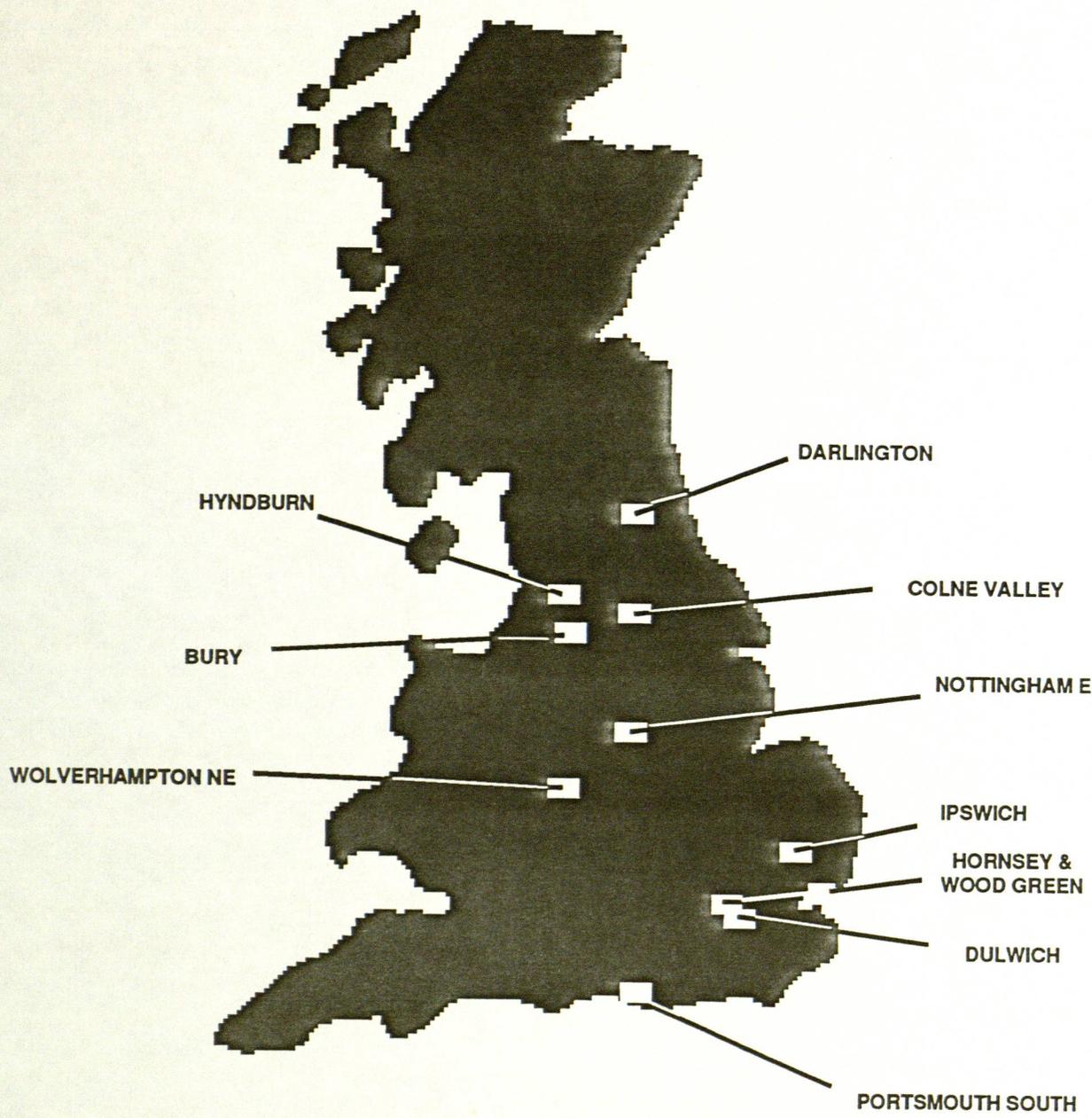


Figure 1 **CONSTITUENCIES SURVEYED**

C. CONDUCT OF SURVEY

7. The following number of households and individuals were surveyed in each constituency:

Constituency	Sample	
	Households	Individuals
Bury North	257	636
Colne Valley	266	652
Darlington	137	239
Dulwich	253	648
Hornsey & Wood Green	187	485
Hyndburn	231	535
Ipswich	269	637
Nottingham East	271	606
Portsmouth South	238	607
Wolverhampton N.E.	236	580
TOTAL	2345	5625

8. Households were chosen for inclusion in the survey by reference to the local electoral roll. Every 250th person on the roll (every 200th in Dulwich and 400th in Hornsey and Wood Green) was selected and his/her household included, regardless of how many adults are registered to vote at that address. Rates for the property were ascertained by reference to the rating lists held at the local town hall and the potential Community Charge calculated by multiplying the relevant level of charge (see paras.10 - 11) by the number of adults in the household.
9. In this way a totally random sample of households has been selected, without reference to type of property, neighbourhood or the number of adults resident at the address. The survey therefore gives an accurate picture of how the Community Charge will affect these constituencies.

D. THE COMMUNITY CHARGE FIGURES

10. The calculations upon which the survey is based have used two figures for next year's Community Charge. Both figures represent the Department of the Environment's best estimate of what the **first-year safety netted** Community Charge will be in these constituencies when it is introduced in 1990-91 and each assumes the likely level of grant that the relevant council will receive.
11. The difference between the figures is that one assumes that council spending will rise by **seven per cent** between this year and next, while the other assumes an **11 per cent** increase in spending. Separate analysis has been carried out for each of these figures and the results are shown separately.

12. The actual figures used are as follows:

Constituency	Community Charge	
	7%	11%
Bury North	348	384
Colne Valley	252	293
Darlington	303	337
Dulwich	300	361
Hornsey & Wood Green	607	669
Hyndburn	206	241
Ipswich	315	346
Nottingham East	279	313
Portsmouth South	247	277
Wolverhampton N.E.	289	330

E. OTHER SURVEYS

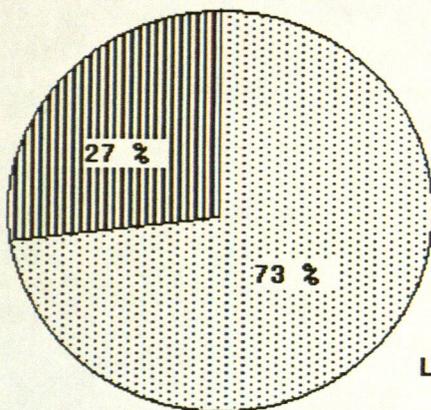
13. The results of this survey should be read in conjunction with certain other work that has been done on the same subject. A note about the separate surveys which have been carried out in Bradford, Croydon, Merton, Ealing and the Little Venice Ward of Westminster is in Appendix I to this report. These surveys reach similar conclusions to those outlined in the main body of this report.

THE CONCLUSIONS

WINNERS AND LOSERS

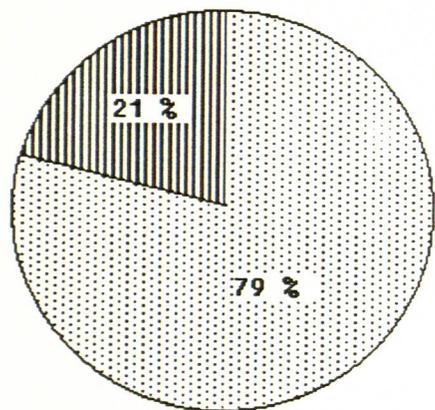
(TOTALS FOR ALL TEN CONSTITUENCIES)

WINNERS



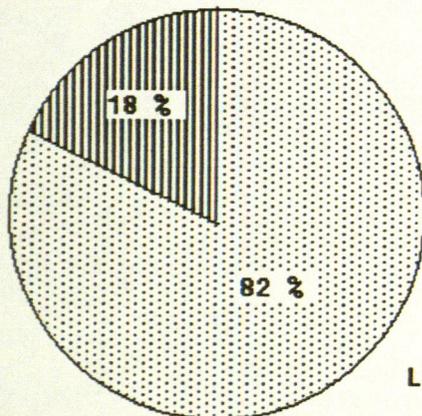
LOSERS

HOUSEHOLDS 7 %



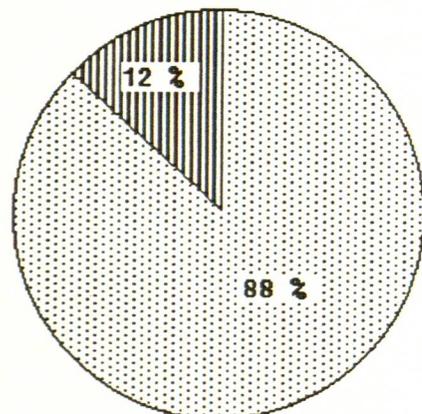
HOUSEHOLDS 11 %

WINNERS



LOSERS

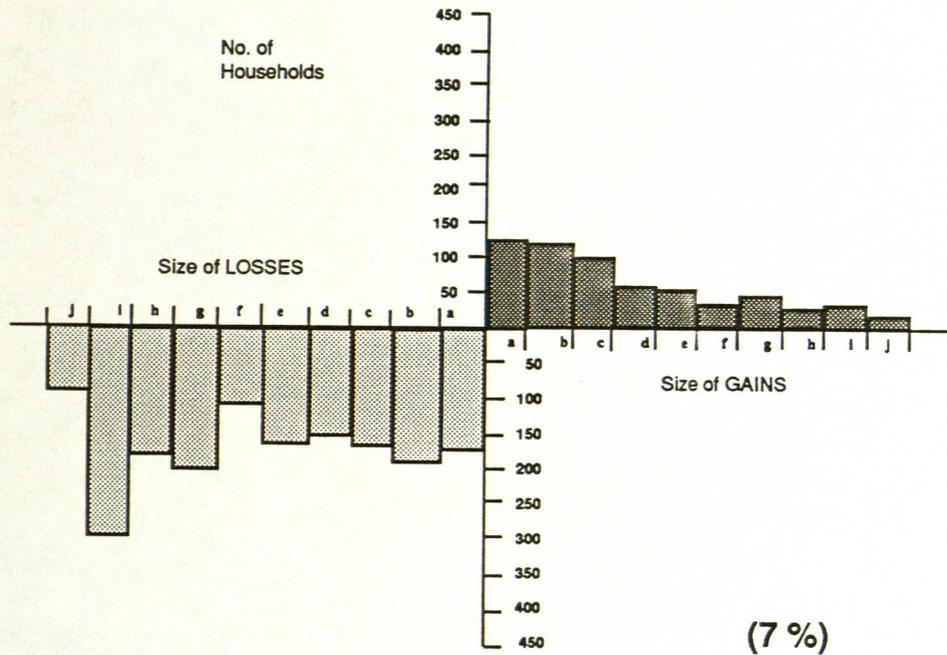
INDIVIDUALS 7 %



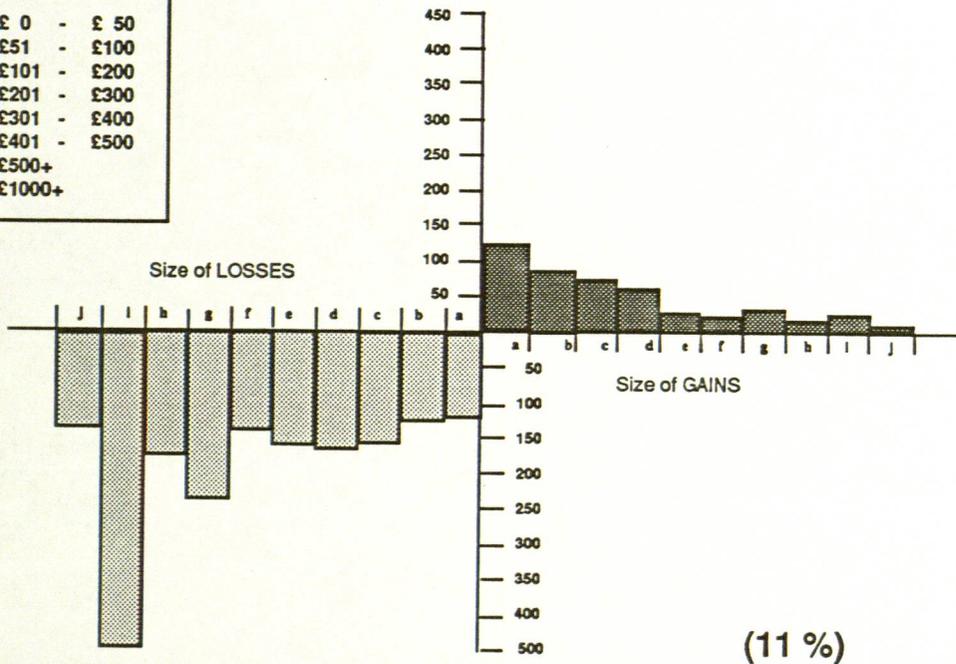
INDIVIDUALS 11 %

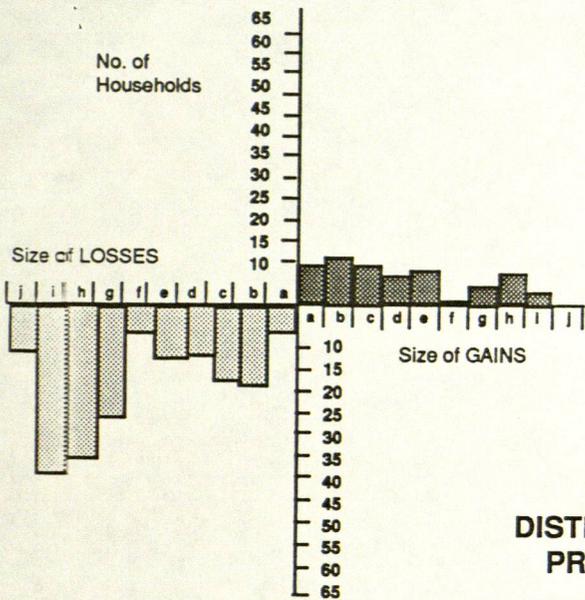
DISTRIBUTION OF GAINS AND LOSSES

(TOTALS FOR ALL TEN CONSTITUENCIES)

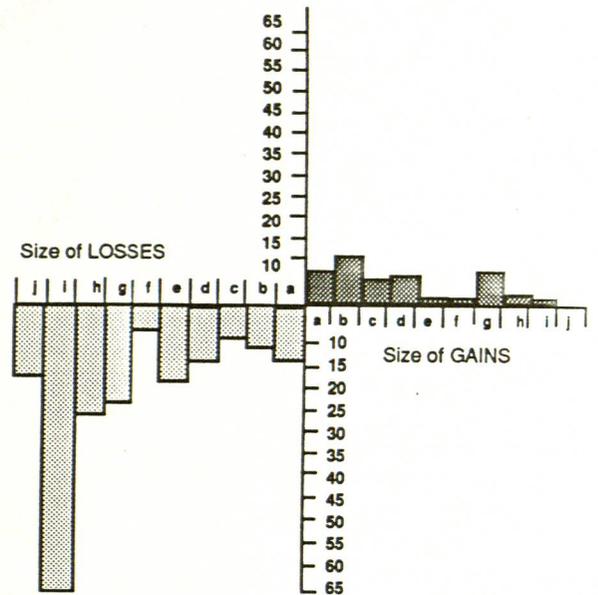


KEY	
a - £ 0	- £ 50
b - £51	- £100
c - £101	- £200
d - £201	- £300
e - £301	- £400
h - £401	- £500
i - £500+	
j - £1000+	





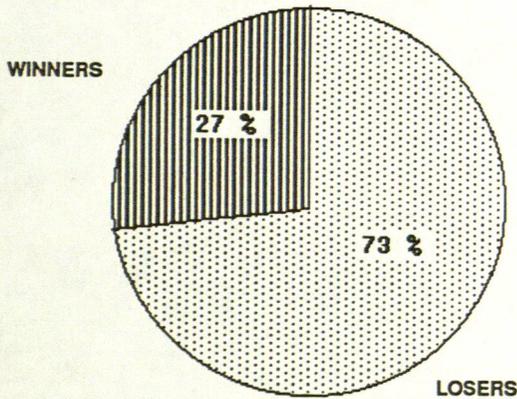
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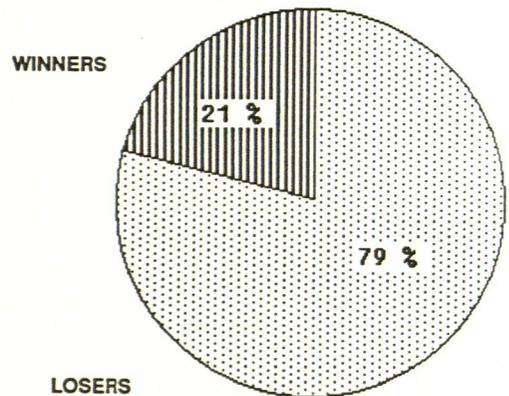
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DISTRIBUTION PROFILES

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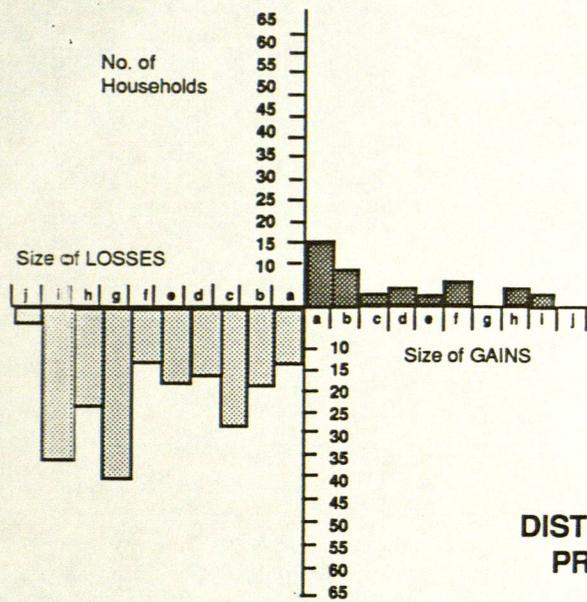


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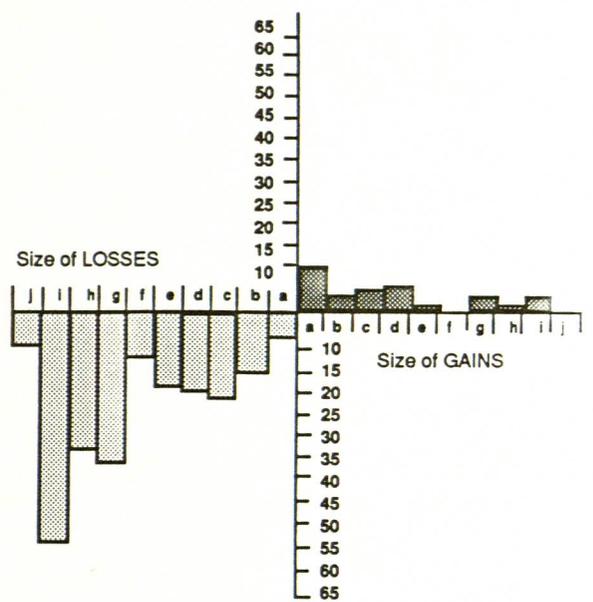


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BURY NORTH



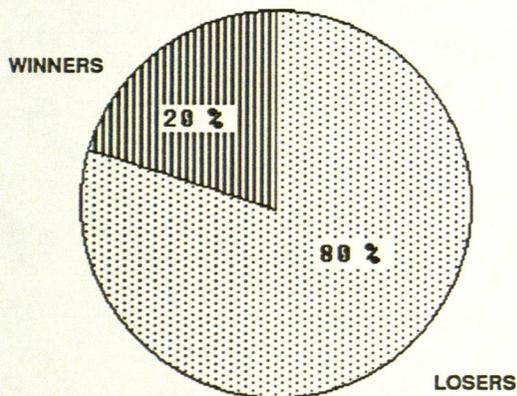
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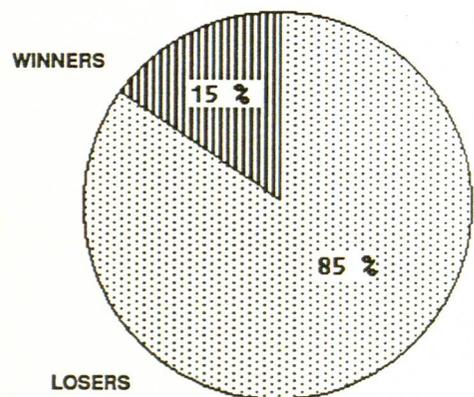
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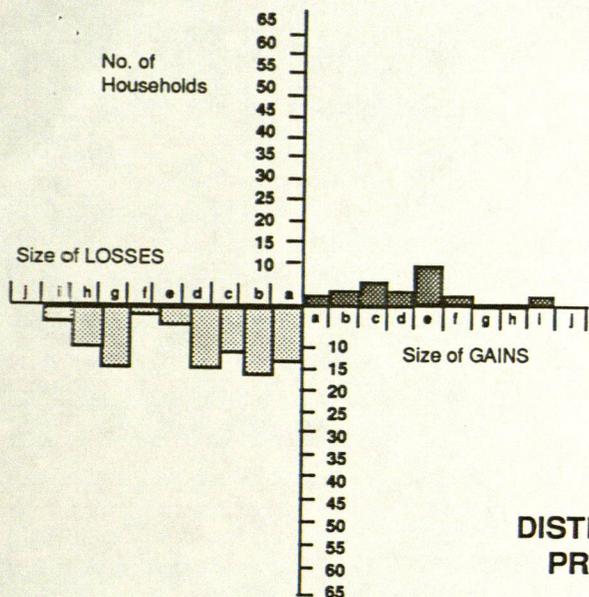


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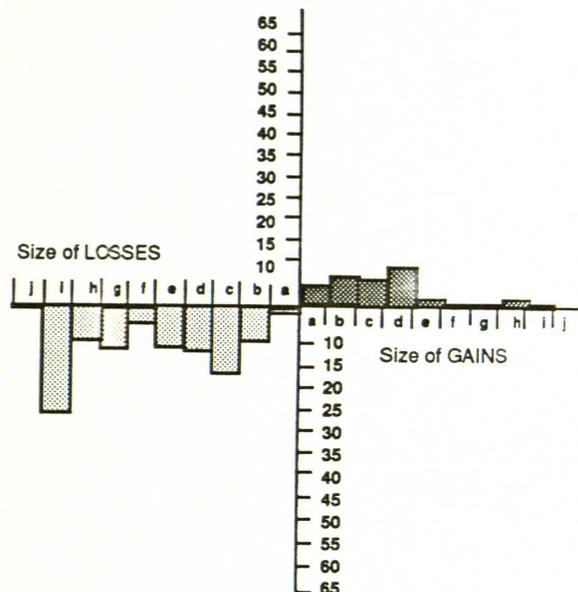


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COLNE VALLEY



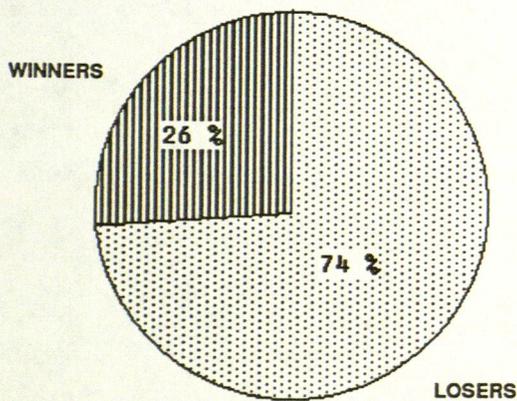
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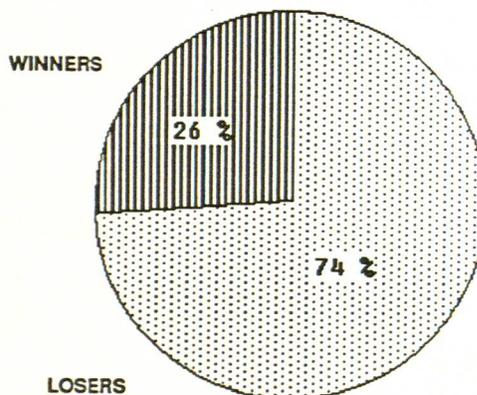
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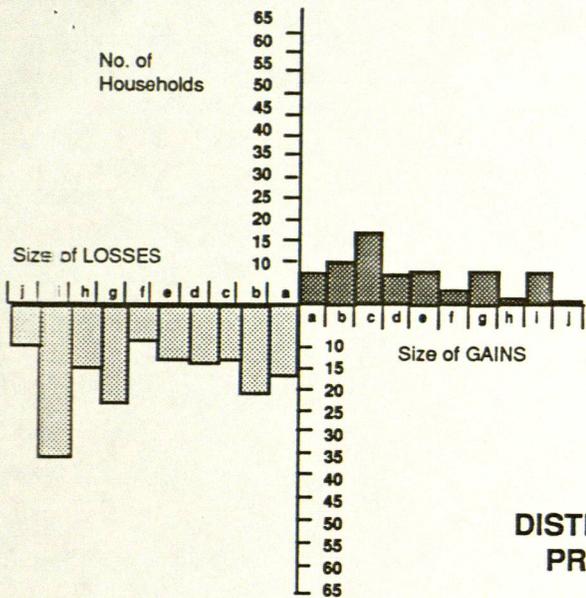


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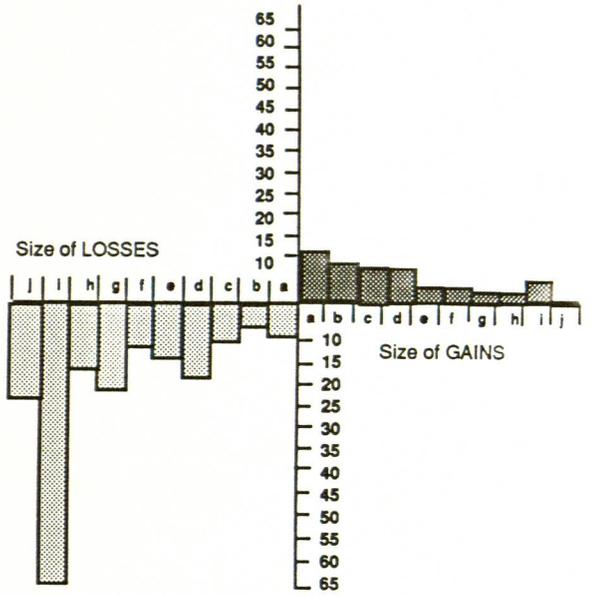


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DARLINGTON



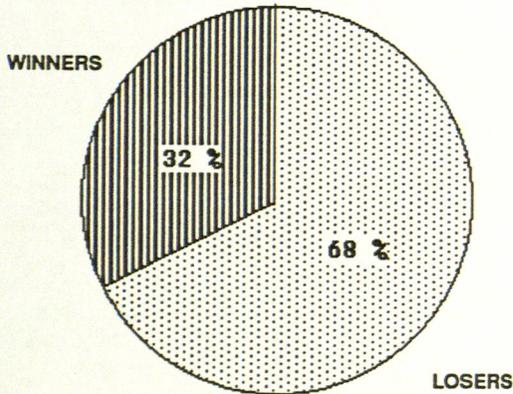
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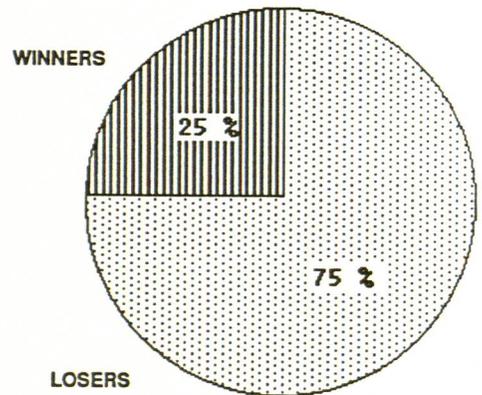
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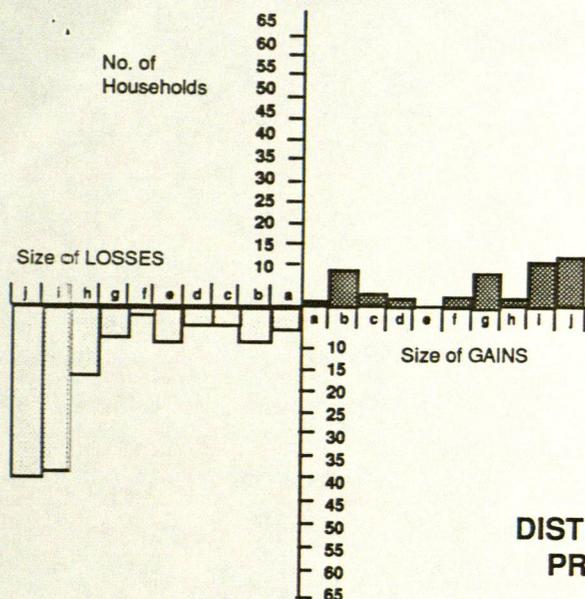


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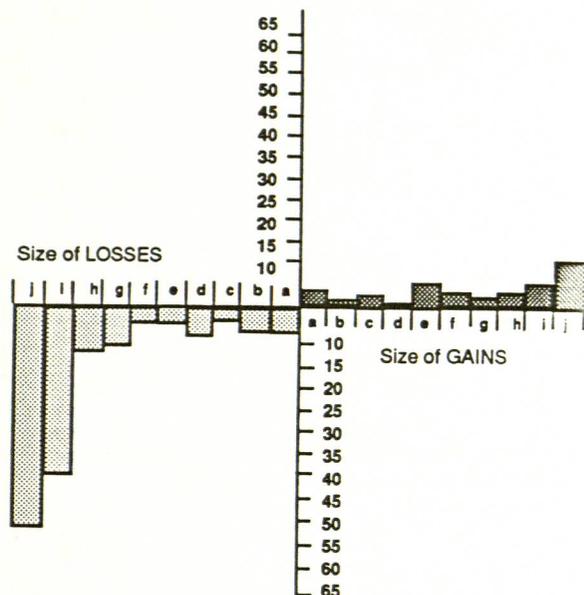


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DULWICH



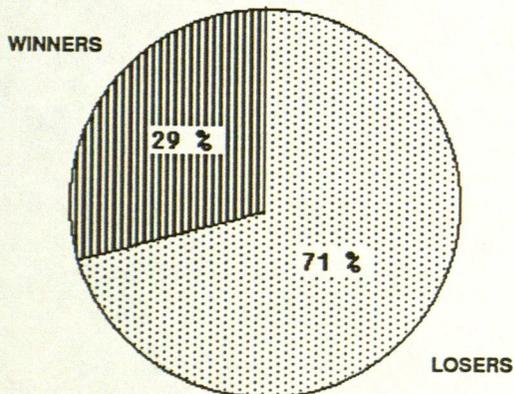
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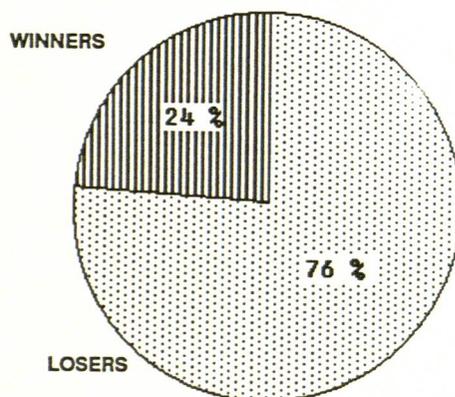
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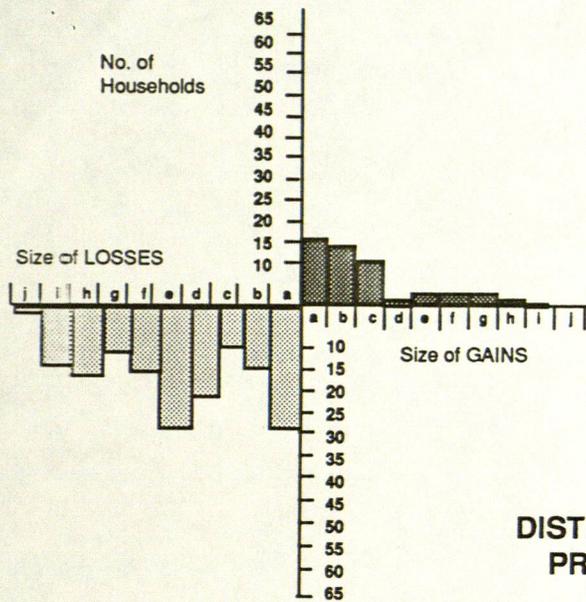


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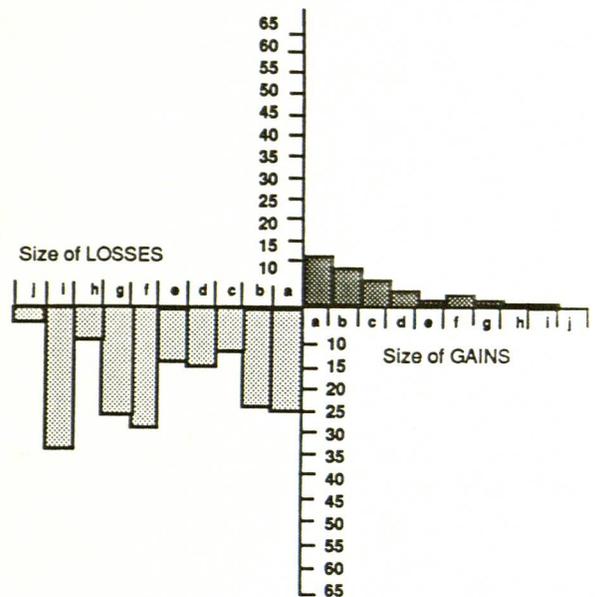


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HORNSEY AND WOOD GREEN



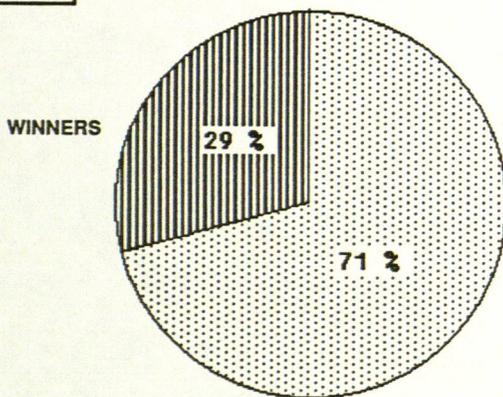
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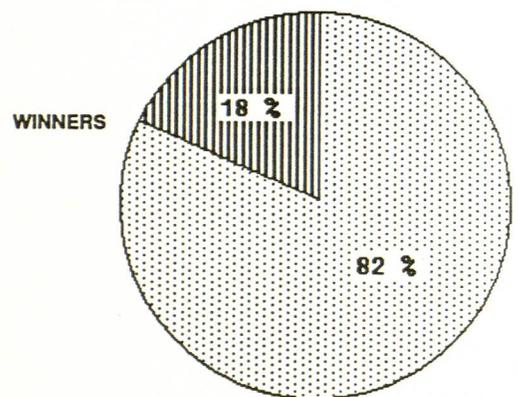
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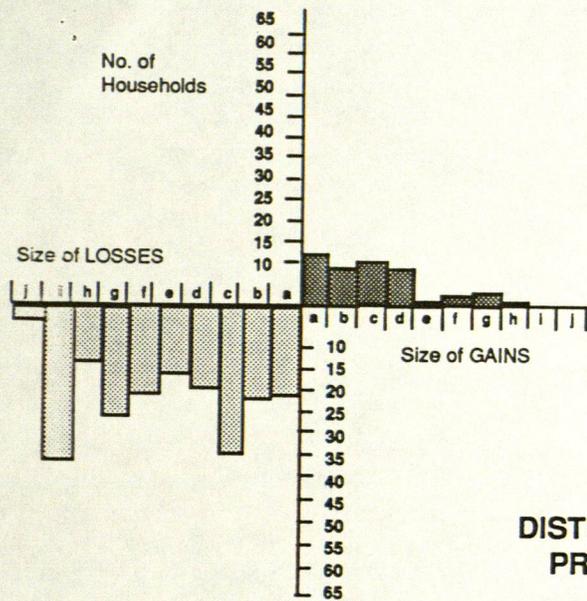


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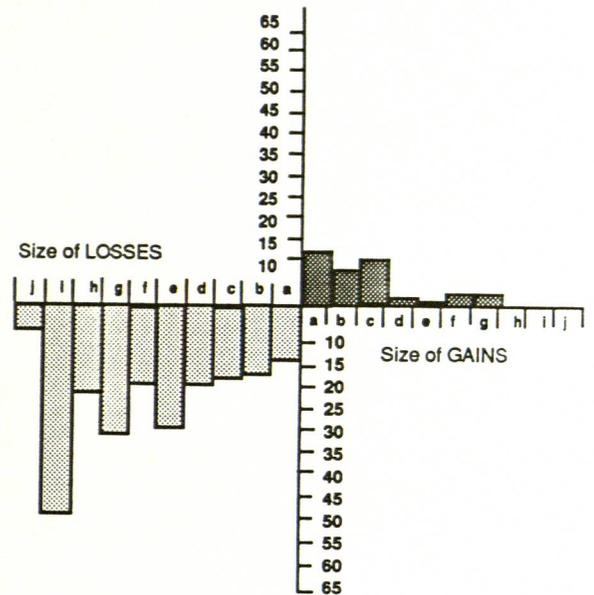


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HYNDBURN



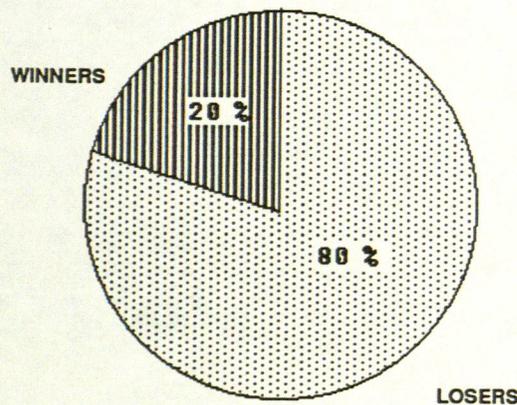
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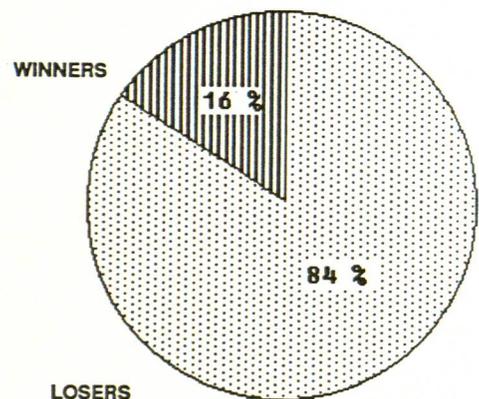
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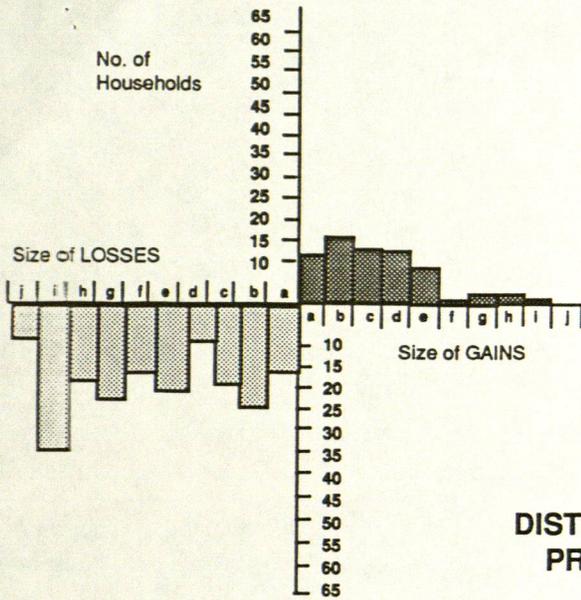


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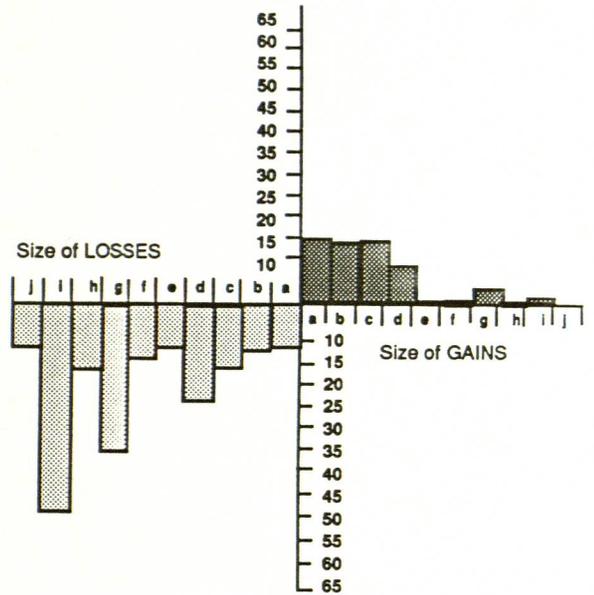


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IPSWICH



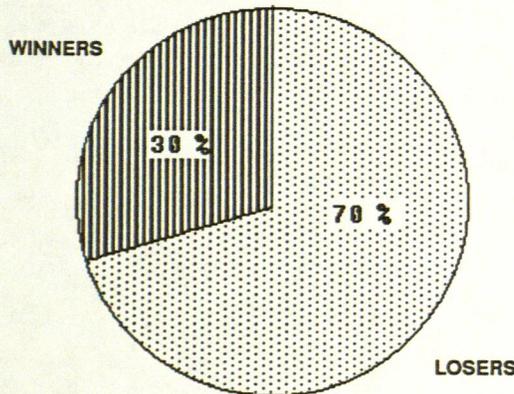
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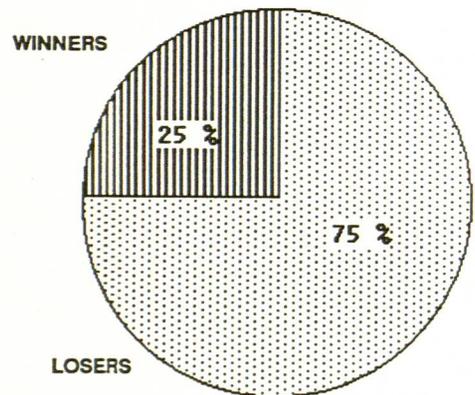
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e	- £201 - £250
f	- £251 - £300
g	- £301 - £400
h	- £401 - £500
i	- £500+
j	- £1000+

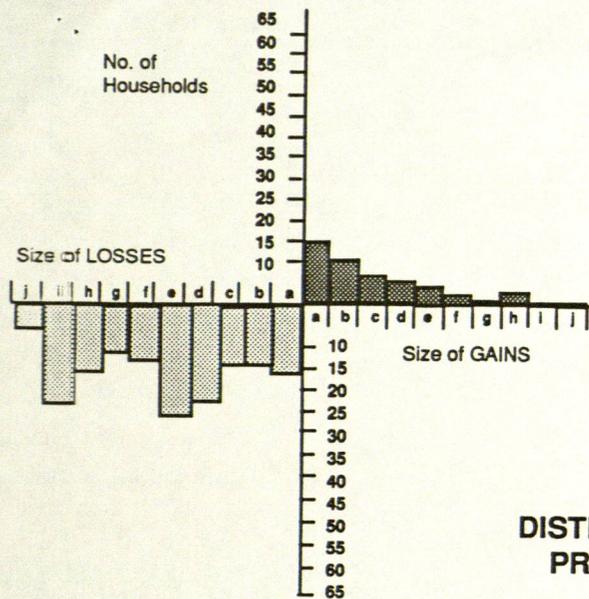


(7 %)

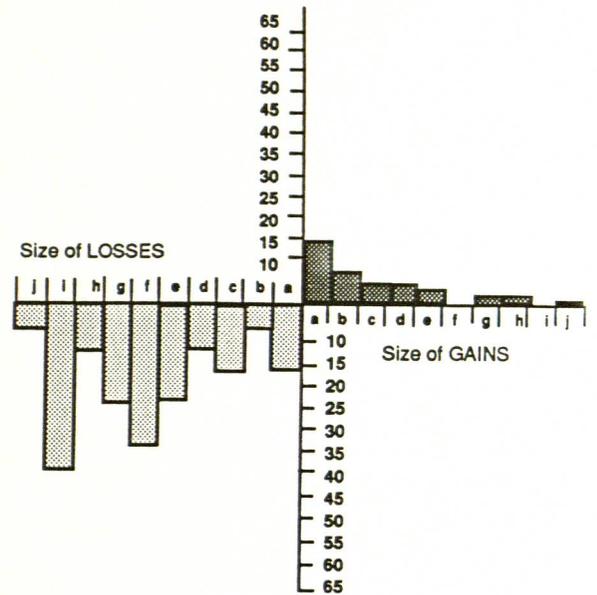


(11 %)

NOTTINGHAM EAST



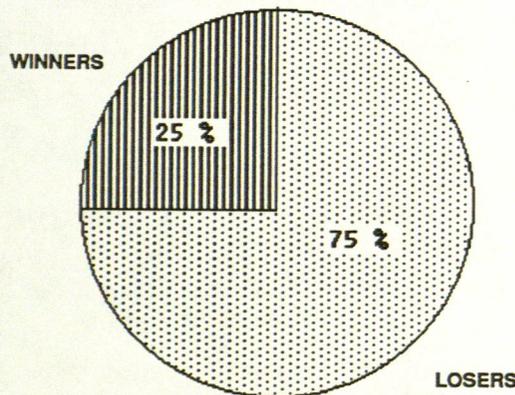
(7%)



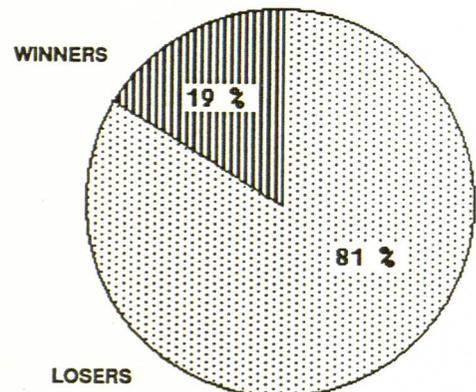
(11%)

DISTRIBUTION PROFILES

KEY	
a	- £ 0 - £ 50
b	- £ 51 - £100
c	- £101 - £150
d	- £151 - £200
e	- £201 - £250
f	- £251 - £300
g	- £301 - £400
h	- £401 - £500
i	- £500+
j	- £1000+

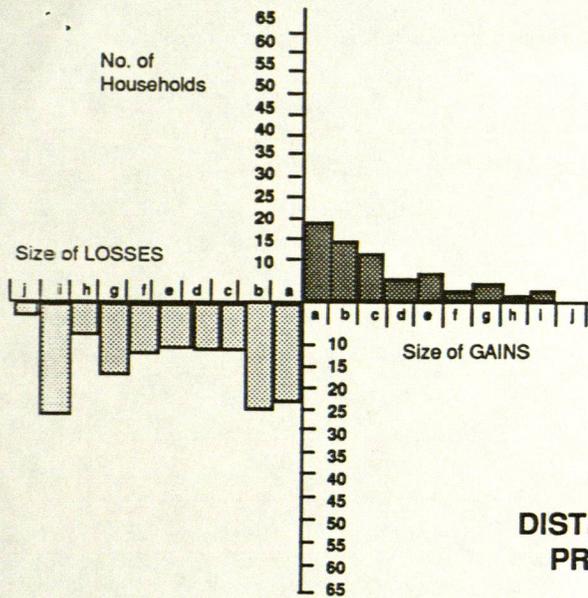


(7%)

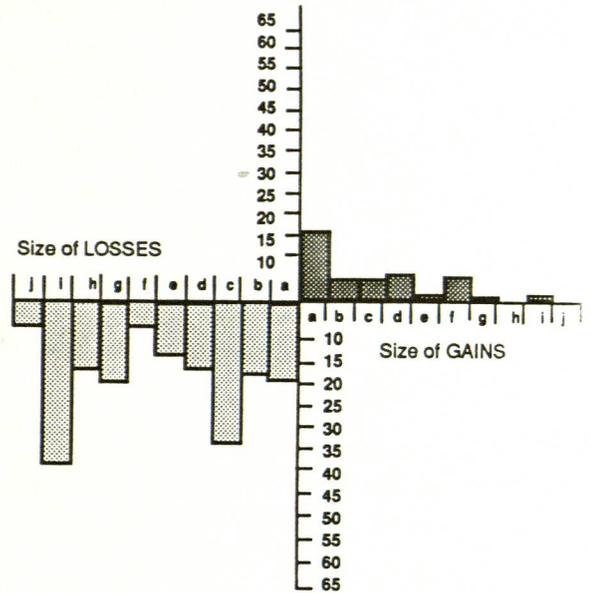


(11%)

PORTSMOUTH SOUTH



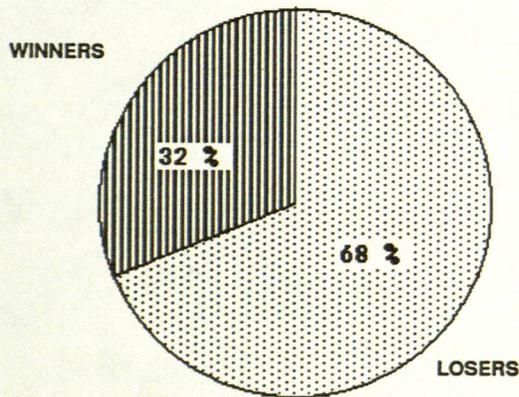
(7%)



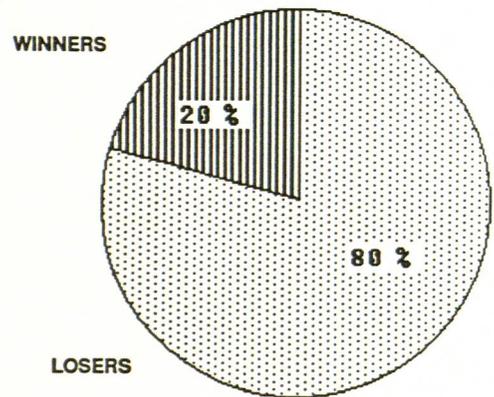
(11%)

DISTRIBUTION PROFILES

KEY	
a	- £ 0 - £ 50
b	- £ 51 - £100
c	- £101 - £150
d	- £151 - £200
e	- £201 - £250
f	- £251 - £300
g	- £301 - £400
h	- £401 - £500
i	- £500+
j	- £1000+



(7%)



(11%)

WOLVERHAMPTON N.E.

APPENDIX I - OTHER SURVEYS

A number of other studies have been made recently of the likely impact of the introduction of the Community Charge. Each differs slightly in the manner in which information has been gathered, but each points up interesting conclusions about the impact of the charge.

1. LITTLE VENICE WARD

The Little Venice Ward is typical of the **Westminster North** constituency in terms of household composition and demography. Tony Travers and Tony Hutt carried out a survey of **every two adult household** in the ward at the request of Westminster Conservatives. They compared each household's current rates bill with their Community Charge bill using the **1989-90** figure for Westminster's first-year safety netted Community Charge (£428 per adult). It must be remembered that this figure in not a prediction of what the Community Charge will be in Westminster next year.

The results of the survey are summarised in the table below:

<u>WINNERS</u>		<u>LOSERS</u>	
GAIN TO HOUSEHOLD (£)	NUMBER	LOSS TO HOUSEHOLD (£)	NUMBER
2000+	5	600+	3
1000 - 999	27	500 - 499	37
500 - 499	45	400 - 399	99
400 - 399	19	300 - 299	230
300 - 299	8	200 - 199	171
200 - 199	27	100 - 99	90
100 - 99	31	50 - 49	66
50 - 49	18	0 - 49	28
0 - 49	35		
TOTAL	215 (33%)	TOTAL	724 (67%)

2. BRADFORD

Under the direction of Cllr. Eric Pickles, Leader of Bradford City Council, a survey was carried out of sample households throughout the whole city. A range of properties and adult occupancies was sampled.

In addition to using the Government's figures for the 1989-90 full and safety-netted Community Charges, an analysis was carried out assuming a Community Charge of £209. This is Bradford council's estimate of what the city's Community Charge would have been this year if they had to collect no more from chargepayers than they currently do from domestic ratepayers.

In summary, the Bradford conclusions are thus:

- * Assuming the full (non-safety netted) Community Charge of **£295** per person:
 - 26 per cent of all households gain and 74 per cent lose;
 - 24.4 per cent of households in marginal Conservative wards gain and 75.6 per cent lose.

- * Assuming the first year safety-netted Community Charge of **£256**:
 - 34 per cent of households gain, 66 per cent lose;
 - 32.8 per cent of households in marginal wards gain and 67.2 per cent lose.

- * Assuming the **£209** Community Charge:
 - 48 per cent of households gain, 52 per cent lose;
 - 48.4 per cent of households in marginal wards gain and 51.6 per cent lose.

3. CROYDON

This analysis, carried out under the direction of Sir Peter Bowness, leader of Croydon Borough Council, was worked out on the council's own estimates of what the Community Charge will be next year rather than on the Government's figures. Of course, the 1989-90 figures are not a prediction of what the charge will be next year, but based on them, the Croydon estimate for their Community Charge does seem a little high. For the sake of completeness, we have repeated here the analysis for Croydon North West only (which is the marginal seat) using the DOE figures for the 1989-90 safety-netted and full Community Charge figures.

The Croydon figures show the effect only on average households (ie. average rates and average local occupancy). In summary, the conclusions are:

- * Assuming a Community Charge of **£363** (Croydon's estimate for the 1990-91 safety-netted Community Charge), no average households in the borough gain;

- * Assuming a Community Charge of **£298** (Croydon's estimate for the 1990-91 non-safety-netted charge), households in only five of the borough's 27 wards gain, none of them in Croydon North West.

- * Assuming a Community Charge of **£222** (the Government's figure for the 1989-90 first year safety-netted Community Charge), average households in three out of the six wards in Croydon North West gain (as do several others in the rest of the borough).

- * Assuming a charge of **£172** (the Government's figure for the 1989-90 non-safety netted charge), the average household in every ward in the borough is a net gainer.

4 MERTON

Mrs Angela Rumbold has drawn our attention to a detailed survey which has been carried out in six streets in the area of her constituency. The survey compares the effect of introducing the Community Charge in three streets in the Wimbledon constituency with three streets in her own Mitcham and Morden constituency. The Wimbledon streets (Clockhouse Close, Marryat Road and Parkside) are in an area of expensive houses with high rateable values, while those in Mrs Rumbold's constituency (Canterbury Road, Calder Road and Marham Gardens) are in a former council estate of semi-detached houses, many of which have been brought by the owners under the Right to Buy.

The results of the survey are shown below. Note that the Community Charge figure used in the survey is the DOE's estimate of the 1989-90 first year safety-netted Community Charge.

Wimbledon

- * 50 houses with household sizes varying from one to five adults in three streets were surveyed. They contain a total of 90 adults
- * Every household would have paid less in Community Charge this year than in rates.
- * In total, the 50 households gain **£66,576** between them, an average of £1,331 per household.
- * Distribution of the gains is as follows:

Size of Gain (£)	Number of Households
0 - 500	5
501 - 1000	12
1001 - 2000	23
2000+	10

Mitcham and Morden

- * 63 households of varying sizes in three streets were surveyed. They contain a total of 112 voters.
- * All but ten of these households would have paid more in Community Charge this year than they currently pay in rates. In other words, 16 per cent of households gain, while 84 per cent lose.

- * In total the losing households lose **£12,740** between them, while the eight winners gain **£1176** between them. Distribution of gains and losses is as follows:

WINNERS

LOSERS

SIZE OF GAIN (£)	NO. OF HOUSEHOLDS	SIZE OF LOSS (£)	NO. OF HOUSEHOLDS
0 - 100	7	0 - 100	14
101 - 200	2	101 - 200	17
201 - 300	0	201 - 300	4
301 - 400	1	301 - 400	0
401 - 500	0	401 - 500	14
500+	0	500+	4

5. **EALING**

- * Ealing's figures, like Croydon's, show the effect of the Community Charge on the average household. Unlike the Croydon figures, they are based on the Government's estimates of the charge for 1989-90. Only the effect of the first year safety-netted figure has been studied. Average households in 20 out of the borough's 24 are net losers under these circumstances.

SECRET AND PERSONAL

PRIME MINISTER

COMMUNITY CHARGE

Kenneth Baker has sent the attached survey of the effects of the Community Charge on marginal seats. It shows the results of an analysis of gainers and losers in the first year in ten marginal seats around the country. It has been carried out by comparing the first year Community Charge bill of every 250th household with the last rate bill. The analysis has been done inside Central Office. It takes account of the current safety net provisions but does not include the effects of either rate or Community Charge rebates.

The results are very worrying. They show that, assuming a 7% increase in council spending, 73% of households and 82% of individuals will pay more. Kenneth states in his letter that only Wolverhampton North East is having to pay appreciably more because of the Safety Net. This is not actually true. The figures for first year increase of Community Charge due to the Safety Net are:

Bury North:	+ £ 15	Hyndburn:	- £ 82
Colne Valley:	- £ 89	Ipswich:	+ £ 26
Darlington:	- £ 21	Nottingham East:	+ £ 5
Dulwich:	- £293	Portsmouth South:	+ £ 5
Hornsey & Wood Green:	+ £ 15	Wolverhampton N.E.:	+ £ 59

Thus, full Treasury-finding of the Safety Net would assist six of the ten constituencies (although two only very marginally).

However, Kenneth Baker's main point is unaffected. Full-funding of the Safety Net by the taxpayer still leaves us with a large number of marginal seats where the majority of electors are going to have to pay more. He therefore recommends consideration of measures to mitigate the effects at the household and individual level.

Only seven copies of this report exist. Ministers attending Thursday's meeting will have copies. Yours is the only one identifying the constituencies.

A handwritten signature in dark ink, appearing to read 'JHW' with a flourish underneath.

JOHN WHITTINGDALE

8.9.89