PREM 19/2305

MT.

PART 6

SECRET

CONFIDENTIAL FILING

The future of the Rating System

Rating Revaluation

LOCAL GOVERNMENT

PT 1: May 1979

PT 6: February 1987

PREM 19/2305

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.2.87.		23.4.87.					
10.2.87		23.4.87.					
12.2.87.		30.4.87					
17.2.87.		7.5.87					
18.2.87		11.5.87					
19.2.87		12.5.87					
20.2.87		14.5.87					
23.2.87		15.5.87					
24.2.87		25.6.87					
25.2.87.		1.7.87.					
27.2.87		25.6.87					
10.3.87		PART ENDS					
12.3.87.							
16.3.87							
17.3.87							
18.3.87							
20.3.87.							
24.3.87							
26.3.87							
31.3.87							
7.4.87							
9.4.87							
10.4.87							
13.4.87							

Dd 8398366 2M 11/83 JET

PART Six ends:-

Totals of 'for' and 'against' Community Charge u/d.

PART Seven begins:-

P. Shredder to PM 1.7.87

Ka
re County
change
file

T O T A L S

[11.00 am 1.7.87]

FOR	AGAINST	DOUBTFUL	NOT CONTACTED YET
130	21	84	58
+ 26	3	11	−40
156	24	95	18

The doubtfuls are divided between those worried about the consequences of the change in their own areas and how the basic scheme might be made more palatable, and those close to outright opposition. The 21 against seem pretty entrenched in their opposition.

No new Member is amongst the opponents.
11 new Members are amongst the doubtfuls.

For

A Coombs
D Conway
E Forth
G Gardiner
I Gow
T Rathbone
K Speed
A Widdecombe
D Shaw
I Taylor
D Amess
G Bright
J Carlisle
M Clarke
A Grant
J Hayes
M Moss
P Thompson
T Yeo
L Brittan
W Cash
M Fox
J Greenway
P Mcloughlin
G Shaw
G Walden
R Whitney
P McNair-Wilson
B Field
J Browne
A Mitchell
R Body
J Farr
D Evans
T Marlow
Q Davies
W Powell
E Leigh
N Fairbairn
M Fallon
H Munro
A Stewart
B Walker
M Jopling
D Atkinson
J Butterfill
R Maxwell Hyslop

For (con't)

M Knowles
T Devlin
G Waller
T Arnold
T Favell
A Goodlad
M Shaw
K Hind
F Montgomery
G Bowden
J Hanley
H Malins
N Forman
C Goodson-Wickes
R Sims
J Maples
R Boyson
I Stanbrook
N Bonsor
T Dicks
R Hughes
H Rossi
J Wilkinson
T Taylor
R King
T Baldry
D Bevan
J Marshall
M Hicks
L Stevens
M Brown
and others

* Those whom the DOE may wish to use to promote the case

Against	Doubtful	Doubtful (cont'd)
D Knox	D French	J Knight
A Beaumont Dark	J Arbuthnot	D Tredinnick
P Cormack	H Dykes	R Raison
W Benyon	J Gorst	R Page
M Heseltine	H Greenway	M Morris
G Young	P Ground	M Latham
C Morrison	B Hayhoe	A Buchan-Smith
C Irving	B Rhys Williams	R Holt
K Hampson	H Summerson	
E Heath	N Thorne	and others
P Goodhart	I Twinn	
J Hunt	C J F Gill	
R Squire	R Hayward	
J Critchley	R Knapman	
I Gilmour	A Meyer	
B Wells	K Raffan	
J Lester	P Temple Morris	
A Steen	J A Arnold	
D Walters	J Couchman	
J Wiggin	A Rowe	
R Hicks	J Brazier	
	M Wolfson	
	G Johnson Smith	
	J Amery	
	H Bellingham	
	A Buck	
	Mrs Gorman	
	A Haselhurst	
	R Howell	
	M Lord	
	R McCrindle	
	D Madel	
	D Porter	
	R Rhodes James	
	J Ridsdale	
	Mrs Shepherd	
	E Taylor	
	P Blaker	
	A Burt	
	W Churchill	
	K Hargreaves	
	N Miscampbell	
	T Sackville	
	J Heddle	
	J Townend	
	P Rost	
	P Oppenheim	
	D Evennett	
	C Townsend	
	J Wheeler	
	W Shelton	

CCBC.

Prime Minister

NON-DOMESTIC RATING

ATTACHED

E(LF)(87)7th agreed most of the main issues on the operation of the National Non Domestic Rate (NNDR). I am writing now to seek agreement to some outstanding issues on that and with proposals for amendments to the operation of the non-domestic rating system itself.

REMAINING NNDR ISSUES

Operation of the NNDR Pool

It is central to the Green Paper proposals that local authority funding from external sources including the NNDR should be fixed in advance of the financial year so that all of the variations in expenditure decisions will fall to be met by local electors. At the same time we wish to minimise the risk that we could become committed to paying out more than we are able to collect in. I therefore propose to provide in legislation that the amount to be paid out from the pool in any year need not be dependent upon the estimated income but only that all income to the pool should be paid out to local authorities taking one year with another. This will enable me to set the level of pay-out at a level which should guarantee that the fund does not go into deficit.

Of course, the possibility of a deficit cannot be entirely eliminated and it will be necessary to make provision for temporary "overdraft" facilities especially to cover any temporary gaps which may emerge on a cash flow basis. It seems that the most practical way of achieving this within any year might be by providing for greater flexibility in the use of the vote provision for Exchequer grant to local government. There are a number of difficult technical issues for officials to resolve but I should be grateful for agreement to the principle so that the necessary legislative instructions can be prepared.

We have previously agreed that there should be a reserve power for the Treasury to override the automatic indexation provisions for the NNDR poundage. The exercise of that power would, of course, affect the income from the NNDR and could well have implications for either the level of the community charge or for the amount of Exchequer grant. This means that normally it would be appropriate for consideration of whether to exercise the power to form part of the annual E(LA) discussions on the RSG settlement.

I understand that while the Chancellor may accept that as the normal position, he may be reluctant to become bound by that procedure. I can see that there may occasionally be circumstances in which for example evidence of growth in rateable values beyond that allowed for by E(LA) might become available in the September preceding the RSG settlement and justify some late compensating adjustment to the national poundage. But it should never be necessary to make such an adjustment once the RSG settlement - including the level of pay-out from the pool - has been approved by Parliament. We can certainly expect pressure for a statutory limitation to the power to set a lower poundage for any year so that it has to be exercised before the RSG settlement is approved by Parliament. Providing we can agree in principle, that use of the power would be limited in this way, in practice I would be prepared to try to resist any explicit statutory provision while recognising that we may later have to concede the point.

Paying for Transition

At the last meeting of E(LF) we agreed on proposals for phasing in the impact of the move to the NNDR and the new 1990 valuations and agreed that the cost of these arrangements should be met within the NNDR pool. In practice this means setting an NNDR poundage in 1990/91 slightly above the average poundage for 1989/90. In order to prevent this additional poundage becoming enmeshed in the procedure for indexation and to allow it to be phased out, it will need to be determined separately. This will unfortunately draw attention to the proposal. I invite colleagues to note this implication.

Other amendments to rating legislation

While the basic legislative structure of non-domestic rates will be carried over to the new system, the specific statutory provision will have to be extensively amended to recognise the fact that 90% of existing hereditaments will no longer be subject to rating. It will be desirable therefore to make a number of amendments designed to clarify provisions, and simplify procedures in order to reduce the resource costs of the system especially the appeal arrangements. Subject to the agreement of colleagues I would like to publish these proposals as soon as possible. A draft document detailing each of the proposals is being circulated at official level. The main items are:

(i) Rating of Empty Commercial Property. At present, empty factories and warehouses are not rated; but authorities have discretion to rate empty shops and offices at up to 50%. Most do so, including almost all urban authorities where most of these properties are situated. This raises roughly £50m. It does not seem appropriate, or practical, to leave this matter to local discretion in future when other aspects of non-domestic rating will be standardised and when the cost of any discretionary concession has to be met by community charge payers. I therefore propose - subject to consultation - to standardise the rating of empty commercial property at 50% of full rates everywhere and to allow the cost of this to fall on the NNDR pool.

(ii) Future Revaluations. The Green Paper said that it was essential to return to regular revaluations in the non-domestic sector. I therefore propose that the legislation should provide for a return to revaluations at intervals of not more than five years, with the next general revaluation in 1995. The Green Paper also said that there might be advantages in a system of "rolling revaluations", with a cross-section of the sector revalued each year and used to

develop indices to be applied to properties not revalued in that year, and indicated that a further consultation paper would be issued on this subject. In the event, it has not been possible to agree on detailed proposals for a scheme of rolling revaluations and it is not yet clear whether this will prove workable. Moreover, it would be desirable for such a scheme to start from the base of a fully up-to-date valuation list. It would not be practical to introduce the system in 1990, because of the complex transitional arrangements already agreed for 1990.

(iii) Winding down the domestic appeals system. Local valuation Panels already have a heavy backlog of outstanding appeals. It is essential that the bulk of these are cleared before they assume their new responsibility for determining community charge appeals (the first of which will come on stream in the autumn of 1989) and in advance of the expected upsurge in non-domestic appeals in 1990 following revaluation.

Abolition ~~This~~ has been discussed in E(LF).

Assuming colleagues agree to my proposal that domestic rates should cease to be payable after 1 April 1990 there will be little justification for retaining the full panoply of the appeal system right up to that date. I therefore propose, as from Royal Assent, to limit alterations to the valuation in respect of domestic hereditaments to those hereditaments being brought into rating for the first time and to allow for downward revision of rateable value only where there has been a major physical change to the property or to correct a valuation error. Other appeals would not be allowed although those outstanding at Royal Assent would be determined in the normal way.

(iv) Duty to Consult Businesses. In the Rates Act 1984, we introduced a duty on local authorities to consult business ratepayers on their budget and rate proposals. The evidence

is that this has served little purpose. Those authorities which have anyway wished to consult seriously have done so. Others have paid lip service or less. The record is particularly poor in the high spending areas.

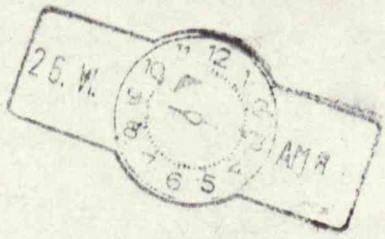
Under the new system, the decision on the rate poundage will no longer be available as a focus for consultation with business, and businesses' interest in authorities' spending policies will be much reduced. There will remain issues on which it will be desirable for authorities to consult business interests, including the level of services provided specifically for them, any fees and charges for such services, and any measures to promote economic development in the area; but these seem insufficient to justify a statutory duty enforceable through the Courts and without a linkage to the rate there would be no effective sanction for non-compliance. The CBI has suggested that authorities should be bound to consult on these matters if local business interests request it.

This seems to miss the point. If authorities are interested in genuine consultation, they will join in if asked anyway. If they are not, an unenforceable duty of this kind will not compel them to enter into constructive discussions. I propose to repeal the present duty to consult.

I should be grateful for colleagues' early agreement to the various proposals above. I am copying this letter to the other members of E(LF) and to Sir Robert Armstrong.

N R

25 June 1987


25. M.
AMR

010

CC BSa.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

16 June 1987

Dear Willie

NBPM.

RATE REFORM BILL

The timetable for introducing this Bill requires us to complete instructions to Counsel before the end of July, but we still have to discuss collectively a number of key policy issues. The Cabinet Office is making arrangements for a series of E(LF) meetings in the coming weeks to discuss these.

My purpose in writing is to seek the help and forebearance of colleagues over the coming weeks when we shall need to ask for urgent comments, sometimes on complex issues and at short notice. While we will try to meet the usual deadlines so far as possible I hope you will agree that the first priority must be to ensure that this substantial legislation is available in time and that the key policy decisions are taken in time for Parliamentary Counsel to complete their work.

I think it would also assist if the official level Sub Committee (E(LF)(O)) which steered the preparation of the original Green Paper could now be reactivated under DOE Chairmanship as before.

I am copying this letter to the other members of E(LF) and Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY

This is 100% recycled paper

SPD10BM01

CONFIDENTIAL

Original on EDUCATION - ILEA PT 4

2.

PRIME MINISTER

THE BISHOP OF LONDON 15/5.

1. I had a very good meeting with the Bishop of London on Thursday evening, when I explained to him our main education proposals.

2. I explained that our proposals on opting out aimed to create a new class of schools; a middle ground between the 93% local authority maintained sector and the 7% independent sector. Schools would have the opportunity of receiving direct grants from the Department and getting an even greater degree of independence than the Church Schools now enjoy. He welcomed this. The anxiety that he had expressed some two weeks ago was that we intended to abolish local education authorities altogether. He expressed the traditional suspicion of the Church towards state controlled education. He particularly welcomed the fact that opting out would allow schools, including Church Schools, in Brent and Haringey to become independent.

3. On ILEA, I told him that we intended to allow individual boroughs to opt out. He thought this was also a good thing. He was again concerned at the possibility of the disappearance of local education authorities in London.

4. I think this meeting did much to clear the air, and it's quite clear that he will be strongly supportive of these two proposals. He does not intend to say anything about this in the Election, but it's always possible that other Bishops may and they may not take his supportive line.

5. He also was very welcoming towards our proposals on rural schools.

6. He did take the opportunity to raise one other matter about which I believe he has written to you. That is the

CONFIDENTIAL

position of the Church under the community charge. He and the Church believe that the proposals not to give some exemption to Church property will cost the Church of England £10m and go back on the White Paper, and I think that the Church may well raise this in the Election. I thought you should just be aware of this.

7. I am copying this minute to Willie Whitelaw and Norman Tebbit.

KB
Department of Education and Science

15 May 1987

PERSONAL AND SECRET

file DG2644 10

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 May 1987

Dear Bruce,

MINIMUM CONTRIBUTION TO DOMESTIC RATES

The Prime Minister has seen your Secretary of State's minute of 13 May about the proposed announcement on a minimum contribution to domestic rates.

The Prime Minister is content that this announcement should be made by written answer on Friday. She does not wish to announce the 20 per cent minimum contribution in her speech tomorrow, and the draft attached to your Secretary of State's minute will need to be amended accordingly to include the 20 per cent figure (or the 80 per cent maximum rebate, if that seems a better way of expressing it).

The Prime Minister had only one comment on the present text, which is to suggest deleting the last few words "...thus providing protection for those who need it." This seems to her to weaken the announcement.

I am sending copies of this letter to Jill Rutter (Chief Secretary's Office, HM Treasury), Robin Young (Department of the Environment), Jon Shortridge (Welsh Office) and Robert Gordon (Scottish Office).

Yours,

David.

David Norgrove

Bruce Calderwood, Esq.,
Department of Health and Social Security.

PERSONAL AND SECRET

PERSONAL AND SECRET

9

PRIME MINISTER

MINIMUM CONTRIBUTION TO DOMESTIC RATES

At today's meeting of E(LF) we agreed that I should consider further with John MacGregor how the decision to compensate low income families paying a minimum contribution to domestic rates should be announced. I propose to make the announcement in the form of an arranged PQ on Friday, and I attach a form of words I have agreed with John MacGregor and Michael Ancram.

Subject to your views and those of Nicholas Ridley, we propose to take this opportunity to announce also that the minimum contribution to domestic rates will be 20 per cent, though Michael Ancram suggested that you may wish to announce this in your Perth speech on Friday. In the PQ on Friday

Surely not.

I will be discussing further with John MacGregor the line we are to take in public on the cost.

Subject to your views on how to handle the announcement of the 20 per cent minimum contribution, I will be grateful for your confirmation to proceed on this basis. Yes ms

I am copying this minute to John MacGregor, Nicholas Ridley, Nicholas Edwards and Malcolm Rifkind.

Bruce Caldermood

13 May 1987

pp N F

(Approved by the Secretary of State and signed in his absence)

PERSONAL AND SECRET

DRAFT PQ AND REPLY ON HOUSING BENEFIT

To ask the Secretary of State for Social Services, if he will publish details of the 1988 housing benefit reforms and if he can confirm that the proposed minimum contribution to domestic rates will be taken into account in setting benefit rates.

MR NORMAN FOWLER

As explained in the previous reply to the hon Member for Brentwood and Ongar (PQ 3986/1986/87 Han Ref Vol 114 Col 596), the regulations for the 1988 housing benefit reforms will be laid before Parliament when the Government's proposals on benefit rates are finalised in the Autumn.

Revised draft regulations on the detailed structure of the new scheme will be issued to all local authorities on Monday 18 May following consultation on the earlier drafts. These regulations set out firm proposals on the detailed structure required for local authorities to prepare for implementation of the scheme in April 1988. Copies of the draft regulations will be placed in the Library.

When the rates for income support are set in the Autumn, they will include the average amount that we expect householders who are income support claimants to have to meet as their minimum contribution to domestic rates. The details will be determined at the time the benefit rates are decided. This will mean that income support claimants will receive compensation in April 1988 in their benefit entitlement, whilst at the same time preserving the vital principle of local accountability. This compensation will also be reflected in the rates that will determine help for others on low incomes receiving housing benefit and family credit, ~~thus providing protection for those who need it.~~ reaches it.

Please add UK 80% maximum rebate

1282/043

SECRET

8

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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Bruce Calderwood
PS/Secretary of Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

NBPN.

13 May 1987

Dear Bruce,

MINIMUM CONTRIBUTION TO RATE BILLS

The Chief Secretary discussed this evening with your Secretary of State, the Minister of State for Social Security, the Parliamentary Under Secretary of State, Scottish Office (Mr Ancram) the form of the announcement on compensation for those on income support for the contribution they will make to rate bills in April 1988.

The Chief Secretary said he was content with the first two paragraphs of the text provided by officials. He did however have three points to make on the third paragraph. First he would prefer "ensuring" in the last sentence to be replaced by "providing" which did not carry the same implication of total protection. This was agreed.

The Chief Secretary said he felt it was important to make clear that the people we were compensating were the householders who would be paying rates for the first time. He was concerned about the way in which the statement referred to the "average amount that we expect income support claimants will have to meet". That was not, as it stood, deliverable since we would not know what the level of rates would be in 1988-89. It had not been clear in the ELF discussion how that payment should be derived. Mr Ancram pointed out that when announcing RSG settlements his Secretary of State and the Secretary of State for the Environment gave only broad brush indications of the rate increases that were compatible with the Government's spending plans. After some discussion it was agreed that this statement should be amended to read; "they will include the average amount that we expect householders who are income support claimants to have to meet as their minimum contribution to domestic rates". This did not imply that the Government would fully underwrite excessive rate increases by local authorities. A text reflecting these and consequential changes is being circulated by your Secretary of State.

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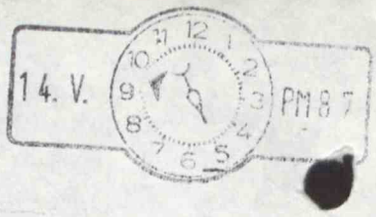


Mr Ancram noted that he had been pressed in the debate on the ADRES Bill about the figures for the minimum contribution. It was agreed that there would be merit in making public that the minimum contribution would be 20 per cent. This could be included in the text of this written answer. An alternative would be for the Prime Minister to make an announcement in her speech to the Scottish Party Conference. This issue should be put to the Secretary of State for the Environment and the Prime Minister.

There was some discussion on the timing of the announcement. The Chief Secretary had reservations about a Thursday announcement. It was pointed out that DHSS was not in a position logistically to make the announcement tomorrow in any case. Since it was agreed that there should be an announcement to Parliament, that pointed toward Friday. Again No 10 should be consulted on this issue.

The Chief Secretary would discuss further with the Secretary of State what line he might take in public on the cost.

I am copying this minute to David Norgrove at No 10, Robin Young (DOE), John Shortridge (Welsh Office), Robert Gordon (SO) and to Trevor Woolley in Sir Robert Armstrong's office.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary

CC Chup.

PRIME MINISTER

12 May 1987

MINIMUM CONTRIBUTION TO DOMESTIC RATES

You are meeting to discuss Norman Fowler's proposal that social security rates should be increased by £1.30 a week in April 1988 to enable benefit claimants to meet their 20% contribution to Rates under the new housing benefit system to be introduced then.

Effect on Accountability

£1.30 is 20% of the average Rates bill faced by supplementary benefit claimants. The effect of this proposal would be to ensure that on average claimants were no worse off but those in areas where Rates were high would face increased costs whilst others would receive a windfall gain. Because claimants will still benefit from lower rates, this proposal will not damage the increased accountability that arises from the new housing benefit system.

Effect on Incentives to Work

Under the new social security system the 'needs allowance' for housing benefit will be equal to income support rates. An increase in income support rates will therefore increase the housing benefit entitlement of people in work. Typically, housing benefit claimants will receive additional housing benefit equal to 80% of the addition to income support benefit. So these proposals will reduce the gap between income from working and income from not working for housing benefit claimants by 20% of the increase ie 26p per week. This is insignificant and will have little effect on incentives to work.

Public Expenditure

The main issue is therefore the public expenditure cost of the proposal. The Chief Secretary suggests two ways of reducing the cost:

a. confining the increase to pensioners and the sick and disabled;

b. reducing the compensation to £1 per head, the amount needed to fully compensate those in authorities that spend and rate in line with Government plans.

Given that the effect on incentives to work is so small, we think it will be difficult to defend limiting compensation to pensioners and the sick and disabled. Families with children also command public sympathy. The single unemployed command less public sympathy but have already lost out in the social security reviews. It would be easiest to defend not increasing benefit rates for the under 25s since more than half of them are non-householders and therefore do not pay rates. But the remainder do pay rates.

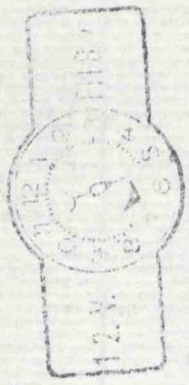
There is something to be said for limiting the compensation to £1 a week. Part of the reason why expenditure is so high in some local authorities is the high proportion of voters who have been protected from the effects of rate increases. But the £1.30 is an average - in the high spending areas this will be far from adequate compensation (the extra costs in Camden will be around £3 a week). So even at £1.30 a week there is an incentive to vote for lower expenditure.

Conclusion

Unless Mr Fowler's proposal is agreed the Government will have to defend reducing the living standards of some, or all, benefit recipients. There is no argument for doing so in order to improve the accountability of local authorities and very little to improve incentives to work. The main argument against Mr Fowler's proposal is the public expenditure cost and we see little prospect of convincingly using this in public to defend a decision not to give full protection. Although this proposal is not a high priority in public expenditure terms we nevertheless reluctantly support it.

Peter Stredder

PETER STREDDER



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P 02685

PRIME MINISTER

MINIMUM CONTRIBUTION TO DOMESTIC RATES: E(LF)(87)17

DECISIONS

The Sub Committee need to decide

i. which groups of beneficiaries should be compensated to meet their new liability to pay at least 20% of their rates (and subsequently, community charges);

ii. what the rate of compensation should be;

iii. how and when the decisions should be announced.

BACKGROUND

2. The decision that rate rebates should be limited to 80% to increase local accountability was taken in MISC 111 in March 1985. Both the Parliamentary proceedings on the Social Security Act 1986 and the Green Paper "Paying for Local Government" use the 80% figure for illustrative purposes. So far, however, the figure has not been confirmed. Housing benefit regulations will be needed to bring the restriction into force from April 1988, and the intention is to issue the regulations in draft to enable the local authorities to start their planning in good time.

3. At their meeting on 23 April (E(LF)(87)6th meeting) the Sub Committee decided that the Abolition of Domestic Rates etc (Scotland) (ADRES) Bill should enable 100% rebates from the community charge for a tightly defined group of the disabled. You wished, however, the Sub Committee to have a fuller consideration of the way in which the new 20% liability would bear on the most

vulnerable groups, and Mr Fowler brought forward a paper that was considered on 30 April (E(LF)(87)7th meeting). That meeting confirmed the 20% minimum contribution but accepted that some increased income support would have to be made available to the most vulnerable groups. You were concerned that the concession should be limited as much as possible, though you thought it would have to extend to pensioners and the long-term sick and disabled. One point that weighed with you was that the able bodied unemployed have access to undeclared sources of income that are not likely to be available to the sick and old. You invited the Social Services Secretary to work up a scheme as quickly as possible.

4. The Ministers concerned held a meeting last week where the Chief Secretary reserved his position but the other Ministers present took the view that it would not be feasible to limit this concession to selected groups of those eligible for income support, and that any attempt to do so would be very vulnerable during the questioning to be expected over the next few weeks. Mr Fowler recognised, however, that one consequence of making compensation through income support was that the money would flow to ratepayers and non-ratepayers alike, so that non-householders would get an uncovenanted windfall bonus. He therefore undertook to consider what could be done to set up clawback arrangements to prevent non-householders from gaining. In his present minute Mr Fowler seeks agreement for compensation to go to all groups eligible for income support (subject to clawback) and that the rate should be the average of the 20% rate liability for those on income support (which works out at £1.30 a week). The Chief Secretary, still reserves his position. He suggests that either the eligible groups or the rate of compensation could be restricted, and warns that he will need to seek offsetting savings during the next public expenditure survey.

5. Although the immediate focus is on the position in respect of rates from April 1988, adjustments will have to be made to accommodate the community charge first in Scotland in 1989 and

then in England and Wales in 1990. You will not wish the present meeting to get drawn into detail on that. But you will wish to confirm that if there is a change of course from 100% rebate for the very severely disabled in Scotland to a more widely based income support arrangement, then nothing is left on the record of the ADRES Bill that could lead the Government to be accused of bad faith. I attach extracts of what Lord Glenarthur said on 30 April (when E(LF) had decided on the 100% rebate) and of his comments on 5 and 11 May. Provided that the disabled are compensated through income support at a rate not less than the average new liability, Lord Glenarthur's remarks appear sustainable.

MAIN ISSUES

6. It has already been agreed (E(LF)(87)7th meeting) that some increased income support must be made available to the most vulnerable groups. This means that the compensation must be at a flat rate applying nationally, and cannot be tailored to a particular rate or community charge level in a particular local authority. The questions are which groups should qualify, and what the level should be.

Which groups

7. At the last meeting you accepted that assistance would have to extend to pensioners, the long-term sick and disabled. The other premium groups that qualify for higher levels of income support are families with children and lone parents. Technically, it would be possible to limit assistance to any of these groups. But at last week's meeting Mr Fowler felt (and Lord Young and Mr Tebbit agreed with him) that no defensible basis could be found for compensating some groups on income support for the new rates liability, but denying asistance to others. In particular they felt that it would not be sustainable to be seen to be relying on the assumption that the able-bodied unemployed could turn to the black economy, and that is the point you will especially wish to consider.

The rate of assistance

8. Mr Fowler suggests that the only logical approach is to compensate at the full average level of the new liability that will be assumed. (The figure of £1.30 is, in fact, the lowest average that can be found since it represents the average new burden that will be assumed by those on income support: the unadjusted national average would be £1.60.) The Chief Secretary, however, suggests that one obvious way to reduce the heavy cost would simply be to scale down the rate of compensation to, say, £1.00. This is a pure judgement of what is politically sustainable. Mr Fowler will certainly argue that compensating at a lower level than the average will still cost a great deal of money, but signally fail to obtain any political benefits. You will also wish to bear in mind that anything less than the full average rate of liability by the severely disabled for the Scottish community charge would be difficult to defend.

The costs

9. The tables circulated with Mr Fowler's minute show the public expenditure and PSBR costs of compensating each category of income support beneficiaries at rates of £1.30 and £1.00. The left-hand columns show the costs for income support, housing benefit and family credit, which will be calculated on a common basis and cannot be separated. The extreme right-hand column shows the cumulative totals. You will see that the full cost of Mr Fowler's proposal of £1.30 works out at £380 million (of which £352 million is public expenditure); the Chief Secretary's proposal of £1.00 works out at £295 million (of which £275 million is public expenditure). The cost of Mr Fowler's proposal probably represents the greater part of the savings that were obtained from the Housing Benefit element of the Social Security Review, although DHSS and the Treasury have never reached sufficient agreement on the appropriate base lines to make this an unambiguous calculation. As I mentioned in the brief for the last meeting, one of the main preoccupations of last year's Star Chamber was to

reduce the April 1988 starting level, in order to prevent the whole social security programme being ratchetted up yet further.

Clawback

10. About one million recipients of income support are not ratepayers. Until the community charge is brought in to apply to all adults, these people will benefit from any flat rate support unless special arrangements are made to claw it back. The single most effective device of that kind would be to increase the non-dependant deduction for Housing Benefit (ie the amount that is taken off a householder's Housing Benefit to allow for assumed contributions by non-dependants in his household) and Mr Fowler reckons that this would save about £50 million. There may, however, be further devices for identifying other groups of non-ratepaying beneficiaries and clawing back payments made to them to produce a further saving of, say, £10 million. Recouping transitional protection might well help here. DHSS would need to go into the details of this urgently with the Treasury and with their operational people (who have not yet been brought into consultation because of the sensitivity of the subject.) You may well wish to press Mr Fowler to go further on clawback than his minute promises.

Community Charge

11. All this discussion is in terms of rates. When the community charge is introduced, it will be necessary to make adjustments, at least to release the money that had been clawed back so that it flowed to new community charge payers. There will clearly be a transitional problem here with Scotland in 1989, since the social security system operates on a national basis and is not well geared to deal with a situation in which the community charge operates in only one part of the UK. The present meeting, however, need only note the point and not go into it in detail.

Scotland

12. As I described under "MAIN ISSUES" above, there is a particular point on the ADRES Bill, which is having Commons consideration of Lords amendments tomorrow afternoon. On Third Reading, Lord Glenarthur implied that the severely disabled would qualify for full rebates. In his statement yesterday on Report, he indicated that the assistance might be by way of income support. Provided that the assistance to the disabled is no less than the full average cost of the 20% liability, the position should be manageable. But there may be a case for putting a clear statement on the record as soon as possible, to head off any later accusations that the ADRES Bill was obtained by sharp practice in the Lords.

Timing and method of announcement

13. If the meeting takes clear decisions on the scope and rate of compensation, there is everything to be said for announcing the general intention as quickly as possible. One possibility might be for the Social Services Secretary to issue the draft Housing Benefit Regulations this week. Those regulations would simply confirm the 80% maximum rebate, but it would be an opportunity for Mr Fowler to announce that benefit payments at the level decided would be extended to "everybody who has to meet the new liability" or some such formula. Whatever form of words is used, it must allow Mr Fowler room for manoeuvre to develop clawback arrangements.

HANDLING

14. You will wish to ask the Social Services Secretary to introduce his minute and the Chief Secretary to comment next. The Employment Secretary will have views on the sensitivity of this issue over the next few weeks, and the Chancellor of the Duchy may have sent you his comments on that. The Lord President may also wish to offer a broad political assessment. The Environment

Secretary will particulary wish to comment on the transition to the community charge in due course. On the Scottish aspect you may wish to ask for comments from the Lord President and the Scottish Secretary.

15. Finally, you will wish to ensure that the Sub Committee makes plans for an announcement that leaves no loose ends either on the question of the Housing Benefit Regulations or the Scottish disabled point.

J B UNWIN

Cabinet Office
12 May 1987

Lord Glenarthur

disabled persons can and do play a full part in the life of their community and in the local democratic process. Where they do not, however, they may well in any case come within one of the exemptions I have described—if they are also severely mentally handicapped, or if they are resident in hospitals or homes.

We recognise, however, that there will nevertheless be a category of severely disabled people living in the community who at present enjoy full rates relief and who should in equity maintain that position under the community charge system. We therefore propose that additional help, which could extend up to 100 per cent. of the community charge, should be available for a clearly defined group of severely disabled people. We are still considering the exact scope of this provision, which will be brought forward in the rebate regulations under the provisions of Clause 24 of the Bill.

I have set out in some detail the Government's proposals for exemptions in the light of our earlier discussions. With the leave of the House I shall be happy to expand on these proposals in the light of further points that may be raised by your Lordships on the various amendments to which we shall come. I commend to the House Amendment No. 98 dealing with the severely mentally handicapped, and I beg to move.

Lord Morton of Shuna: My Lords, it is obviously fair that people who are suffering from severe mental handicap should be excused from paying, quite apart from any other people who should be excused. We on this side fully accept that. However, there are various difficulties that I foresee and perhaps the Minister will clarify them.

The definition is taken from the Mental Health (Scotland) Act, but it is not the complete definition in the Mental Health (Scotland) Act, which defines severe mental impairment in a different way and talks about severe mental impairment rather than severe mental handicap. Mental impairment under the Mental Health (Scotland) Act depends, to use the last phrase, on somebody being of,

"significant impairment of intelligence and social functioning and is associated with abnormally aggressive or seriously irresponsible conduct".

That concept is left out, and I am not quarrelling with the fact that it is left out. What I am trying to get at is who decides. That is left completely blank in the Bill. There is nothing to say.

So far as we can see, the only person who can possibly have this responsibility of deciding who is severely mentally handicapped is the poor old registration officer. I should have thought he was the last person who would want that responsibility. Surely some method must be provided in the Bill saying how to set out to establish it, whether you need one medical certificate or two medical certificates is needed. There must be something more definite. A definition is required. One of the difficult situations which will clearly arise, quite apart from homes in the sense of nursing homes, is the common situation where an elderly person who is suffering from senile dementia to a greater or lesser extent is in the family house, being looked after by members of the family. Is that person—assuming they reach the level, whatever it may be—of severe mental impairment, handicap, to be excused? If so, how does one set about it?

Although we welcome this amendment, I think we need far more information. It is a great pity that it comes at such a late stage because we only discussed it in detail at Committee and at Second Reading, but it has already been through another place. The Government must have thought before they put forward this basis of what they were going to do with the people—or they should have thought if they did not do so. It tells us a lot about how they approached the personal community charge if they did not think of the status of people who are handicapped in one way or another. They should have done so.

We must assume for the benefit of the Government that this is a change of sense, and it is a pity that we do not know enough about it. For example, what is the intention of the Government in the sort of mental illness one frequently sees where somebody has periods of lucidity and periods of total incapacity? For instance, will some schizophrenics be classified as severely handicapped, or is mental illness to be left out because it is different from mental handicap? Does "mental handicap" include mental illness? This is the sort of situation which we should have had in the Bill for Second Reading, I would suggest, then we could have put down amendments and come back at Report. But we are having to do this too late.

Turning to the other amendments in the group, the Government's approach is that the mentally handicapped are to be excused on the grounds put forward by the noble Baroness, Lady Carnegy, that because of their mental impairment they cannot take any part in the democratic process. That is a perfectly valid approach. However, the other difficulties which arise for the other handicaps cause trouble. They, like the mentally handicapped, use the services to a very great extent. But in places like the Thistle Foundation in Edinburgh and other organisations which do similar good work one gets very severely handicapped people who receive invalidity pensions or some other pensions which are restricted because they are in a place which gets assistance. I am quoting totally from memory but I think they are restricted to about £7·75 per week which is supposed to be their pocket money.

There is the same situation in old people's homes which are assisted by local authorities or by the state in one way or another. There is this allowance. It is unfair if people are restricted to this low level because they are in an assisted home and are not going to get some assistance for paying a new personal charge. And that at least until the English Bill comes in—if it ever comes in—is not going to be paid by their counterparts south of the Border, If we are talking about them paying 20 per cent. of community charge of, say, £300 a year, that is asking them to cough up £1 a week, broadly speaking—and £1 a week out of £7 is a great deal of money.

Then we have to consider whether we want to deal with the matter in this way or whether the best way to do it is to increase the payments which they receive. I should have thought that the easiest and fairest way is to excuse them from any liability once they fit into this category. That is the reason for the other amendments which we have put down in this group; that is,

30 April 87

[LORD ALLEN OF ABBEYDALE.]

enough. The underlying justification is the argument about accountability and the inability of these people to understand the democratic process. This means that nothing is being done, in the example quoted on my behalf by my noble friend Lord Henderson at Committee stage, where you have parents with, say, two mentally handicapped children at home, over 18, who do not qualify under the strict criteria laid down in the definition. Even with the full rebate it will land their parents with an additional bill of perhaps £100 a year. I find this just a little difficult to reconcile with the government policy of increased care in the community.

Like the noble Lords, Lord Henderson and Lord Morton, I am a little puzzled about the pocket money problem, which if I may say so the Minister tended to rather brush aside when he was speaking of this at Committee stage at col. 784 of *Hansard* on 2nd April. Actually, I thought the figure was £9 and not £7, but a cut of something like 10 per cent. in what is itself a pretty modest figure is something which is going to be very hard to take. So although I very much welcome the gesture made by the Government, the provisions made in the Bill, the additional provisions which are to be made in regulations, as the Minister has explained, and the difficulty of sorting out anything on a rather more consistent and logical basis at this late stage, I think I should put it on record that when we get comparable provisions relating to England and Wales we may not feel able to let a simple copy of these provisions go through without challenge. Having said that, I end as I began by thanking the Government for what they have done.

Lord Ross of Marnock: My Lords, I too should like to begin by thanking the Government for accepting in part the amendment that I put down at the Committee stage and which I have repeated at this Report stage, where I linked the severely handicapped, physically and mentally, together. I think they could have gone a little further. In many ways the tightness of the first part of the Minister's acceptance of this in relation to mental handicap is very cruel. When you take the tightness of that definition in his Amendment No. 111, I do not think it goes nearly far enough towards what most rather sensitive people would have expected in respect of this. Even now we do not quite know. It is going to be left to some unnamed experts to arrive at some definition that we are going to get in a regulation later.

Like the noble Lords, Lord Henderson and Lord Allen, I too should have liked to see a more generous spirit in relation to the physically handicapped —severely physically handicapped—and in this case I do not think that accountability is the only thing that should be considered.

In my amendment I suggest the wording:

"so severely handicapped physically or mentally as to render them incapable of earning a living".

We have to take that into account. People can be so poor that they have to obtain additional help, and they know that what they are left with is simply pocket money for buying soap, toothpaste and so on. They cannot really afford anything else. I am referring now to the physically handicapped who are being left to the rebate system. I think we should be grateful because as I understand it we shall be given more information about this matter when we come to Clause 24, which deals with rebates. But the Minister said that in respect of certain of the physically handicapped it will be possible for them to receive rebates of up to 100 per cent. I hope that he will correct me if I am wrong but I understood that a rebate of 100 per cent. was possible for the severely physically handicapped. I shall be glad to give way to enable him to confirm that, or not.

Lord Glenarthur: Yes, my Lords, that was very much the burden of my remarks. I am glad to make that clear.

Lord Ross of Marnock: My Lords, I hope that it is not confined to certain hospitals that are registered and the like. I hope the Minister appreciates what another part of the Scottish Office is doing. At the moment the noble Baroness, Lady Carnegy, is busy with matters about which I shall have something to say next Thursday—if there is a next Thursday in parliamentary time—in relation to changes made in establishments that are registered under the Acts mentioned by my noble friend: namely, the Social Work Act and the Nursing Home Act. Has he looked at that matter and the effect there may well be on the proposed changes?

On the whole I think we have to welcome this measure. Once again it will depend on regulations. That is the trouble. I am very glad to hear the noble Lord, Lord Allen, say that this measure would not, if it dealt with England and Wales, be looked upon with favour unless it were in a Bill. But this Bill affects only Scotland so it does not really matter. We have been faced with this situation right through from Clause 2; there are 78 items.

Of course this is what the Government set out to do. The Bill is just a skeleton, enabling Bill. The Government have said that there would be a lot of work for the registrar to do. Is then the registrar the least busy man in the whole of Scotland? Let us not forget that the registrar is also the electoral registration officer. Within a few weeks he will be the busiest man in Scotland and certainly he will not be looking at this Bill for over a month. He will be dealing with demands to be put on the register and queries about why people were not put on the register, the rights they have to vote and so on.

This Bill is very tightly drawn and much depends upon it. We have complained about the prescriptions that it contains and what will be settled in relation to a number of issues. The registrar is the kingpin who will draw up the register, but he will not be able to pay any attention to it at all for at least a month. We thought that the timetable was too tight but people said that the Government would be able to meet it. If the registrar is concerned with a general election that will be more difficult than ever. However, that is by the way.

The question arises of when we shall see the regulations and when we shall see the amendment. The noble Lord, Lord Henderson, suggested that it would be before Third Reading. I hope that we shall see the amendment by Tuesday of next week before we come to debate the rebate system as a whole. It should

5 May 87

[LORD GLENARTHUR.]

was illustrated in Great Britain in the technical annex to the social security White Paper. On the assumption of a minimum contribution of 20 per cent., it showed that the majority of people on income support will not experience any overall reduction in their disposable income after meeting the minimum contribution to their rates.

Of course there will be gainers and losers. I suggest that is bound to be the case in any wide-ranging reforms. But the fact that the overall position is as I have described it, with the majority experiencing no overall reduction in their disposable income must, I suggest, temper the force of the argument that explicit provisions need to be written in, addressing specifically the question of the minimum contribution.

The noble Lady, Lady Saltoun, referred to the press notice on how the rebate system will work.

Lord Mackie of Benshie: My Lords, before the noble Lord turns to that point, I think he said that paying the minimum contribution of 20 per cent. for people on income support would have no effect on their overall disposable income. Is that what he said?

Lord Glenarthur: My Lords, that is what I said when I quoted the technical annex to the social security White Paper. But if the noble Lord will bear with me for a minute, I shall return to the theme shortly. Before I do so, I pick up a point made by the noble Lady when she referred, for example, to a couple who are unemployed with two children under 11. They are quoted in the document, and the noble Lady asked what would be the case if the children were over 11. If they were over 11, we should have to add £5 a head, which is £10 in total, so the income support level rises from the illustrative figure in the table attached to that press notice to £83·95.

However, further than that, my noble friend Lord Campbell of Alloway, concerned as I understand him to be about the governing principles being lacking in this case, appeared to be suggesting that the additions to income support should vary region by region and not on average, as proposed by the noble Baroness, Lady Seear. A hugely complex administrative machinery would be necessary to try to do this in the way my noble friend proposes. I hope that he will accept from me that, while I can understand the point he is making, the practical feasibility would be such as to make it virtually unworkable.

I also emphasise that the figures available so far have all been illustrative and that until the rates of income support are set this autumn, it is premature to draw absolutely firm conclusions about who may or may not be worse off. Much will happen between now and then which will need to be taken into account and which will influence the factors affecting the setting of the income support rates. One of those factors will be that many people will for the first time be making a contribution towards their rates. In setting income support levels we shall take into account the impact of this on the most vulnerable groups.

I cannot make a detailed commitment now, but I hope that your Lordships will find what I have been able to say about the position of vulnerable groups to be a positive response to the concern which I think underlies all these amendments. For the reasons I have explained, therefore, and with the assurance which I have given about vulnerable groups, which I think very much helps both my noble friend Lord Campbell and indeed the noble Lady, Lady Saltoun, I believe that a specific amendment of the kind which the noble Baroness has put down is not necessary or desirable. I hope with that explanation that she will feel able to withdraw her amendment.

Lord Sanderson of Bowden: My Lords, I have been most interested in hearing what my noble friend has said. Let us cut out most of his speech and concentrate, if I hear him right, on the suggestion that in setting income support levels the Government will take into account the impact on the most vulnerable groups. I had a letter today, as I expect many noble Lords did, from the Social Security Consortium, which said that the noble Baroness's amendments did not contradict the position of paying the 20 per cent., but then there should be compensation for such payment through income support levels. I think what we have heard from the Government today through my noble friend must mean just that. I should be very disappointed if the most disadvantaged people in the community, as I said at Second Reading, should be in any way put in a position where they have no money and are not able to pay. So this may well be the let-out for us on a most important part of this legislation.

Baroness Carnegy of Lour: My Lords, I too listened with great care to what the Minister said. It was difficult to take in precisely his phraseology and I would be glad if he could confirm that he said what the noble Lord, Lord Sanderson, suggested.

On the amendment of the noble Baroness, Lady Seear, No. 188AAA, I feel that although in principle clearly she is trying to do something very similar, this approach would not work out quite right because the level of the community charge which will be set in individual regions will be uneven—and it will not only be in individual regions but, as we know, for example, by looking at Strathclyde and Lothian regions, very different in different districts of Scotland. It will vary enormously.

So if a person was getting an amount not less than the average of the community charge over the whole of Scotland, some people would be getting considerably more than they had to pay and others considerably less. Although it would probably be impossible to be totally fair to everybody—it always is—that seems to me to be building into the Bill an unfairness and a discrepancy which are not necessary. I hope very much that the noble Baroness will not press the amendment on those grounds if on no other.

Baroness Seear: My Lords, I listened with very great interest to what the Minister said and also to what the noble Lord, Lord Campbell of Alloway, and the noble Lady, Lady Saltoun. This amendment is a compromise; it is not what we would wish if we could have our own way. I fully accept that it would be much more desirable if the system could be regionally based for the reasons which Baroness Carnegy gave.

As the Minister said, one was aware that that would be immensely complicated and in a very imperfect Bill

11 May 87

[LADY SALTOUN OF ABERNETHY.]

The noble Lord, Lord Glenarthur, said in col. 55 of *Hansard* for the Report stage on 5th May, in response to an amendment spoken to by the noble Lord, Lord Campbell of Alloway, and myself, that in setting the levels of income support the position of the most vulnerable groups in our society would be taken into account. If I am not very much mistaken, he has repeated that assurance several times already this afternoon. I accept the noble Lord's assurance.

When the levels of income support for the year 1989-90 come to be set by affirmative instrument, as I understand they will be, I shall scrutinise them very carefully to make sure that that has indeed been done, as I have no doubt will others of your Lordships. If I am not satisfied as to the ability of persons on low income support to pay their community charge—that part of it which is not rebated—without genuine hardship, I shall vote against the regulations as no doubt will many others of your Lordships, and that is the way that I think we should proceed. For those reasons I most certainly cannot support an amendment which is, as I say, in spirit the same as one which was defeated at Committee stage.

Lord Campbell of Alloway: My Lords, I am delighted that I gave way to the noble Lady, Lady Saltoun, and I am sorry that I did not give way earlier. I did not see her rise, and perhaps she will accept my apology. I should have wished to say everything that she said, and it was said very much better.

It now really comes down to this very short point. My noble friend the Minister has given an undertaking about vulnerable groups and those unable to pay. As your Lordships know, before he gave that undertaking I was contending for 100 per cent. rebate. But when I heard the undertaking I accepted it. I understood that my noble friend the Minister was then not in a position—he was totally frank with the House; I have read *Hansard* carefully, too—to go further than he did then. But for my part I accept his assurance and I would not be able to support this amendment.

Lord Kirkhill: My Lords, at an earlier stage of the Bill the noble Lord, Lord Campbell of Alloway, remarked—I paraphrase his words—that Clause 24 was the very heart of the Bill. He certainly used a phrase of that type. I wholeheartedly concur with that view. Of course the noble Lord has subsequently explained to us that he accepted the Minister's assurances as they relate to regulations about vulnerable groups. I really think that the Government have shown a marked lack of compassion and humanity at the very point of true social concern. They should be condemned for this and for weasel words.

Lord Glenarthur: My Lords, as the noble Lord, Lord Ross, has said, his amendment is intended to probe the effect of the statement I made on 5th May during Report stage, when at col. 55 of *Hansard* I said that the Government recognise that our proposals for a minimum contribution towards local taxation mean that many people will be for the first time making a contribution towards their rates. I gave the assurance that in setting income support levels—as my noble friend Lord Campbell of Alloway has suggested—we shall take into account the impact of this on the most vulnerable groups.

Let me make clear at the outset that the Government remain committed to the essential philosophy of having a minimum contribution. Quite simply, far too many people make no contribution at all towards the cost of the local services that they enjoy and this leads to the question of accountability, or lack of it, which we have addressed on many occasions. As the noble Lady, Lady Saltoun, suggested, it really is premature to press for a detailed definition of what vulnerable groups will ultimately be.

The setting of income support levels, which is what my assurances referred to, will not take place until the autumn and careful consideration will be required to enable us to decide those for whom this extra protection is appropriate. It is not the kind of thing that can be decided in the course of a day or two. Our decisions will be a feature of the regulations to be made under Part II of the Social Security Act 1986 in respect of income support. The first such regulations—those to be brought forward this year—will be subject to the affirmative resolution procedure.

We have discussed the whole question of rebates on a number of occasions. The explanations I have given of the Government's original intentions, as set out in the detailed press handout which has been made available to your Lordships either personally or in the Library, coupled with the subsequent assurances and explanations that I have given, indicate the fundamental fairness of the Government's approach.

For the reasons that I have given, I believe that the amendment cannot be accepted. I hope that in the light of the explanation that I have given as to why it will take longer to assess precisely who will be encompassed within the "vulnerable groups", the noble Lord will feel able to withdraw the amendment.

Lord Ross of Marnock: My Lords, I wish that we had been advanced by that explanation but, as I understood it, the Minister said that there would be no 100 per cent. rebate. He held by the fact that everyone should make a contribution. That means that the poorest of the poor namely, the "vulnerable groups" will make a contribution.

The Minister cannot tell me that the poorest of the poor are not vulnerable. They are very vulnerable indeed to any additional expenses put upon them. I wish to make it clear that I, too, shall be scrutinising the regulations. If they do not go beyond the 80 per cent. rebate that has already been mentioned, the Minister will be in trouble.

Let us not forget that when we debated the then Social Security Bill in this House on 23rd June 1986, the House voted to accept an amendment which was designed to safeguard 100 per cent. rebates. At the present time there are about 56,000 old-age pensioners in Glasgow who receive 100 per cent. rebates on rent and rates. That 100 per cent. will disappear on 1988. The position of those pensioners will be even worse in 1989 as regards the liability of husband and wife for the personal community charge. Surely to goodness, if the words of the Minister in

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STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND ON 11 MAY 1987

WITH PERMISSION, MR SPEAKER, I WISH TO MAKE A STATEMENT ON LOCAL AUTHORITIES' BUDGETS AND RATES FOR 1987-88.

LOCAL AUTHORITIES IN SCOTLAND HAVE BUDGETED TO SPEND £122.1 MILLION OR 3.7% OVER GUIDELINES IN 1987-88 AND HAVE DETERMINED RATES WHICH WILL, ON AVERAGE, INCREASE DOMESTIC RATE BILLS BY 15%. FOR RATEPAYERS IN SOME AREAS, THE INCREASE IS MUCH HIGHER. THIS IS DISAPPOINTING AND UNSATISFACTORY. THE RATE SUPPORT GRANT SETTLEMENT WAS A GENEROUS ONE INTENDED TO ALLOW LOCAL AUTHORITIES GENERALLY TO MAINTAIN REAL LEVELS OF SPENDING WITHOUT SUBSTANTIAL RATE INCREASES. BUT TOO MANY AUTHORITIES HAVE PLANNED FOR QUITE UNACCEPTABLE LEVELS OF GROWTH.

AFTER CONSULTATION WITH THE CONVENTION OF SCOTTISH LOCAL AUTHORITIES, I HAVE THEREFORE DECIDED THAT, IN ORDER TO ENCOURAGE THOSE AUTHORITIES WITH PLANNED OVERSPENDS TO RECONSIDER THEIR BUDGETS, THERE WILL BE GRANT PENALTIES FOR OVERSPENDING ON A TARIFF WHICH STARTS AT GRANT LOSS OF 70% OF OVERSPEND, RISING TO 120% FOR A 2.5% OVERSPEND. ABOVE 2.5% THE RATE OF PENALTY INCREASES TO 140% FOR A 3% OVERSPEND, AND THEN TO 175% FOR A 3.5% OVERSPEND OR ABOVE. THE RATE OF INCREASE BETWEEN EACH OF THESE POINTS IS EVEN (LINEAR). ON THE BASIS OF PLANNED EXPENDITURE, THE TOTAL PENALTY WILL BE £202 MILLION, THOUGH PENALTIES WILL SUBSEQUENTLY BE ADJUSTED IN THE LIGHT OF ACTUAL EXPENDITURE, AND IT IS THEREFORE OPEN TO AUTHORITIES TO REDUCE THEIR LIABILITY TO PENALTY, OR TO RECOVER PENALTIES COMPLETELY, BY REDUCING THEIR EXPENDITURE. I HOPE THAT MANY AUTHORITIES WILL DO SO, AND IT IS TO ASSIST THEM IN DOING SO THAT I AM MAKING THIS EARLY ANNOUNCEMENT OF OUR INTENTIONS.

I AM PLEASED TO NOTE THAT FOR 1986-87 40 AUTHORITIES HAVE PROVISIONAL OUTTURNS WITHIN GUIDELINES, AND A NUMBER OF AUTHORITIES WHO PLANNED TO SPEND OVER GUIDELINES HAVE REDUCED THEIR EXPENDITURE ON OUTTURN. AS A RESULT, SOME £28 MILLION

IN GRANT PENALTIES LEVIED IN 1986-87 WILL BE RETURNED TO THE AUTHORITIES CONCERNED.

I AM TODAY LAYING THE NECESSARY RATE SUPPORT GRANT ORDER IN RESPECT OF GRANT REDUCTIONS IN 1987-88, AND REPAYMENTS FOR 1986-87. A CIRCULAR IS BEING SENT TO ALL LOCAL AUTHORITIES GIVING THEM THE DETAILS.

GRANT PENALTIES WILL APPLY TO ALL AUTHORITIES PLANNING TO OVERSPEND. I HAVE ALSO CONSIDERED THE PARTICULAR PROBLEMS FACING RATEPAYERS IN THE AREAS OF THOSE AUTHORITIES WHICH ARE PLANNING THE MOST SUBSTANTIAL EXPENDITURE EXCESSES OVER GUIDELINE. AS A RESULT I HAVE DECIDED TO INITIATE ACTION IN TERMS OF SECTION 5 OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1966 IN RESPECT OF LOTHIAN REGIONAL COUNCIL, CLACKMANNAN DISTRICT COUNCIL AND THE CITY OF EDINBURGH DISTRICT COUNCIL ON THE GROUNDS THAT THEIR PLANNED EXPENDITURE FOR 1987-88 IS EXCESSIVE AND UNREASONABLE. LETTERS HAVE TODAY BEEN SENT TO THE THREE COUNCILS PROPOSING RATE REDUCTIONS OF 3.9P, 2.8P AND 2.8P RESPECTIVELY, AND INVITING EACH TO MAKE REPRESENTATIONS ABOUT THE PROPOSED REDUCTION. IF IMPLEMENTED, MY PROPOSALS WOULD RESULT IN A REDUCTION IN THE AVERAGE DOMESTIC RATE BILL OF £50.77 IN EDINBURGH, £28.59 IN OTHER PARTS OF LOTHIAN REGION, AND £16.61 IN CLACKMANNAN.

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PRIME MINISTER

8 May 1987

DKW 8/5

COMMUNITY CHARGE

I attach a table comparing the community charge that would be payable by each elector in each district with average rate bills in 1986-87. I also attach an extract from the Paper 'Paying for Local Government' about the effects in Scotland of the 1985 revaluation. The points below in support of a move to a community charge and against the alternatives draw on these.

In Favour of the Community Charge

- it will spread the burden of local taxation over all local electors;

- it will be fairer because larger households who use more local services will pay more;

- it will also be fairer because households with several earners will pay more than a single person, for example, pensioner households;

- it will benefit those living alone, particularly pensioners, who at present are unfairly penalised by rates. In all but 5 local authorities the community charge for a single person should be less than the average rate bill;

- and two adult households will pay less in community charge than the present average rate bill in almost two thirds of local authorities (65%);

- it will encourage responsible decisions by local authorities because all electors will be required to

contribute something towards the financial consequences of these decisions;

- housing benfit will meet 80% of the charge for the least well off;

It has fewer disadvantages than the other main options for change - local income tax or a reformed rating system.

Against A Reformed Rating System

- Rates based on capital values would involve massive increases in rates bills in London and the South East out of all proportion to ability to pay. Average house prices in Greater London (December 1986) are more than double those in Yorkshire and Humberside whilst average incomes are only a third higher (1985 FES). Pensioners would be particularly hard hit.

- A revaluation of rateable values on the present basis of rental values would also lead to larger increases in the South East since rateable values have not been revised for 14 years. The revaluation in Scotland in 1985, which covered only 7 years led to increases in rates bills for some ratepayers of more than a third [NB but some community charge bills will increase by at lest this amount].

- And either sort of revaluation would lead to the unpredictable changes in individual rate bills unrelated to local authority spending decisions;

- Any redistribution of rates income to match it more closely with earnings is likely to lead to the opposite effect - an increase in rates bills in the North - since rateable values there are lower in relation to incomes than they are in the South (eg Guildford average rateable

value 2½ times higher than than of Easington but incomes in South East region only 1½ times those in North (1985 FES)).

- Rates bear little relationship to ability to pay. The single pensioner pays as much as the family next door with earning parents and two earning adult children

Against a Local Income Tax

- A local income tax would either involve establishing a new local bureaucracy to collect the tax, with Town Hall officials requiring details of every resident's income;

- Or would be levied as a surcharge on National Income Tax. This would have a damaging effect on incentives and weaken the accountability of local electors to their electorate. Many taxpayers would probably be unaware how much of their tax bill was the responsibility of their local authority.

Peter Stredder

PETER STREDDER

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector				non-domestic sector		
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
England Total	£ 400	£ 170	£ 35	£ 205	213.2 p	213.2 p	-.0 %
Total Shire Areas	£ 369	£ 170	£-4	£ 166	212.9 p	213.2 p	.1 %
Total Met. Areas	£ 399	£ 170	£ 49	£ 218	264.6 p	213.2 p	-19.4 %
Inner Boroughs	£ 600	£ 170	£ 389	£ 558	188.6 p	213.2 p	13.1 %
Outer Boroughs	£ 486	£ 170	£ 52	£ 221	192.6 p	213.2 p	10.7 %
London total	£ 529	£ 170	£ 177	£ 347	184.2 p	213.2 p	15.7 %

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector				non-domestic sector		
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
GREATER LONDON				INCREASE/ DECREASE IN AVERAGE BILL FOR 2 ADULT HOUSEHOLD			
Camden	£ 805	£ 170	£ 600	£ 769 +91%	227.9 p	213.2 p	-6.5 %
Greenwich	£ 614	£ 170	£ 502	£ 672 +119%	233.8 p	213.2 p	-8.8 %
Hackney	£ 693	£ 170	£ 479	£ 648 +87%	251.5 p	213.2 p	-15.2 %
Hammersmith and Fulham	£ 387	£ 170	£ 262	£ 432 +123%	165.5 p	213.2 p	28.8 %
Islington	£ 575	£ 170	£ 342	£ 511 + 78%	202.8 p	213.2 p	5.1 %
Kensington and Chelsea	£ 542	£ 170	£ 175	£ 345 +27%	117.4 p	213.2 p	81.6 %
Lambeth	£ 680	£ 170	£ 470	£ 640 + 88%	235.7 p	213.2 p	-9.5 %
Lewisham	£ 669	£ 170	£ 456	£ 625 +87%	251.4 p	213.2 p	-15.2 %
Southwark	£ 518	£ 170	£ 398	£ 568 +119%	230.7 p	213.2 p	-7.6 %
Tower Hamlets	£ 566	£ 170	£ 504	£ 674 +139%	215.0 p	213.2 p	-.8 %
Wandsworth	£ 347	£ 170	£ 227	£ 397 +128%	136.0 p	213.2 p	56.7 %
Westminster	£ 787	£ 170	£ 228	£ 398 +1%	162.9 p	213.2 p	30.9 %
*							
Barking and Dagenham	£ 378	£ 170	£ 50	£ 220 +16%	197.0 p	213.2 p	8.2 %
Barnet	£ 541	£ 170	£ 18	£ 188 -30%	170.8 p	213.2 p	24.8 %
Bexley	£ 358	£ 170	£ 21	£ 190 +6%	167.6 p	213.2 p	27.2 %
Brent	£ 830	£ 170	£ 173	£ 343 -17%	242.0 p	213.2 p	-11.9 %
Bromley	£ 380	£ 170	£-4	£ 166 -13%	153.0 p	213.2 p	39.3 %
Croydon	£ 412	£ 170	£-14	£ 155 -25%	152.5 p	213.2 p	39.8 %
Ealing	£ 384	£ 170	£-6	£ 164 -15%	160.5 p	213.2 p	32.8 %
Enfield	£ 442	£ 170	£ 36	£ 206 -7%	170.5 p	213.2 p	25.0 %
Haringey	£ 865	£ 170	£ 268	£ 437 +1%	286.3 p	213.2 p	-25.5 %
Harrow	£ 509	£ 170	£ 39	£ 209 -18%	178.0 p	213.2 p	19.8 %
Havering	£ 400	£ 170	£ 11	£ 180 -10%	170.0 p	213.2 p	25.4 %
Hillingdon	£ 467	£ 170	£ 57	£ 227 -3%	197.0 p	213.2 p	8.2 %
Hounslow	£ 606	£ 170	£ 122	£ 291 -4%	228.9 p	213.2 p	-10.8 %
Kingston-upon-Thames	£ 417	£ 170	£ 13	£ 182 -13%	161.5 p	213.2 p	32.0 %
Merton	£ 385	£ 170	£ 2	£ 171 -11%	160.5 p	213.2 p	32.8 %
Newham	£ 624	£ 170	£ 172	£ 342 +10%	293.3 p	213.2 p	-27.3 %
Redbridge	£ 370	£ 170	£-9	£ 161 -13%	156.7 p	213.2 p	36.0 %
Richmond-upon-Thames	£ 500	£ 170	£ 51	£ 220 -12%	176.5 p	213.2 p	20.8 %
Sutton	£ 409	£ 170	£ 12	£ 181 -11%	169.0 p	213.2 p	26.1 %
Waltham Forest	£ 440	£ 170	£ 88	£ 258 +17%	205.0 p	213.2 p	4.0 %

* of which ILEA

£65 £246 £311

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector				non-domestic sector		
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
				INCREASE/DECREASE IN BILL FOR 2 ADULT HOUSEHOLD			
GREATER MANCHESTER							
Bolton	£ 362	£ 170	£ 20	£ 189 +4%	238.1 p	213.2 p	-10.5 %
Bury	£ 401	£ 170	£ 23	£ 192 -4%	230.3 p	213.2 p	-7.4 %
Manchester	£ 436	£ 170	£ 80	£ 250 +15%	296.7 p	213.2 p	-28.2 %
Oldham	£ 311	£ 170	£ 8	£ 178 +14%	244.2 p	213.2 p	-12.7 %
Rochdale	£ 390	£ 170	£ 93	£ 262 +34%	280.0 p	213.2 p	-23.9 %
Salford	£ 403	£ 170	£ 37	£ 207 +3%	259.0 p	213.2 p	-17.7 %
Stockport	£ 430	£ 170	£-6	£ 163 -24%	221.1 p	213.2 p	-3.6 %
Tameside	£ 363	£ 170	£ 42	£ 212 +17%	280.6 p	213.2 p	-24.0 %
Trafford	£ 399	£ 170	£-26	£ 143 -29%	212.1 p	213.2 p	.5 %
Wigan	£ 398	£ 170	£ 64	£ 234 +18%	270.1 p	213.2 p	-21.1 %
MERSEYSIDE							
Knowsley	£ 548	£ 170	£ 125	£ 295 +8%	300.1 p	213.2 p	-29.0 %
Liverpool	£ 491	£ 170	£ 114	£ 284 +16%	308.4 p	213.2 p	-30.9 %
St Helens	£ 421	£ 170	£ 62	£ 232 +10%	297.5 p	213.2 p	-28.3 %
Sefton	£ 466	£ 170	£ 40	£ 210 -10%	252.4 p	213.2 p	-15.6 %
Wirral	£ 513	£ 170	£ 64	£ 234 -9%	273.5 p	213.2 p	-22.0 %
SOUTH YORKSHIRE							
Barnsley	£ 314	£ 170	£ 98	£ 267 +70%	288.1 p	213.2 p	-26.0 %
Doncaster	£ 381	£ 170	£ 110	£ 280 +47%	301.7 p	213.2 p	-29.4 %
Rotherham	£ 359	£ 170	£ 100	£ 270 +50%	301.1 p	213.2 p	-29.2 %
Sheffield	£ 450	£ 170	£ 153	£ 322 +43%	342.1 p	213.2 p	-37.7 %
TYNE AND WEAR							
Gateshead	£ 368	£ 170	£ 92	£ 261 +42%	299.0 p	213.2 p	-28.7 %
Newcastle upon Tyne	£ 578	£ 170	£ 173	£ 342 +18%	354.0 p	213.2 p	-39.8 %
North Tyneside	£ 480	£ 170	£ 118	£ 288 +20%	295.7 p	213.2 p	-27.9 %
South Tyneside	£ 327	£ 170	£ 53	£ 222 +36%	264.0 p	213.2 p	-19.3 %
Sunderland	£ 388	£ 170	£ 81	£ 251 +29%	298.6 p	213.2 p	-28.6 %
WEST MIDLANDS							
Birmingham	£ 408	£ 170	£-28	£ 141 -31%	226.3 p	213.2 p	-5.8 %
Coventry	£ 418	£ 170	£ 18	£ 187 -11%	245.2 p	213.2 p	-13.1 %
Dudley	£ 371	£ 170	£-37	£ 132 -29%	201.2 p	213.2 p	6.0 %
Sandwell	£ 384	£ 170	£-1	£ 169 -12%	225.7 p	213.2 p	-5.5 %
Solihull	£ 489	£ 170	£-19	£ 151 -38%	200.1 p	213.2 p	6.5 %
Walsall	£ 407	£ 170	£-7	£ 163 -20%	227.9 p	213.2 p	-6.5 %
Wolverhampton	£ 401	£ 170	£-22	£ 148 -26%	212.0 p	213.2 p	.6 %
WEST YORKSHIRE							
Bradford	£ 311	£ 170	£ 26	£ 195 +25%	280.2 p	213.2 p	-23.9 %
Calderdale	£ 315	£ 170	£ 84	£ 254 +61%	285.9 p	213.2 p	-25.4 %
Kirklees	£ 311	£ 170	£ 71	£ 241 +55%	281.4 p	213.2 p	-24.2 %
Leeds	£ 316	£ 170	£ 28	£ 198 +25%	239.3 p	213.2 p	-10.9 %
Wakefield	£ 287	£ 170	£ 29	£ 199 +39%	264.7 p	213.2 p	-19.4 %

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector				non-domestic sector		
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
				INCREASE/DECREASE IN AVERAGE BILL FOR 2 ADULT HOUSEHOLD			
AVON							
Bath	£ 384	£ 170	£ 9	£ 178 -7%	231.7 p	213.2 p	-8.0 %
Bristol	£ 433	£ 170	£ 52	£ 222 +3%	262.7 p	213.2 p	-18.9 %
Kingswood	£ 416	£ 170	£ 27	£ 197 -5%	242.1 p	213.2 p	-12.0 %
Northavon	£ 447	£ 170	£ 33	£ 203 -9%	244.6 p	213.2 p	-12.8 %
Wansdyke	£ 427	£ 170	£ 13	£ 183 -14%	237.2 p	213.2 p	-10.1 %
Woodspring	£ 490	£ 170	£ 37	£ 207 -15%	248.0 p	213.2 p	-14.1 %
BEDFORDSHIRE							
North Bedfordshire	£ 408	£ 170	£ 14	£ 184 -10%	212.4 p	213.2 p	.4 %
Luton	£ 461	£ 170	£ 14	£ 184 -20%	215.4 p	213.2 p	-1.0 %
Mid Bedfordshire	£ 429	£ 170	£ 15	£ 185 -14%	213.3 p	213.2 p	-.1 %
South Bedfordshire	£ 481	£ 170	£ 20	£ 189 -21%	214.2 p	213.2 p	-.5 %
BERKSHIRE							
Bracknell	£ 391	£ 170	£-43	£ 127 -35%	184.5 p	213.2 p	15.6 %
Newbury	£ 392	£ 170	£-34	£ 135 -31%	186.2 p	213.2 p	14.5 %
Reading	£ 368	£ 170	£-31	£ 138 -25%	193.2 p	213.2 p	10.3 %
Slough	£ 356	£ 170	£-47	£ 123 -31%	180.5 p	213.2 p	18.1 %
Windsor and Maidenhead	£ 437	£ 170	£-49	£ 121 -45%	188.2 p	213.2 p	13.2 %
Wokingham	£ 473	£ 170	£-30	£ 139 -41%	187.6 p	213.2 p	13.6 %
BUCKINGHAMSHIRE							
Aylesbury Vale	£ 458	£ 170	£ 6	£ 176 -33%	206.6 p	213.2 p	3.2 %
South Bucks	£ 746	£ 170	£ 22	£ 192 -49%	205.2 p	213.2 p	3.9 %
Chiltern	£ 729	£ 170	£ 20	£ 190 -48%	209.4 p	213.2 p	1.8 %
Milton Keynes	£ 427	£ 170	£ 27	£ 197 - 8%	220.2 p	213.2 p	-3.2 %
Wycombe	£ 600	£ 170	£ 10	£ 180 -40%	208.8 p	213.2 p	2.1 %
CAMBRIDGESHIRE							
Cambridge	£ 456	£ 170	£-16	£ 154 -32%	212.5 p	213.2 p	.3 %
East Cambridgeshire	£ 309	£ 170	£-20	£ 150 -3%	208.6 p	213.2 p	2.2 %
Fenland	£ 294	£ 170	£-12	£ 158 +7%	212.9 p	213.2 p	.1 %
Huntingdon	£ 360	£ 170	£-12	£ 157 -13%	212.2 p	213.2 p	.5 %
Peterborough	£ 361	£ 170	£ 12	£ 182 +1%	228.0 p	213.2 p	-6.5 %
South Cambridgeshire	£ 424	£ 170	£-34	£ 135 - 36%	209.8 p	213.2 p	1.6 %
CHESHIRE							
Chester	£ 428	£ 170	£ 20	£ 189 -12%	221.0 p	213.2 p	-3.5 %
Congleton	£ 401	£ 170	£ 7	£ 176 -12%	218.0 p	213.2 p	-2.2 %
Crewe and Nantwich	£ 387	£ 170	£ 23	£ 193 -1%	223.8 p	213.2 p	-4.7 %
Ellesmere Port and Neston	£ 440	£ 170	£ 32	£ 201 - 9%	221.5 p	213.2 p	-3.7 %
Halton	£ 358	£ 170	£ 19	£ 188 +5%	222.7 p	213.2 p	-4.3 %
Macclesfield	£ 490	£ 170	£ 10	£ 180 -27%	213.6 p	213.2 p	-.2 %
Vale Royal	£ 385	£ 170	£ 16	£ 185 - 4%	220.5 p	213.2 p	-3.3 %
Warrington	£ 372	£ 170	£ 19	£ 189 +2%	224.2 p	213.2 p	-4.9 %

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

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				INCREASE/DECREASE IN AVERAGE BILL PAID BY 2 ADULT HOUSEHOLD			
CLEVELAND							
Hartlepool	£ 371	£ 170	£ 52	£ 222 +20%	265.0 p	213.2 p	-19.6 %
Langbaurgh	£ 442	£ 170	£ 66	£ 236 +7%	277.3 p	213.2 p	-23.1 %
Middlesbrough	£ 452	£ 170	£ 73	£ 242 +7%	283.0 p	213.2 p	-24.7 %
Stockton-on-Tees	£ 443	£ 170	£ 50	£ 220 -1%	270.1 p	213.2 p	-21.1 %
CORNWALL							
Caradon	£ 262	£ 170	£-41	£ 129 -2%	190.0 p	213.2 p	12.2 %
Carrick	£ 272	£ 170	£-34	£ 136 no change	193.5 p	213.2 p	10.2 %
Kerrier	£ 250	£ 170	£-37	£ 133 +6%	195.5 p	213.2 p	9.0 %
North Cornwall	£ 269	£ 170	£-36	£ 134 -1%	192.5 p	213.2 p	10.8 %
Penwith	£ 245	£ 170	£-38	£ 132 +8%	191.3 p	213.2 p	11.4 %
Restormel	£ 272	£ 170	£-38	£ 131 -4%	190.0 p	213.2 p	12.2 %
CUMBRIA							
Allerdale	£ 297	£ 170	£ 36	£ 206 +39%	266.1 p	213.2 p	-19.9 %
Barrow in Furness	£ 273	£ 170	£ 41	£ 211 +55%	270.0 p	213.2 p	-21.0 %
Carlisle	£ 334	£ 170	£ 48	£ 218 +31%	273.2 p	213.2 p	-22.0 %
Copeland	£ 284	£ 170	£ 45	£ 214 +51%	267.6 p	213.2 p	-20.3 %
Eden	£ 294	£ 170	£ 33	£ 203 +38%	262.3 p	213.2 p	-18.7 %
South Lakeland	£ 366	£ 170	£ 36	£ 206 +13%	256.9 p	213.2 p	-17.0 %
DERBYSHIRE							
Amber Valley	£ 406	£ 170	£ 54	£ 224 +10%	258.8 p	213.2 p	-17.6 %
Bolsover	£ 357	£ 170	£ 64	£ 233 +31%	274.0 p	213.2 p	-22.2 %
Chesterfield	£ 402	£ 170	£ 61	£ 230 +14%	267.5 p	213.2 p	-20.3 %
Derby	£ 468	£ 170	£ 49	£ 219 -6%	257.5 p	213.2 p	-17.2 %
Erewash	£ 419	£ 170	£ 47	£ 217 +4%	256.2 p	213.2 p	-16.8 %
High Peak	£ 391	£ 170	£ 58	£ 228 +17%	263.5 p	213.2 p	-19.1 %
North East Derbyshire	£ 436	£ 170	£ 64	£ 234 +7%	268.6 p	213.2 p	-20.6 %
South Derbyshire	£ 444	£ 170	£ 48	£ 218 -2%	257.2 p	213.2 p	-17.1 %
West Derbyshire	£ 462	£ 170	£ 52	£ 222 -4%	258.9 p	213.2 p	-17.7 %
DEVON							
East Devon	£ 324	£ 170	£-30	£ 140 -14%	195.0 p	213.2 p	9.3 %
Exeter	£ 288	£ 170	£-46	£ 124 -14%	190.6 p	213.2 p	11.9 %
North Devon	£ 250	£ 170	£-23	£ 147 +18%	200.6 p	213.2 p	6.3 %
Plymouth	£ 321	£ 170	£-40	£ 130 -19%	194.3 p	213.2 p	9.7 %
South Hams	£ 303	£ 170	£-22	£ 148 -2%	198.8 p	213.2 p	7.3 %
Teignbridge	£ 304	£ 170	£-23	£ 147 -3%	199.3 p	213.2 p	7.0 %
Mid Devon	£ 262	£ 170	£-27	£ 142 +3%	197.7 p	213.2 p	7.8 %
Torbay	£ 356	£ 170	£-25	£ 145 -19%	204.5 p	213.2 p	4.2 %
Torridge	£ 224	£ 170	£-20	£ 150 +34%	201.2 p	213.2 p	5.9 %
West Devon	£ 273	£ 170	£-32	£ 138 +1%	194.8 p	213.2 p	9.4 %

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				INCREASE/DECREASE IN AVERAGE BILL FOR 2 ADULT HOUSEHOLD			
DORSET							
Bournemouth	£ 394	£ 170	£-18	£ 151 -23%	197.0 p	213.2 p	8.2 %
Christchurch	£ 404	£ 170	£-21	£ 149 -26%	192.1 p	213.2 p	11.0 %
North Dorset	£ 312	£ 170	£-29	£ 141 -10%	186.7 p	213.2 p	14.2 %
Poole	£ 414	£ 170	£-22	£ 148 -29%	194.0 p	213.2 p	9.9 %
Purbeck	£ 348	£ 170	£-29	£ 140 -20%	185.2 p	213.2 p	15.1 %
West Dorset	£ 296	£ 170	£-29	£ 141 -5%	185.4 p	213.2 p	15.0 %
Weymouth and Portland	£ 321	£ 170	£-20	£ 149 -7%	193.0 p	213.2 p	10.5 %
Wimborne	£ 449	£ 170	£-10	£ 160 -29%	193.4 p	213.2 p	10.2 %
DURHAM							
Chester-le-Street	£ 303	£ 170	£ 20	£ 190 +25%	237.3 p	213.2 p	-10.2 %
Darlington	£ 341	£ 170	£ 38	£ 208 +22%	253.7 p	213.2 p	-16.0 %
Derwentside	£ 267	£ 170	£ 33	£ 202 +51%	248.3 p	213.2 p	-14.1 %
Durham	£ 315	£ 170	£ 24	£ 194 +23%	240.9 p	213.2 p	-11.5 %
Easington	£ 229	£ 170	£ 10	£ 179 +56%	231.1 p	213.2 p	-7.8 %
Sedgefield	£ 286	£ 170	£ 53	£ 223 +56%	257.2 p	213.2 p	-17.1 %
Teesdale	£ 213	£ 170	£-6	£ 164 +54%	215.3 p	213.2 p	-1.0 %
Wear Valley	£ 248	£ 170	£ 45	£ 215 +73%	254.6 p	213.2 p	-16.3 %
EAST SUSSEX							
Brighton	£ 414	£ 170	£-1	£ 169 -18%	213.3 p	213.2 p	-.1 %
Eastbourne	£ 438	£ 170	£-18	£ 151 -31%	202.2 p	213.2 p	5.4 %
Hastings	£ 336	£ 170	£-27	£ 143 -15%	199.7 p	213.2 p	6.7 %
Hove	£ 375	£ 170	£-48	£ 122 -35%	176.6 p	213.2 p	20.7 %
Lewes	£ 408	£ 170	£-25	£ 145 -29%	197.9 p	213.2 p	7.7 %
Rother	£ 422	£ 170	£-18	£ 152 -28%	199.5 p	213.2 p	6.9 %
Wealden	£ 390	£ 170	£-18	£ 152 -22%	200.4 p	213.2 p	6.4 %
ESSEX							
Basildon	£ 571	£ 170	£ 75	£ 244 -15%	232.8 p	213.2 p	-8.4 %
Braintree	£ 377	£ 170	£-6	£ 163 -14%	197.8 p	213.2 p	7.8 %
Brentwood	£ 507	£ 170	£-28	£ 141 -44%	201.1 p	213.2 p	6.0 %
Castle Point	£ 422	£ 170	£-21	£ 148 -30%	198.0 p	213.2 p	7.7 %
Chelmsford	£ 457	£ 170	£-16	£ 154 -33%	196.3 p	213.2 p	8.6 %
Colchester	£ 374	£ 170	£-19	£ 150 -20%	194.2 p	213.2 p	9.7 %
Epping Forest	£ 505	£ 170	£-10	£ 160 -37%	201.8 p	213.2 p	5.6 %
Harlow	£ 554	£ 170	£ 106	£ 276 -2%	260.4 p	213.2 p	-18.1 %
Maldon	£ 423	£ 170	£-10	£ 160 -24%	198.9 p	213.2 p	7.2 %
Rochford	£ 484	£ 170	£-4	£ 166 -31%	202.2 p	213.2 p	5.4 %
Southend-on-Sea	£ 459	£ 170	£-6	£ 164 -29%	202.0 p	213.2 p	5.5 %
Tendring	£ 388	£ 170	£ 1	£ 171 -12%	204.9 p	213.2 p	4.0 %
Thurrock	£ 472	£ 170	£ 46	£ 216 -9%	214.0 p	213.2 p	-.4 %
Uttlesford	£ 473	£ 170	£-4	£ 166 -30%	200.4 p	213.2 p	6.4 %

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector				non-domestic sector		
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
GLOUCESTERSHIRE				INCREASE/DECREASE IN AVERAGE BILL PER PERSON HOUSEHOLD			
Cheltenham	£ 346	£ 170	£-35	£ 134	-23% 196.3 p	213.2 p	8.6 %
Cotswold	£ 361	£ 170	£-29	£ 141	-22% 198.4 p	213.2 p	7.4 %
Forest of Dean	£ 267	£ 170	£-19	£ 151	+13% 204.3 p	213.2 p	4.4 %
Gloucester	£ 286	£ 170	£-35	£ 135	-6% 197.8 p	213.2 p	7.8 %
Stroud	£ 314	£ 170	£-24	£ 145	-8% 201.8 p	213.2 p	5.7 %
Tewkesbury	£ 349	£ 170	£-34	£ 136	-22% 196.2 p	213.2 p	8.6 %
HAMPSHIRE							
Basingstoke and Deane	£ 357	£ 170	£-33	£ 137	-23% 185.2 p	213.2 p	15.1 %
East Hampshire	£ 415	£ 170	£-18	£ 151	-27% 190.7 p	213.2 p	11.8 %
Eastleigh	£ 370	£ 170	£-24	£ 145	-22% 191.2 p	213.2 p	11.5 %
Fareham	£ 407	£ 170	£-20	£ 150	-26% 194.2 p	213.2 p	9.8 %
Gosport	£ 333	£ 170	£-31	£ 139	-17% 189.5 p	213.2 p	12.5 %
Hart	£ 475	£ 170	£-16	£ 154	-35% 196.2 p	213.2 p	8.7 %
Havant	£ 375	£ 170	£-35	£ 135	-28% 187.6 p	213.2 p	13.6 %
New Forest	£ 349	£ 170	£-20	£ 150	-14% 191.5 p	213.2 p	11.3 %
Portsmouth	£ 322	£ 170	£-11	£ 159	-1% 197.0 p	213.2 p	8.2 %
Rushmoor	£ 403	£ 170	£-23	£ 147	-27% 193.0 p	213.2 p	10.5 %
Southampton	£ 307	£ 170	£-26	£ 144	-6% 193.0 p	213.2 p	10.5 %
Test Valley	£ 374	£ 170	£-30	£ 140	-25% 188.5 p	213.2 p	13.1 %
Winchester	£ 409	£ 170	£-19	£ 151	-26% 192.2 p	213.2 p	10.9 %
HEREFORD AND WORCESTER							
Bromsgrove	£ 391	£ 170	£-50	£ 120	-39% 181.2 p	213.2 p	17.7 %
Hereford	£ 272	£ 170	£-43	£ 126	-7% 186.3 p	213.2 p	14.4 %
Leominster	£ 261	£ 170	£-42	£ 127	-3% 183.8 p	213.2 p	16.0 %
Malvern Hills	£ 374	£ 170	£-31	£ 139	-26% 189.9 p	213.2 p	12.3 %
Redditch	£ 354	£ 170	£-33	£ 137	-23% 191.5 p	213.2 p	11.3 %
South Herefordshire	£ 274	£ 170	£-52	£ 117	-15% 178.5 p	213.2 p	19.4 %
Worcester	£ 354	£ 170	£-41	£ 129	-23% 187.6 p	213.2 p	13.6 %
Wychavon	£ 400	£ 170	£-34	£ 136	-32% 191.5 p	213.2 p	11.3 %
Wyre Forest	£ 359	£ 170	£-21	£ 148	-18% 195.6 p	213.2 p	9.0 %
HERTFORDSHIRE							
Broxbourne	£ 447	£ 170	£ 4	£ 174	-22% 214.6 p	213.2 p	-.6 %
Dacorum	£ 497	£ 170	£ 9	£ 178	-28% 216.2 p	213.2 p	-1.4 %
East Hertfordshire	£ 454	£ 170	£ 6	£ 176	-22% 216.3 p	213.2 p	-1.5 %
Hertsmere	£ 551	£ 170	£ 20	£ 190	-31% 222.8 p	213.2 p	-4.3 %
North Hertfordshire	£ 478	£ 170	£ 7	£ 177	-26% 215.8 p	213.2 p	-1.2 %
St Albans	£ 518	£ 170	£-3	£ 167	-36% 211.2 p	213.2 p	.9 %
Stevenage	£ 519	£ 170	£ 46	£ 216	-17% 233.6 p	213.2 p	-8.7 %
Three Rivers	£ 594	£ 170	£ 15	£ 184	-38% 219.2 p	213.2 p	-2.8 %
Watford	£ 474	£ 170	£ 15	£ 184	-22% 223.2 p	213.2 p	-4.5 %
Welwyn Hatfield	£ 525	£ 170	£ 29	£ 199	-24% 224.7 p	213.2 p	-5.1 %

Summary of impact of Green Paper propsals on domestic and non-domestic sectors in each local authority area in 1986/87

	domestic sector					non-domestic sector	
	average rate bill £s/household Col 1	basic community charge Col 2	overspend £s/adult Col 3	community charge (Col 2 + Col 3) Col 4	actual rate poundage now Col 5	national non-domestic rate poundage Col 6	change to NNDR poundage (%) Col 7
				INCREASE/DECREASE IN BILL FOR AVERAGE 2 ADULT HOUSEHOLD			
HUMBERSIDE							
Beverley	£ 426	£ 170	£ 26	£ 196	-8% 219.7 p	213.2 p	-2.9 %
Boothferry	£ 284	£ 170	£ 33	£ 203	+43% 225.5 p	213.2 p	-5.5 %
Cleethorpes	£ 346	£ 170	£ 35	£ 204	+18% 227.7 p	213.2 p	-6.4 %
Glanford	£ 330	£ 170	£ 26	£ 196	+19% 220.8 p	213.2 p	-3.4 %
Great Grimsby	£ 312	£ 170	£ 16	£ 186	+19% 218.0 p	213.2 p	-2.2 %
Holderness	£ 328	£ 170	£ 21	£ 190	+16% 216.1 p	213.2 p	-1.4 %
Kingston upon Hull	£ 286	£ 170	£ 35	£ 205	+43% 245.1 p	213.2 p	-13.0 %
East Yorkshire	£ 299	£ 170	£ 33	£ 202	+35% 226.0 p	213.2 p	-5.7 %
Scunthorpe	£ 365	£ 170	£ 64	£ 233	+28% 237.0 p	213.2 p	-10.1 %
ISLE OF WIGHT							
Medina	£ 332	£ 170	£ 16	£ 185	+11% 214.6 p	213.2 p	-.7 %
South Wight	£ 366	£ 170	£ 23	£ 192	+5% 220.5 p	213.2 p	-3.3 %
KENT							
Ashford	£ 319	£ 170	£-36	£ 134	-16% 188.5 p	213.2 p	13.1 %
Canterbury	£ 302	£ 170	£-34	£ 135	-11% 188.3 p	213.2 p	13.2 %
Dartford	£ 293	£ 170	£-28	£ 142	-3% 189.9 p	213.2 p	12.2 %
Dover	£ 264	£ 170	£-46	£ 123	-7% 180.8 p	213.2 p	17.9 %
Gillingham	£ 269	£ 170	£-70	£ 99	-26% 163.0 p	213.2 p	30.8 %
Gravesham	£ 319	£ 170	£-38	£ 132	-17% 187.9 p	213.2 p	13.5 %
Maidstone	£ 312	£ 170	£-42	£ 128	-18% 182.9 p	213.2 p	16.5 %
Rochester upon Medway	£ 284	£ 170	£-52	£ 118	-17% 175.3 p	213.2 p	21.6 %
Sevenoaks	£ 347	£ 170	£-35	£ 135	-22% 188.7 p	213.2 p	13.0 %
Shepway	£ 336	£ 170	£-29	£ 141	-16% 191.7 p	213.2 p	11.2 %
Swale	£ 245	£ 170	£-35	£ 135	+10% 189.6 p	213.2 p	12.4 %
Thanet	£ 312	£ 170	£-34	£ 135	-15% 192.0 p	213.2 p	11.0 %
Tonbridge and Malling	£ 312	£ 170	£-33	£ 136	-13% 191.0 p	213.2 p	11.6 %
Tunbridge Wells	£ 308	£ 170	£-43	£ 127	-18% 183.2 p	213.2 p	16.3 %
LANCASHIRE							
Blackburn	£ 258	£ 170	£ 22	£ 192	+49% 239.0 p	213.2 p	-10.8 %
Blackpool	£ 355	£ 170	£ 4	£ 173	-3% 218.0 p	213.2 p	-2.2 %
Burnley	£ 235	£ 170	£ 45	£ 215	+83% 241.0 p	213.2 p	-11.6 %
Chorley	£ 317	£ 170	£-2	£ 168	+6% 209.6 p	213.2 p	1.7 %
Fylde	£ 394	£ 170	£ 1	£ 171	-13% 211.5 p	213.2 p	.8 %
Hyndburn	£ 233	£ 170	£ 13	£ 182	+56% 224.4 p	213.2 p	-5.0 %
Lancaster	£ 306	£ 170	£-0	£ 170	+11% 209.0 p	213.2 p	2.0 %
Pendle	£ 214	£ 170	£ 15	£ 185	+73% 227.0 p	213.2 p	-6.1 %
Preston	£ 296	£ 170	£ 3	£ 173	+17% 216.1 p	213.2 p	-1.3 %
Ribble Valley	£ 329	£ 170	£ 7	£ 176	+7% 213.2 p	213.2 p	-.0 %
Rossendale	£ 255	£ 170	£ 27	£ 197	+55% 228.2 p	213.2 p	-6.6 %
South Ribble	£ 310	£ 170	£-2	£ 168	+8% 208.2 p	213.2 p	2.4 %
West Lancashire	£ 394	£ 170	£ 0	£ 170	-14% 212.2 p	213.2 p	.5 %
Wyre	£ 343	£ 170	£-2	£ 168	-2% 208.5 p	213.2 p	2.2 %

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				INCREASE/DECREASE IN AVERAGE BILL FOR 2 ADULT HOUSEHOLD			
LEICESTERSHIRE							
Blaby	£ 368	£ 170	£-26	£ 143 -22%	209.6 p	213.2 p	1.7 %
Charnwood	£ 364	£ 170	£-33	£ 136 -25%	207.8 p	213.2 p	2.6 %
Harborough	£ 401	£ 170	£-10	£ 159 -21%	215.4 p	213.2 p	-1.0 %
Hinckley and Bosworth	£ 345	£ 170	£-25	£ 145 -16%	206.3 p	213.2 p	3.3 %
Leicester	£ 304	£ 170	£-2	£ 168 +11%	235.3 p	213.2 p	-9.4 %
Melton	£ 332	£ 170	£-44	£ 125 -25%	214.0 p	213.2 p	-.4 %
North West Leicestershire	£ 348	£ 170	£-3	£ 167 -4%	230.0 p	213.2 p	-7.3 %
Oadby and Wigston	£ 371	£ 170	£-36	£ 133 -28%	208.8 p	213.2 p	2.1 %
Rutland	£ 354	£ 170	£-45	£ 125 -29%	209.3 p	213.2 p	1.9 %
LINCOLNSHIRE							
Boston	£ 271	£ 170	£-32	£ 138 +2%	193.8 p	213.2 p	10.0 %
East Lindsey	£ 254	£ 170	£-29	£ 141 +11%	196.0 p	213.2 p	8.8 %
Lincoln	£ 247	£ 170	£-29	£ 141 +14%	201.0 p	213.2 p	6.1 %
North Kesteven	£ 290	£ 170	£-24	£ 145 no change	199.8 p	213.2 p	6.7 %
South Holland	£ 276	£ 170	£-22	£ 148 +7%	200.5 p	213.2 p	6.3 %
South Kesteven	£ 255	£ 170	£-58	£ 111 -13%	193.5 p	213.2 p	10.2 %
West Lindsey	£ 279	£ 170	£-17	£ 152 +9%	203.6 p	213.2 p	4.7 %
NORFOLK							
Breckland	£ 292	£ 170	£-41	£ 128 -12%	186.8 p	213.2 p	14.1 %
Broadland	£ 344	£ 170	£-37	£ 132 -23%	187.8 p	213.2 p	13.5 %
Great Yarmouth	£ 285	£ 170	£-25	£ 145 +2%	196.5 p	213.2 p	8.5 %
North Norfolk	£ 282	£ 170	£-41	£ 129 -9%	187.0 p	213.2 p	14.0 %
Norwich	£ 316	£ 170	£-18	£ 152 -4%	211.9 p	213.2 p	.6 %
South Norfolk	£ 334	£ 170	£-38	£ 132 -21%	187.6 p	213.2 p	13.6 %
King's Lynn and West Norfolk	£ 276	£ 170	£-33	£ 136 -1%	190.1 p	213.2 p	12.1 %
NORTHAMPTONSHIRE							
Corby	£ 352	£ 170	£-0	£ 170 -3%	197.6 p	213.2 p	7.9 %
Daventry	£ 412	£ 170	£-5	£ 164 -20%	195.6 p	213.2 p	9.0 %
East Northamptonshire	£ 303	£ 170	£-24	£ 145 -4%	181.8 p	213.2 p	17.3 %
Kettering	£ 325	£ 170	£-5	£ 165 +2%	193.7 p	213.2 p	10.1 %
Northampton	£ 376	£ 170	£-8	£ 162 -14%	199.0 p	213.2 p	7.1 %
South Northamptonshire	£ 384	£ 170	£-24	£ 146 -24%	183.7 p	213.2 p	16.1 %
Wellingborough	£ 340	£ 170	£-5	£ 165 -3%	194.0 p	213.2 p	9.9 %
NORTHUMBERLAND							
Alnwick	£ 289	£ 170	£ 14	£ 183 +27%	233.6 p	213.2 p	-8.8 %
Berwick-upon-Tweed	£ 268	£ 170	£ 15	£ 185 +38%	233.7 p	213.2 p	-8.8 %
Blyth Valley	£ 344	£ 170	£ 49	£ 219 +27%	258.0 p	213.2 p	-17.4 %
Castle Morpeth	£ 408	£ 170	£ 22	£ 192 -6%	239.3 p	213.2 p	-10.9 %
Tynedale	£ 314	£ 170	£ 26	£ 196 +25%	237.3 p	213.2 p	-10.2 %
Wansbeck	£ 304	£ 170	£ 56	£ 226 +49%	267.0 p	213.2 p	-20.1 %

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NORTH YORKSHIRE				INCREASE/DECREASE IN AVERAGE BILL FOR 2 ADULT HOUSEHOLD			
Craven	£ 244	£ 170	£-10	£ 159 +30%	196.5 p	213.2 p	8.5 %
Hambleton	£ 314	£ 170	£-14	£ 156 -1%	195.9 p	213.2 p	8.8 %
Harrogate	£ 345	£ 170	£ 6	£ 176 +2%	209.6 p	213.2 p	1.7 %
Richmondshire	£ 312	£ 170	£-9	£ 161 +3%	199.4 p	213.2 p	6.9 %
Ryedale	£ 275	£ 170	£-9	£ 161 +17%	194.1 p	213.2 p	9.8 %
Scarborough	£ 263	£ 170	£-3	£ 166 +26%	202.6 p	213.2 p	5.2 %
Selby	£ 281	£ 170	£ 1	£ 170 +21%	204.8 p	213.2 p	4.1 %
York	£ 224	£ 170	£-29	£ 141 +26%	187.5 p	213.2 p	13.7 %
NOTTINGHAMSHIRE							
Ashfield	£ 282	£ 170	£ 2	£ 171 +21%	248.5 p	213.2 p	-14.2 %
Bassetlaw	£ 330	£ 170	£ 34	£ 204 +24%	255.2 p	213.2 p	-16.5 %
Broxtowe	£ 350	£ 170	£-5	£ 164 -6%	242.7 p	213.2 p	-12.2 %
Gedling	£ 363	£ 170	£-4	£ 166 -9%	243.0 p	213.2 p	-12.3 %
Mansfield	£ 306	£ 170	£ 14	£ 183 +20%	250.1 p	213.2 p	-14.8 %
Newark	£ 305	£ 170	£-17	£ 153 +1%	242.9 p	213.2 p	-12.2 %
Nottingham	£ 333	£ 170	£-2	£ 167 +1%	256.0 p	213.2 p	-16.7 %
Rushcliffe	£ 412	£ 170	£-1	£ 169 -18%	245.4 p	213.2 p	-13.1 %
OXFORDSHIRE							
Cherwell	£ 388	£ 170	£-12	£ 158 -19%	202.3 p	213.2 p	5.4 %
Oxford	£ 436	£ 170	£-7	£ 163 -25%	208.7 p	213.2 p	2.1 %
South Oxfordshire	£ 440	£ 170	£-5	£ 164 -25%	205.3 p	213.2 p	3.9 %
Vale of White Horse	£ 422	£ 170	£-13	£ 157 -25%	200.4 p	213.2 p	6.4 %
West Oxfordshire	£ 391	£ 170	£ 0	£ 170 -13%	204.5 p	213.2 p	4.3 %
SHROPSHIRE							
Bridgnorth	£ 331	£ 170	£-45	£ 125 -24%	187.8 p	213.2 p	13.5 %
North Shropshire	£ 288	£ 170	£-42	£ 128 -11%	190.1 p	213.2 p	12.2 %
Oswestry	£ 253	£ 170	£-36	£ 134 +6%	194.3 p	213.2 p	9.7 %
Shrewsbury and Atcham	£ 322	£ 170	£-35	£ 134 -17%	193.5 p	213.2 p	10.2 %
South Shropshire	£ 253	£ 170	£-36	£ 134 +6%	187.9 p	213.2 p	13.4 %
The Wrekin	£ 329	£ 170	£-19	£ 151 -8%	204.3 p	213.2 p	4.3 %
SOMERSET							
Mendip	£ 330	£ 170	£-16	£ 154 -7%	203.2 p	213.2 p	4.9 %
Sedgemoor	£ 347	£ 170	£-4	£ 166 -4%	207.6 p	213.2 p	2.7 %
Taunton Deane	£ 331	£ 170	£-10	£ 160 -3%	205.3 p	213.2 p	3.8 %
West Somerset	£ 333	£ 170	£-9	£ 160 -4%	203.4 p	213.2 p	4.8 %
South Somerset	£ 333	£ 170	£-12	£ 158 -5%	203.9 p	213.2 p	4.5 %

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STAFFORDSHIRE				INCREASE/DECREASE IN AVERAGE BILL PER 2 ADULT HOUSEHOLD			
Cannock Chase	£ 333	£ 170	£-12	£ 158	-5% 213.3 p	213.2 p	-.1 %
East Staffordshire	£ 308	£ 170	£-20	£ 149	-3% 206.1 p	213.2 p	3.4 %
Lichfield	£ 419	£ 170	£-19	£ 150	-28% 206.4 p	213.2 p	3.3 %
Newcastle-under-Lyme	£ 323	£ 170	£-9	£ 161	-1% 214.1 p	213.2 p	-.4 %
South Staffordshire	£ 415	£ 170	£-21	£ 149	-28% 205.4 p	213.2 p	3.8 %
Stafford	£ 359	£ 170	£-22	£ 147	-18% 203.7 p	213.2 p	4.7 %
Staffordshire Moorlands	£ 317	£ 170	£-16	£ 154	-3% 208.2 p	213.2 p	2.4 %
Stoke-on-Trent	£ 278	£ 170	£-14	£ 156	+12% 211.5 p	213.2 p	.8 %
Tamworth	£ 344	£ 170	£-22	£ 147	-15% 204.5 p	213.2 p	4.2 %
SUFFOLK							
Babergh	£ 359	£ 170	£-9	£ 161	-10% 198.1 p	213.2 p	7.6 %
Forest Heath	£ 322	£ 170	£-9	£ 161	no change 194.6 p	213.2 p	9.5 %
Ipswich	£ 368	£ 170	£ 1	£ 171	-7% 210.1 p	213.2 p	1.5 %
Mid Suffolk	£ 340	£ 170	£-3	£ 166	-2% 199.6 p	213.2 p	6.8 %
St Edmundsbury	£ 338	£ 170	£-16	£ 154	-9% 192.7 p	213.2 p	10.6 %
Suffolk Coastal	£ 388	£ 170	£-5	£ 165	-15% 199.0 p	213.2 p	7.1 %
Waveney	£ 314	£ 170	£-10	£ 160	+2% 197.0 p	213.2 p	8.2 %
SURREY							
Elmbridge	£ 587	£ 170	£ 4	£ 173	-41% 193.4 p	213.2 p	10.2 %
Epsom and Ewell	£ 574	£ 170	£ 3	£ 173	-40% 200.2 p	213.2 p	6.5 %
Guildford	£ 464	£ 170	£-13	£ 156	-33% 191.2 p	213.2 p	11.5 %
Mole Valley	£ 452	£ 170	£-12	£ 158	-30% 191.9 p	213.2 p	11.1 %
Reigate and Banstead	£ 532	£ 170	£ 27	£ 197	-26% 195.9 p	213.2 p	8.8 %
Runnymede	£ 427	£ 170	£-15	£ 155	-27% 190.7 p	213.2 p	11.8 %
Spelthorne	£ 378	£ 170	£-37	£ 133	-30% 186.6 p	213.2 p	14.2 %
Surrey Heath	£ 521	£ 170	£-13	£ 157	-40% 189.5 p	213.2 p	12.5 %
Tandridge	£ 419	£ 170	£-25	£ 145	-31% 186.8 p	213.2 p	14.1 %
Waverley	£ 491	£ 170	£-9	£ 161	-34% 194.0 p	213.2 p	9.9 %
Woking	£ 477	£ 170	£-7	£ 162	-32% 192.8 p	213.2 p	10.6 %
WARWICKSHIRE							
North Warwickshire	£ 405	£ 170	£ 18	£ 188	-7% 222.1 p	213.2 p	-4.0 %
Nuneaton and Bedworth	£ 399	£ 170	£ 18	£ 188	-6% 221.2 p	213.2 p	-3.6 %
Rugby	£ 401	£ 170	£-4	£ 165	-18% 207.5 p	213.2 p	2.7 %
Stratford on Avon	£ 474	£ 170	£-6	£ 164	-31% 204.0 p	213.2 p	4.5 %
Warwick	£ 456	£ 170	£-10	£ 159	-30% 204.2 p	213.2 p	4.4 %

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WEST SUSSEX				INCREASE/DECREASE IN BILL FOR AVERAGE 2 ADULT HOUSEHOLD			
Adur	£ 362	£ 170	£-19	£ 151 -17%	200.7 p	213.2 p	6.2 %
Arun	£ 366	£ 170	£-31	£ 139 -24%	191.0 p	213.2 p	11.6 %
Chichester	£ 367	£ 170	£-35	£ 134 -27%	186.7 p	213.2 p	14.2 %
Crawley	£ 366	£ 170	£ 23	£ 193 +5%	208.8 p	213.2 p	2.1 %
Horsham	£ 379	£ 170	£-27	£ 142 -25%	188.7 p	213.2 p	13.0 %
Mid Sussex	£ 417	£ 170	£-27	£ 143 -31%	194.7 p	213.2 p	9.5 %
Worthing	£ 361	£ 170	£-35	£ 135 -25%	190.5 p	213.2 p	11.9 %
WILTSHIRE							
Kennet	£ 341	£ 170	£-17	£ 153 -10%	204.0 p	213.2 p	4.5 %
North Wiltshire	£ 311	£ 170	£-7	£ 163 +5%	208.3 p	213.2 p	2.3 %
Salisbury	£ 360	£ 170	£-22	£ 148 -18%	196.7 p	213.2 p	8.4 %
Thamesdown	£ 352	£ 170	£ 44	£ 214 +22%	239.7 p	213.2 p	-11.1 %
West Wiltshire	£ 307	£ 170	£-20	£ 150 -2%	203.3 p	213.2 p	4.8 %
Isles of Scilly	£ 290	£ 170	£-68	£ 102 -30%	183.8 p	213.2 p	16.0 %

8.18 While revaluation does not of itself alter the total to be raised from all ratepayers in Scotland, it affects the bill paid by the individual ratepayer in a number of ways. Most obviously his own rateable value may increase significantly more or significantly less than the average for property in the area as a whole. Changes in the aggregate of rateable values between local authorities affect the distribution of the resources element of rate support grant (paragraph 8.11) and so change the amount which each authority has to take from ratepayers locally. There may be major switches in the relative share of total value borne by different sectors—domestic, commercial, industrial etc—leading to changes in the scale of domestic rate relief or industrial de-rating. The combined impact of these changes, quite aside from any real movement in the pattern of local authority spending, may easily face someone with a rates bill increasing by a factor of 50% or even 100% or more in a single year.

8.19 Initial figures from the 1985 revaluation suggested that over Scotland as a whole the share of rateable value in the domestic sector would increase sharply with a corresponding decline in the share of the industrial sector. The Government increased the domestic element of rate support grant (paragraph 8.10) eightfold in 1985/86 to ease the impact of revaluation and adjusted Scottish industrial derating from 50% to 40% to maintain parity with industry elsewhere in Britain. After allowing for these adjustments, domestic ratepayers were still faced with 1985/86 rate bills rising on average by 11% in Grampian, 15% in Borders and Dumfries and Galloway, 20% or more in Tayside, Fife and Strathclyde. Such changes bore no relation to the movements in local authority spending in these areas, which ranged from an increase of around 3% in Tayside to some 6% in Dumfries and Galloway and Fife. Revaluation has faced very many Scottish householders with what are seen as quite arbitrary and unpredictable impositions.

8.20 Average movements at the regional level mask even more dramatic increases falling on individual ratepayers. The average domestic valuation in Scotland increased on revaluation by a multiplier of almost 2.7, but 130,000 Scottish householders faced multipliers of more than three times their previous rateable values. The degree of fluctuation about the average was still more marked in the commercial and industrial sectors. To mitigate the impact on those ratepayers hardest hit by revaluation the Government introduced legislation during the summer of 1985 to establish a special scheme of Revaluation Rate Rebates. Under this, 1985/86 rate bills were limited to the amount payable on three times the 1984/85 valuation of a property with a central Government subsidy making up the difference where the valuation had increased by a multiplier of more than three, subject to a maximum of £10,000 for any single property. Despite the benefit of this to those worst affected by revaluation over 100,000 householders in Scotland have faced increases of more than one third in their rate bills between 1984/85 and 1985/86. In part this reflects the way in which some authorities increased their spending after revaluation, but is primarily the result of above average increases in rateable values.

8.21 Against this background it is no surprise that the 1985 revaluation has forcibly reminded many Scottish ratepayers of the defects in the rates as a means of paying for local government. There has been widespread loss of public confidence in the present Scottish rating system and a vociferous demand for reform.

6

PRIME MINISTER

COMPENSATION FOR THE 20 PER CENT CONTRIBUTION TO RATES AND THE COMMUNITY CHARGE

Mr. Fowler's minute below reports the results of his discussions with the Chief Secretary about the 20 per cent minimum contribution. As I mentioned in my earlier minute to you, they have failed to reach agreement.

I am afraid that a further meeting chaired by the Chief Secretary would not produce a solution.

One possibility would be for you to declare a decision. But I am not sure that would be right, given its importance.

Another possibility would be to ask the Lord President to chair a meeting. But I doubt that he would wish to be put in that position, at this stage of the Parliament, and when £200 million or more is at stake.

I recommend that you should chair a meeting.

One possibility would be an ad hoc meeting, consisting of the Lord President, the Chief Whip, Mr. Tebbit, Lord Young, Mr. Ridley, Mr. Rifkind, the Chancellor, Mr. Edwards and the Chief Secretary.

The alternative would be to take the question back to E(LF), which was where it was last discussed.

Agree a meeting (probably on Tuesday afternoon next week)?

Would you prefer an ad hoc meeting or E(LF)?

David Norgrove
7 May 1987

DG2BXZ

Copy No 1

PRIME MINISTER

COMPENSATION FOR POOR HOUSEHOLDS PAYING THE MINIMUM CONTRIBUTION TOWARDS DOMESTIC RATES AND THE COMMUNITY CHARGE

I discussed the options available to us on Tuesday with Norman Tebbit, David Young, Nicholas Ridley, Michael Ancram and John MacGregor. We reached a fair measure of agreement. The only substantial reservation remaining is on the public expenditure commitment implied. John MacGregor's position is set out separately below.

We very quickly reached agreement on three main points:

(1) Unless we are able to give assurances about compensation for the most vulnerable groups, our proposals for a minimum contribution towards domestic rates - and subsequently the community charge - will be at risk.

(2) We cannot - nor should we - now retreat on the principle that local accountability requires more people to be making a contribution towards their local tax.

(3) We are therefore looking for a measure of flat-rate compensation based on the average contribution and not the actual weekly bill that households will face.

We had to deal also with the urgent question of what Lord Glenarthur could say on Tuesday on amendments tabled to the Abolition of Domestic Rates Etc (Scotland) Bill on these issues.

E.R.

I advanced two further propositions which in my view largely determine our options and the likely costs. The first is that the only proposition which will make any significant difference politically is to reflect in the relevant social security rates 20 per cent of the average domestic rate paid by households on income support. This would be £1.30 for these households, somewhat less than the overall national average of £1.60. We would then be seen to be protecting vulnerable claimants who will have to meet this charge, in all but the very high spending authorities. Without this clear statement we would be committing extra expenditure on an uncertain level of improvement which would not sound convincing. My proposition here commanded general support at the meeting apart from the reservations on the overall costs.

The second proposition which in my view has equal political force is that we are misleading ourselves if we decide to restrict help to only some of the vulnerable groups such as pensioners and the sick and disabled. We would be challenged immediately about the position on all other groups such as widows, mothers with children separated from their husbands and unemployed families with children. Without any clear statement on the position of these groups all the attention would focus on their position rather than the compensation we had announced. This would negate the whole exercise. I found very strong support for this proposition from almost everyone present. It also provides a defendable position in relation to the severely disabled people who, as a result of earlier discussions, would otherwise require some special arrangements to maintain their current full rates rebate. This would be difficult both to define, justify and administer. It would be far better dealt with as part of a general measure of compensation, rather than by creating the precedent of a full rebate entitlement for this group, however tightly drawn.

As indicated by John MacGregor's paragraphs below, he has serious concerns about the costs which we estimate to total £380 million (£352 million in public expenditure). I would seek to reduce the gross cost - by increasing non-dependant deductions to take account

E.R.

of the position of non-householders who, as non-ratepayers, gain from this proposal. This would claw back the increase from them, reducing the costs by as much as £50 million.

The Chief Secretary draws attention to the very high cost (£380 million a year) of giving all those in receipt of income-related benefits an extra £1.30 a week to compensate them for having to pay a proportion of their rates bill. There is no provision in the public expenditure plans for this expenditure and to agree it would eliminate all the savings from the minimum contribution which were agreed in the Social Security Review.

The Chief Secretary notes that this will also give further benefit to nearly a million non-householders who will not face any additional payment while the rating system continues to be in place. The proposed clawback through the non-dependent deduction will only work for those in this group who live in households receiving housing benefit. So in effect we will be giving a windfall of £1.30 a week to over 300,000 non-householders.

As the plans now stand, without the proposed additional compensation, everyone on supplementary benefit now (4.3 million people) will receive at least as much cash next year as they do now (the majority will get more). That is partly because we have already decided on expensive transitional protection for those people (£120 million in 1988/89). And only 1 million of those 4.3 million will be worse off even <u>after</u> taking into account the 20 per cent contribution to rates. (Among the unemployed, many without children, there will be 1.1 million gainers and only 280,000 losers.)

The Chief Secretary accepts the E(LF) recommendations that help should be given to the most vulnerable but believes that consideration should be given to ways of reducing the cost. This could be done:

(a) by confining it to the pensioners and the sick and disabled;

E.R.

(b) by limiting the compensation to £1 a head, which would fully compensate those in authorities which spent - and rated - in line with Government plans without underwriting excessive spending.

Even a minimum proposal combining these two would cost £144 million a year and would add to the problems for the coming 1987 Public Expenditure Survey. The Chief Secretary warns that he will be obliged to seek offsetting savings during that Survey.

I obviously appreciate the Chief Secretary's position. However, we must recognise the essential weaknesses of the "cash" argument. Cash protection means no increase in benefit on 1 April 1988 and, at the same time, the people concerned will have to meet the new charge from the same frozen cash benefit.

I do have to warn colleagues that the public debate will focus sharply on almost 4 million losers in real terms. I enclose with this minute a table published by The Times last year which set out just this position. This table was extracted from the Technical Annex to the Social Security White Paper. I am afraid that we simply deceive ourselves if we believe the debate will be on any other basis. Accordingly, I would strongly urge that we announce that the rates of income support will reflect the average amount of the 20 per cent contribution.

If we make it clear that this compensation is only for those who will have to meet this charge, I am confident that we can find ways of avoiding a substantial number of the windfall gains for non-householders referred to by John MacGregor.

We do need an early decision on this. It is the obvious focal point for attack on the social security reforms and we are open to this in the House of Lords next week during the closing stages of the Domestic Rates Bill. I believe it is highly desirable to remove this issue from the wider political arena as soon as possible.

E.R.

I am copying this minute to Willie Whitelaw, John MacGregor, Nicholas Ridley, Norman Tebbit, David Young and Malcolm Rifkind.

7 May 1987

N F

NICHOLAS TIMMINS ARTICLE: THE TIMES - 17 JANUARY 1986

WINNERS AND LOSERS
(in thousands)

	Gainers	No Change	Losers
Pensioners			
Single	600	850	1360
Couples	200	270	860
Non-pensioners with children			
Single parents	270	130	260
Couples	710	70	210
Non-pensioners without children			
Single, over 25	310	130	490
Single, under 25	40	480	360
Couples	40	20	260
Total	2160	1950	3800

Source DHSS

[LORD GLENARTHUR.]

was illustrated in Great Britain in the technical annex to the social security White Paper. On the assumption of a minimum contribution of 20 per cent., it showed that the majority of people on income support will not experience any overall reduction in their disposable income after meeting the minimum contribution to their rates.

Of course there will be gainers and losers. I suggest that is bound to be the case in any wide-ranging reforms. But the fact that the overall position is as I have described it, with the majority experiencing no overall reduction in their disposable income must, I suggest, temper the force of the argument that explicit provisions need to be written in, addressing specifically the question of the minimum contribution.

The noble Lady, Lady Saltoun, referred to the press notice on how the rebate system will work.

Lord Mackie of Benshie: My Lords, before the noble Lord turns to that point, I think he said that paying the minimum contribution of 20 per cent. for people on income support would have no effect on their overall disposable income. Is that what he said?

Lord Glenarthur: My Lords, that is what I said when I quoted the technical annex to the social security White Paper. But if the noble Lord will bear with me for a minute, I shall return to the theme shortly. Before I do so, I pick up a point made by the noble Lady when she referred, for example, to a couple who are unemployed with two children under 11. They are quoted in the document, and the noble Lady asked what would be the case if the children were over 11. If they were over 11, we should have to add £5 a head, which is £10 in total, so the income support level rises from the illustrative figure in the table attached to that press notice to £83·95.

However, further than that, my noble friend Lord Campbell of Alloway, concerned as I understand him to be about the governing principles being lacking in this case, appeared to be suggesting that the additions to income support should vary region by region and not on average, as proposed by the noble Baroness, Lady Seear. A hugely complex administrative machinery would be necessary to try to do this in the way my noble friend proposes. I hope that he will accept from me that, while I can understand the point he is making, the practical feasibility would be such as to make it virtually unworkable.

I also emphasise that the figures available so far have all been illustrative and that until the rates of income support are set this autumn, it is premature to draw absolutely firm conclusions about who may or may not be worse off. Much will happen between now and then which will need to be taken into account and which will influence the factors affecting the setting of the income support rates. One of those factors will be that many people will for the first time be making a contribution towards their rates. In setting income support levels we shall take into account the impact of this on the most vulnerable groups.

I cannot make a detailed commitment now, but I hope that your Lordships will find what I have been able to say about the position of vulnerable groups to be a positive response to the concern which I think underlies all these amendments. For the reasons I have explained, therefore, and with the assurance which I have given about vulnerable groups, which I think very much helps both my noble friend Lord Campbell and indeed the noble Lady, Lady Saltoun, I believe that a specific amendment of the kind which the noble Baroness has put down is not necessary or desirable. I hope with that explanation that she will feel able to withdraw her amendment.

Lord Sanderson of Bowden: My Lords, I have been most interested in hearing what my noble friend has said. Let us cut out most of his speech and concentrate, if I hear him right, on the suggestion that in setting income support levels the Government will take into account the impact on the most vulnerable groups. I had a letter today, as I expect many noble Lords did, from the Social Security Consortium, which said that the noble Baroness's amendments did not contradict the position of paying the 20 per cent., but then there should be compensation for such payment through income support levels. I think what we have heard from the Government today through my noble friend must mean just that. I should be very disappointed if the most disadvantaged people in the community, as I said at Second Reading, should be in any way put in a position where they have no money and are not able to pay. So this may well be the let-out for us on a most important part of this legislation.

Baroness Carnegy of Lour: My Lords, I too listened with great care to what the Minister said. It was difficult to take in precisely his phraseology and I would be glad if he could confirm that he said what the noble Lord, Lord Sanderson, suggested.

On the amendment of the noble Baroness, Lady Seear, No. 188AAA, I feel that although in principle clearly she is trying to do something very similar, this approach would not work out quite right because the level of the community charge which will be set in individual regions will be uneven—and it will not only be in individual regions but, as we know, for example, by looking at Strathclyde and Lothian regions, very different in different districts of Scotland. It will vary enormously.

So if a person was getting an amount not less than the average of the community charge over the whole of Scotland, some people would be getting considerably more than they had to pay and others considerably less. Although it would probably be impossible to be totally fair to everybody—it always is—that seems to me to be building into the Bill an unfairness and a discrepancy which are not necessary. I hope very much that the noble Baroness will not press the amendment on those grounds if on no other.

Baroness Seear: My Lords, I listened with very great interest to what the Minister said and also to what the noble Lord, Lord Campbell of Alloway, and the noble Lady, Lady Saltoun. This amendment is a compromise; it is not what we would wish if we could have our own way. I fully accept that it would be much more desirable if the system could be regionally based for the reasons which Baroness Carnegy gave.

As the Minister said, one was aware that that would be immensely complicated and in a very imperfect Bill

4

PRIME MINISTER

THE 20 PER CENT CONTRIBUTION TO RATES AND THE COMMUNITY CHARGE

The Chief Secretary held a meeting yesterday to discuss how "compensation" for the minimum 20 per cent contribution to the Community Charge and rates should be handled. Mr. Fowler, supported by most people at the meeting, argued that there was no politically sustainable course short of increasing the planned income support level across the board (i.e. including the unemployed as well as the disabled, etc.) by the average cost of the new liability to pay 20 per cent.

The Chief Secretary pointed to the cost and said he was bound to consider whether it would be practicable to reduce this either by extending compensation at a lower flat rate than the average of the 20 per cent liability or by limiting compensation to only some groups eligible for income support.

The upshot is that Mr. Fowler will be sending you a note and the Chief Secretary will also be sending you his views.

David Norgrove

6 May 1987

DG2BXP

FROM:
THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

CC BG.

HOUSE OF LORDS,
LONDON SW1A 0PW

6 May 1987

The Right Honourable
Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

NBPM

My dear Willie.

top end.

Community Charge: Married and Unmarried Couples

I have received a copy of Nicholas Ridley's letter to you of 30 April, and am grateful to him for having agreed that married couples should not be presumed to have lived together as husband and wife before their marriage, and for having confirmed that joint liability will extend only to debts incurred after a couple started living together, whether married or unmarried. I very much hope that nothing in the Bill's passage through Parliament will make it necessary to look at this issue again.

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

Yrs:

LOCAL GOVT:
Future of Ratio
System Pt 6

covering SECRET

3

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~233~~ 270 0189

K01631

Miss Jill Rutter
Private Secretary to the
Chief Secretary
HM Treasury
Parliament Street

6 May 1987

Dear Jill.

COMPENSATION FOR MINIMUM CONTRIBUTION TO RATES AND COMMUNITY CHARGE

You told me that the Chief Secretary would like the Cabinet Office to provide the note of the meeting that he took yesterday to carry forward the conclusions at last week's E(LF) meeting. I enclose the note accordingly.

I am sending copies to David Norgrove (Prime Minister's Office), to the Private Secretaries to Cabinet Ministers attending the meeting and to the Secretary of State for Scotland and to Trevor Woolley (Sir Robert Armstrong's Office).

Yours

Anthony Langdon

A J LANGDON

NOTE OF A MEETING HELD AT HM TREASURY AT 2.45 PM ON TUESDAY 5 MAY 1987

Present were the Chief Secretary, Treasury (in the chair), the Secretaries of State for Social Services, Employment and the Environment, the Chancellor of the Duchy of Lancaster, the Minister of State, Department of the Environment (Dr Boyson), the Parliamentary Under-Secretary of State, Scottish Office (Mr Ancram), the Parliamentary Under-Secretary of State, Department of Health and Social Security (Mr Lyell) and officials.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Sub Committee on Local Government Finance (E(LF)) had confirmed the previous week that there should be a minimum contribution to rates and to the community charge, but had agreed that the introduction of the charge would be at risk unless it could be shown that some help was extended to the most vulnerable groups. In his view, there was no politically sustainable course short of increasing the planned income support levels across the board by the average cost of the new liability to pay 20% towards rates. That would be a clear and defensible statement: anything more limited would appear to be an illogical expedient that lacked all credibility. In the E(LF) discussion mention had been made of the exceptionally high rate bills in London. But, while there might be a case for the special treatment of London in the context of the community charge, this did not help the immediate question. The national average of the new 20% contribution to rates was £1.30, and that would only be reduced to £1.20 if London were excluded from the calculation. It would be just as illogical and presentationally difficult to refuse to compensate any of the groups qualifying for income support as it would to compensate at something lower than the full rate. It had been agreed at E(LF) that compensation should be extended to pensioners and the sick and disabled, but if the line was drawn there the Government would have no sensible explanation why other groups, such as single parents, the unemployed and families with children, were expected to find the extra money without help. In his view, it would be essential to

provide the full rate of compensation (£1.30 a week) to everyone on income support. Unless this was done, the 3.8 million losers from the reform of social security would prove a grave liability. Even under his proposals, there would be 2.4 million such losers. The figures had been published in the technical annex to the White Paper "Reform of Social Security". He believed his proposal was the only sustainable way of tackling a very major issue on which the Government could expect intensive questioning.

The following main points were made in discussion.

a. While the cost of compensating pensioners and the sick and disabled at the full average rate would be £188 million (of which £167 million would score as public expenditure) the cost of the Social Services Secretary's proposal for compensation across the board would be £380 million (of which £352 million scored as public expenditure). This would mean surrendering a very large part of the savings won in the social security review.

b. Until all adults assumed a liability to pay towards local government through the community charge, flat rate compensation could create an uncovenanted windfall for non-householders. This could be avoided to a substantial extent by building clawback machinery into the arrangements. This would particularly bear on single unemployed people under 25 and could reduce the costs of the proposal by as much as £50 million. The issue would no longer arise on introduction of the community charge which would be payable by all adults.

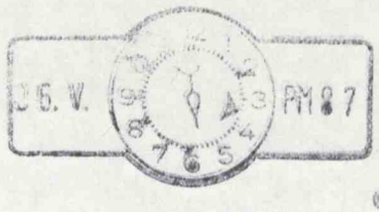
c. It would be important not to call into question the ground rules for income support, and it would be necessary to avoid any suggestion that the Government was making unspoken assumptions about recipients in some groups helping themselves through the black economy.

d. There was an urgent handling problem on the Abolition of Domestic Rates Etc (Scotland) Bill. In furtherance of E(LF)'s earlier decision to extend 100% rebates to a tightly defined group of the disabled the Minister of State, Scottish Office, had announced the intention to help this group. His words had, however, been carefully chosen to leave the options open so far as possible. It was now necessary to decide whether to proceed by way of rebate or through income support, but the same group should certainly not be benefitted twice. The Parliamentary handling problems were accentuated by the fact that Opposition amendments would be debated that afternoon which would have the effect of extending assistance far more widely than the Government could contemplate.

e. Although it was technically complex to apply the 20% minimum contribution regime first to rates and then to the community charge, it was essential to keep on course with these plans for increasing accountability, with which the Government was totally identified. To hesitate now would lose credibility. Full average reimbursement through income support, however, could certainly be presented as a sensible and necessary supporting arrangement. It did not conflict with the principles of accountability.

THE CHIEF SECRETARY, TREASURY, summing up the discussion, said that the meeting had agreed that the introduction of the 20% minimum contribution regime should not be deferred, that compensation should be extended to vulnerable groups by means of a flat rate average increase in planned income support, and that there should be a clawback machinery in respect of non-ratepayer recipients. The costs of the proposal did, however, represent yet another significant call on the Reserve, and he was bound to consider whether it would be practicable to reduce this either by extending compensation at a lower flat rate than the average of the 20% liability or by limiting compensation to only some groups eligible for income support. While he took note of the view widely expressed at the meeting that these devices would do too much damage to the rationale of

the concession, the matter would clearly have to be decided outside the meeting, and a form of words had been agreed for the Minister of State, Scottish office, to use in dealing with the Opposition amendments that afternoon. In accordance with the E(LF) conclusions (E(LF)(87)7:1) the appropriate way forward now would be for the Social Services Secretary to prepare a note to the Prime Minister, rehearsing the options exposed at the meeting and making recommendations in the light of the views that had been expressed. He would either incorporate his own comments in that note or would submit a separate note to the Prime Minister. However the matter was resolved, he would need to consider how the costs of the concession might be dealt with in the longer term.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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: R/PSO/13207/87

Your ref:

30 APR 1987

The Rt Hon Viscount Whitelaw CHMC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

Dear Willie

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

I have seen a copy of Quintin Hailsham's letter of 9 April to you on this subject.

In view of the importance that Quintin attaches to the point, I am willing to adopt the approach he suggested earlier. This will involve somewhat different rules for married and unmarried couples: in the former case, the burden of proof will be on the local authority to show that a couple lived together before marriage. I confirm that joint liability would, in any case, extend only to debts in so far as these were incurred after the couple started living together.

This is the approach I will adopt in the Bill. I may, however, need to return to the issue if there is criticism of these arrangements during the Bill's passage through Parliament.

I am copying this letter to the Prime Minister, the Lord Chancellor, members of E(LF) and Sir Robert Armstrong.

Yours ever

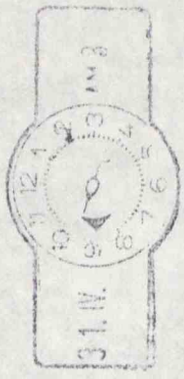
Nicholas

NICHOLAS RIDLEY

LOCAL COUP

RATES

CTC



Amended copies for David Norgrove - No 10 Copy No 1
Anthony Langdon - Cabinet Copy No 2
Margaret Pierson - Treasury Copy No 3
Phillip Ward - Environment Copy No 4

- My Secretary of State wished to make additions to the tables you saw earlier. The new tables are attached

Brian Calderwood 29/4

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COPY NO 1

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

ADDENDUM TO E(LF)(87)9

The paper referred to in paragraph 8 is attached.

Department of Health and Social Security
30th April 1987

[redacted] 1: EFFECTS ON DISPOSABLE INCOME AT POINT OF CHANGE

	Col (1) without 20% contribution		Col (2) with 20% contribution	
	Cash position	Real change	Cash position	Real change
(a) Income support beneficiaries				
* total gainers/no change	4.3m	3m	3.3m	2.6m
* total losers	0	1.3m	970,000	1.7m
- pensioner losers	0	580,000	540,000	790,000
- pensioner losses up to £1	-	130,000	290,000	80,000
£1 - £2	-	160,000	250,000	260,000
over £2	-	280,000	-	440,000
- sick/disabled/lone parent losers	-	140,000	140,000	180,000
- unemployed (and others) losers	-	540,000	280,000	720,000
- unemployed (and others) losses up to £1	-	40,000	90,000	80,000
£1 - £2	-	100,000	190,000	160,000
over £2	-	410,000	-	490,000
(b) All recipients of income-related benefits				
* total gainers/no change	7.6m	5.7m	6.0m	4.2m
* total losers	590,000	2.4m	1.96m	3.8m
- pensioner losers	210,000	1.2m	1m	2.2m
- pensioner losses up to £1	80,000	340,000	450,000	660,000
£1 - £2	50,000	380,000	450,000	770,000
over £2	80,000	490,000	100,000	820,000
- sick/disabled/lone parent losers	60,000	230,000	210,000	310,000
- couples with children: losers	60,000	140,000	120,000	210,000
(in full-time work)	50,000	90,000	70,000	100,000
(not in full-time work)	10,000	50,000	50,000	110,000
- other (including unemployed) losers	270,000	800,000	640,000	1.1m
other (including unemployed) losses				
up to £1	30,000	80,000	140,000	120,000
£1 - £2	50,000	130,000	290,000	240,000
over £2	190,000	590,000	220,000	720,000

Note: The columns headed "cash position" indicate the effect of the reforms allowing for transitional protection of income support claimants only. Transitional protection freezes benefit payments until benefit upratings take the new entitlement above the frozen amounts. This could last several years for those who would otherwise face the largest losses.

The columns headed "real change" indicate the true impact of all the reform changes on claimants once the effects of transitional protection have worked their way out.

PART 2: FINANCIAL IMPLICATIONS

	Savings (-)/Cost (+) £ million	
	Supplementary Ben) Income support)	Housing Benefit
(a) Present plans Effect of introducing a minimum 20% contribution to rates	-	-350 (non-PE)
(b) **Options in E(LF)(87)9 compared with £350m saving above**		
(i) para 7.1 - retain maximum rebate at 100 %	-	+350 (non-PE)
(ii) para 7.2 - retain maximum rebate at 90%	-	+180 (non-PE)
(iii) para 8.1 - blanket increase of £1.30 a week in all income-related benefits	+270 (PE)	+ 60 (PE) + 30 (non-PE)
(iv) para 8.2 - selective increased £1.30 a week on all premium rates	+210 (PE)	+ 50 (PE) + 25 (non-PE)
(v) para 8.3 - selective increase of £1.30 in certain premium rates (pensioners and families with children)	+160 (PE)	+ 45 (PE) + 20 (non-PE)

(c) Average rate bills/liability based on 20% minimum contribution

	Average rate bill	Average 20% contribution
(i) Reflected in 1985 Technical Annex	£5 a week	£1 a week
(ii) Now - all ratepayers	£8 a week	£1.60 a week
highest average (Westminster)	£15 a week	£3 a week
lowest average (York)	£4.20 a week	84p a week
(iii) Now - supplementary benefit claimant ratepayers	£6.60 a week	£1.32 a week

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P 02655

PRIME MINISTER

National Non-Domestic Rate: Starting Poundage and Transition
[E(LF)(87)10]

DECISIONS

The Committee is asked to decide:

i. the level of the starting national non-domestic rate (NNDR) poundage in 1990;

ii. the transitional arrangements to protect businesses facing large increases in rate bills arising from the combined effect of the revaluation of rateable values and the introduction of the NNDR;

(iii) the arrangements for uprating the initial NNDR poundage.

Mr Ridley's paper is concerned with England. Similar problems arise for Wales, but not immediately for Scotland, where the pattern of non-domestic rate poundages is being frozen in 1989/90.

BACKGROUND

2. The Committee agreed last November to proceed with the introduction of a uniform NNDR in England and separately in Wales (E(LF)(86) 6th Meeting). A revaluation of the non-domestic sector is also due to take effect from 1 April 1990, and the orders providing for this have now been laid before Parliament. Since the two changes will come into effect at the same time, it makes sense to consider transitional arrangements designed to limit their combined effect: that is the change which businesses will actually perceive in 1990 if there are no special arrangements.

3. The range of potential changes in rate bills is very large. The NNDR will cut rates in areas with high spending local authorities (eg Manchester) and increase them in areas with low spending authorities (eg West Sussex) and particularly in some low-spending London boroughs which also benefit from the London resource discount under the present RSG system. The revaluation is likely to cut rates in the North and Midlands and increase them elswhere; and to cut rates for factories and offices but increase them for prime shops. At the extremes the combined effect could cut rates on factories in Liverpool by 70 per cent and increase rates on prime shops in Kensington and Chelsea by 270 per cent. The great majority of changes would fall within a much narrower range.

Mr Ridley's proposals to ease the transition

4. Mr Ridley suggests a package of measures which could ease the transition to the NNDR and new rateable values:

i. a reduction in the starting NNDR poundage to perhaps 10 per cent below the prevailing average figure. This would cost £800m, which he suggests (without any specific proposals) should be recouped by increases in other business taxes;

ii. an upper limit on increases in rateable values in the revaluation. This would mean that part of the largest increases would be held over to the next revaluation;

iii. phasing the introduction of the largest increases and reductions in rate bills over 5 years, by limiting annual changes to a fixed percentage figure. Phasing for gainers would pay for the benefit to losers.

5. If this package were adopted, Mr Ridley estimates that increases in rate bills could be limited to a maximum of 15-20 per cent per annum, in addition to any general uprating. As a quid pro quo for a lower starting NNDR poundage he suggests dropping the flexibility for the Chancellor to increase the NNDR poundage

between years by less than the increase in the RPI, a proposal which E(LF) agreed in November (E(LF)(86) 6th Meeting). Mr Ridley does not propose a firm decision on these items now, but he does suggest that he should take the necessary powers, and bring detailed proposals back to the Committee in due course.

ISSUES

Lower starting NNDR poundage

6. The proposal to cut 10 per cent off the starting NNDR poundage would change the balance of gains and losses for businesses. Gainers from the introduction of the NNDR taken alone would outnumber losers by 3:1. But the effects would not of course be seen by themselves: they would be substantially obscured by the revaluation. This would reduce the presentational advantages of the move, which would in any case do little to ameliorate the worst losses.

7. The cost of the proposal is also very high (£800m). You will want the Chancellor of the Exchequer's views on this, and on the proposal that other business taxes should be increased to compensate. I imagine that he will be very strongly opposed to what is in effect a major fiscal proposal which requires much more careful consideration than the cursory presentation in this paper.

Upper limit on increase in rateable values

8. The proposal to limit very large increases in rateable values at the revaluation could help to reduce the burden on the other transitional arrangements. But Mr Ridley does not say what sort of limit he has in mind. If it were too tight, it might distort the overall pattern of rateable values, and prevent businesses whose premises are currently over valued benefitting in full from the revaluation. But some limit on the more extreme increases seems sensible.

Phasing the largest increases and reductions over 5 years

9. Mr Ridley proposes a form of phasing which would allow all changes up to a fixed percentage of 15-20 per cent to come through immediately. Larger changes would come through in 15-20 per cent tranches until they were fully effective. This would be after 5 years in the worst cases. There would be increases due to the indexation of the NNDR poundage on top of this. The phasing of losses would be balanced by the phasing of the largest gains.

10. Phasing of this sort will still allow very substantial increases each year. But that could only be avoided with a much longer transition, which itself is unattractive. The balancing of gains and losses will also be controversial. Businesses with large potential cuts in their rate bills will complain bitterly about the delay. Since they will be those whose premises are overvalued at present and/or in areas with high spending authorities, they will be able to mount an effective case. You may want to ask Mr Ridley to consider alternative options for meeting the cost of transition for the heaviest losers: for example, a rather higher starting NNDR poundage, which would mean that all other non-domestic ratepayers would contribute to transitional protection, rather than just those with the biggest potential gains.

Uprating Arrangements

11. Mr Ridley proposes (paragraphs 15 and 16) that the Committee should reverse its earlier decision to take a power to index the NNDR by less than the increase in the RPI. There seems no good reason for this; indeed the rest of Mr Ridley's paper points in the direction of retaining that measure of discretion. You may recall also that last November E(LF) was concerned that automatic indexing would give local government access to a very bouyant tax, because of the gradual increase in overall rateable values.

Timing

12. There is no need to take decisions on the details of transitional arrangements at this stage. You may simply want to agree whether a general line is needed which can be used in public to deflect criticism of the NNDR proposals - a decision that the largest losses whould be phased over 5 years might suffice for that. Mr Ridley could then be asked to develop his detailed proposals further, together with arrangements for running the NNDR pool to which he refers at the end of his paper.

HANDLING

13. You will wish to ask the Environment Secretary to introduce his paper. The Welsh Secretary, the Chancellor of the Exchequer and other Ministers will also wish to contribute.

J B UNWIN

29 April 1987
Cabinet Office

10 DOWNING STREET

Prime Minister

You should be aware of this answer.
(The Green Paper had said that everyone would contribute.)

DHW
29/4.

Mr. Stanley: These are matters for the United States Administration. On this matter, as the hon. Gentleman will know, the President of the United States has recently set up a commission to advise himself on the policy way forward.

Defence Procurement

14. **Mr. Thurnham** asked the Secretary of State for Defence when he will be reporting on potential savings on his defence procurement policy.

The Minister of State for Defence Procurement (Mr. Adam Butler): The significant improvements in value for money which are resulting from our drive to extend competition in defence procurement have already been reported in this year's Statement on the Defence Estimates. Chapter 5 gives some notable examples, including the new Royal Air Force trainer, where the final price was as much as a third lower than the original estimate of what we might have had to pay. I also gave evidence to the House of Commons Defence Committee on 11 December 1984.

All our recent experience clearly indicates that there are further and greater potential savings to be achieved from the continuing exercise of our competition policy.

Mr. Thurnham: Is my right hon. Friend confident that he can achieve the savings that are implicit in the Government's future expenditure plans?

Mr. Butler: Of course, no targets are set, but if present trends continue I hope for a very good result. It is significant that during the last month for which I have complete figures, more than two thirds of new contracts by value were brought about through competition or priced otherwise by reference to market forces.

PRIME MINISTER

Engagements

Q1. **Mr. Gareth Wardell** asked the Prime Minister if she will list her official engagements for Tuesday 4 June 1985.

The Prime Minister (Mrs. Margaret Thatcher): This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today. This evening I hope to have an audience of Her Majesty the Queen.

Mr. Wardell: As one of the aims of the social security review is to simplify the system, why will not the Prime Minister establish a legal minimum wage and retain wages councils rather than subsidise employers through the new family credit scheme?

The Prime Minister: There is a consultative document about the future of wages councils, which has still to be decided. Evidence shows that if we set a legal minimum wage that tends to lead to increased unemployment.

Mr. Latham: When my right hon. Friend met Mr. Shamir, the Israeli Foreign Minister, this morning, did she stress Britain's total commitment to resolution 242 and to the right of Israel to exist within secure borders?

The Prime Minister: We referred to the Camp David agreement, which sets out explicitly that the legitimate rights of the Palestinian people should be honoured. As my hon. Friend knows, we fully support resolution 242.

Mr. Kinnock: Can the Prime Minister explain why, in the social security proposals outlined yesterday, no figures were given for the amounts that the unemployed, the sick and disabled, pensioners and families may expect to receive under any new arrangements? Why were no figures given for the number of households that can expect to lose as a consequence of the loss of housing benefit?

The Prime Minister: In accordance with custom, we have still to decide the figures for this year's uprating—*[Interruption]*. It is according to custom. It is done either on a historical basis or on a forecast. We rejected the forecast and chose the historical basis. That means that we must wait for the May retail price index figures, which are not published until June—[*Interruption.*] That method has been approved by the House. It is more certain than forecasting. As we have yet to decide this year's figures, we are hardly likely to decide figures for two years hence.

Mr. Kinnock: We have been told that this is a major shake-up of the social security system. Is the Prime Minister really trying to tell us that after thousands of hours of civil servants' time, endless wrangling in Government committees and three Cabinet meetings, she has no facts, no figures and no estimates? We are not asking for precise figures; we want dependable estimates of what the effect will be on families who need the benefit incomes of which they are about to be deprived.

The Prime Minister: The right hon. Gentleman clearly drafted that supplementary question before he heard my reply to his original question. He might recall that even his Government determined the uprating annually on a forecast basis. We do it on an historical basis. His Government followed that procedure. We uprate each year and we like to know precisely what the figures are before we decide the uprating.

Mr. Kinnock: With the celebrated toings and froings, the postponed Cabinet meetings and the wrangles that took place, absolutely nobody can be reasonably expected to accept what the Prime Minister has said. Is it not a fact that she is trying to hide what the outcome of the proposals will be, and that even she is ashamed of her proposals? Can she not give figures? Is she afraid? Is she innumerate or simply mendacious?

The Prime Minister: No, Mr. Speaker, factual. There has been an annual uprating of social security benefits for many years. That is the fact. It is only the right hon. Gentleman who is capable of ignoring the facts. He cannot be expected to be believed if he does.

Mr. McCrindle: Does the Prime Minister think that we ought to draw any conclusions from the fact that the Leader of the Opposition is no longer prepared to leave social security matters to the hon. Member for Oldham, West (Mr. Meacher)?

The Prime Minister: I am not sure whether that is an improvement or otherwise.

Mr. Steel: Will the Prime Minister confirm one aspect of the proposals announced yesterday? Is it the case that elderly people on low incomes, living in purpose-built housing, will in future find themselves losing part of their rate rebate and also, unless they are on supplementary benefit, housing benefit as well? If that is the case, does not the Prime Minister recognise that that means that many

elderly people will not be able to afford to go on living in accommodation which successive Governments have encouraged to be specially built for them?

The Prime Minister: In the Green Paper, as the right hon. Gentleman is aware, it is intended that everyone shall be expected to pay some contribution towards rates, save possibly, those on supplementary benefit. I think it is right that everyone should be expected to make a contribution towards rates so that we do not have a position in which those who make no contribution at all can demand enormous increases in local authority expenditure at the expense of other people.

Sir Ian Gilmour: Can my right hon. Friend clear up one point? Why is it suggested that everybody should have to make a contribution to rates when we understand that rates are to be abolished?

The Prime Minister: My right hon. Friend will have heard that point referred to in my right hon. Friend's statement yesterday, if in fact he heard it. In the meantime there are rates. We cannot say what will happen if we bring forward legislation to change rates to other taxes.

Q2. **Mr. Kirkwood** asked the Prime Minister if she will list her official engagements for Tuesday 4 June.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Kirkwood: Returning to the dearth of information in terms of detailed figures in the social security review, may I ask the Prime Minister to confirm that in the Rowe report on housing benefit, paragraph 319 refers to the detailed analyses and computer studies that were available. Why have the Government not made them available to the House? I warn her that if she does not do that and does not put some arithmetical flesh on the bones of the new structure, she will stand accused of wilfully attempting to stymie comment or, worse, she will be accused of political cowardice.

The Prime Minister: No, Mr. Speaker. This is a Green Paper. If the hon. Member looks in some of the separate volumes he will find many figures already there on a number of things; there are far too many to have been absorbed in the short time in which the paper has been out. We are not yet prepared to put figures to particular benefits for very good reasons because we believe in sound finance — *[Interruption]*. Yes, Mr Speaker. It was the Government the right hon. Gentleman's party supported that did not believe in sound finance. It was the Labour Government that took us to the International Monetary Fund. We believe in sound finance and we shall wait until we are nearer the time to determine the uprating. It is the Labour party that believes in spend, spend, spend, with no thought of where the burden will be put on the working population.

Q3. **Mr. Forth** asked the Prime Minister if she will list her official engagements for Tuesday 4 June.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Forth: Does my right hon. Friend agree that the present social security system to which the Opposition seem irretrievably wedded is so complex that many people in need do not take up the benefits to which they are entitled? Does she therefore believe that the bold reforms proposed yesterday by our right hon. Friend will enable many people in real need to take up benefits to which they are entitled—something effectively denied them by the Opposition?

The Prime Minister: Yes, Mr Speaker. I hope that it will also enable most of those entitled to benefit to understand how the benefits are calculated, which is virtually impossible at the moment.

Mr. Foot: Can the Prime Minister tell us whether the real figures that have been discussed in Cabinet and that were suppressed in the Green Paper will be published in the White Paper?

The Prime Minister: We have yet to determine what the upratings and figures will be. I said earlier that we have not yet decided on the upratings, which are due to take place in November. It is, therefore, not the time to decide what will happen in a few years' time.

Mr. Tracey: Given the prediction that there will be many more pensioners in the first quarter of the next century and the fact that the Opposition would change nothing, will my right hon. Friend confirm the estimate of one leading journal that our children could be paying a basic income tax rate of up to 45 per cent. to fund pensions?

The Prime Minister: Bearing in mind the promises that the Opposition regularly make for increases on everything, this country would soon be bankrupt with the policies that they propose.

4. **Mr. Loyden** asked the Prime Minister if she will list her official engagements for Tuesday 4 June.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Loyden: At a time of mass unemployment and growing poverty how can the Prime Minister justify what will clearly be seen as a blatant and vicious attack upon the poorest sections of our community? Is it not a fact that the Prime Minister fails absolutely to understand the reality of poverty and that her intention is to make the poor pay for the crisis that she and her Government have brought about?

The Prime Minister: If the hon. Gentleman had listened to the statement made yesterday he would have heard that one of the objects of restructuring the welfare state is to see that those in need, especially needy families who are in work as well as those out of work, profit more from the social welfare system than they do at present.

Mrs. Rumbold: Some years ago the right hon. Member for Glasgow, Hillhead (Mr. Jenkins) in a different incarnation said that the permissive society was a civilised society. In the light of the recent football hooliganism, would my right hon. Friend care to comment on whether that might be the approach of the Social Democratic party to such behaviour?

The Prime Minister: In any society, we all have to live by rules. We all have to uphold those rules and the law. Beyond that, we live within our own self-discipline or become prey to every whim, appetite and instinct. Most of us prefer to live by the rules of society.

5. **Mr. Cartwright** asked the Prime Minister if she will list her official engagements for Tuesday 4 June.

SECRET

CCB/UP.

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PRIME MINISTER

MINIMUM CONTRIBUTION TO DOMESTIC RATES

The discussion of the minimum contribution and compensation for the poorest people in the papers below is very largely based on the effects at the moment of changeover, April 1988, when domestic rates will still be very much in existence.

The distribution effects may well be different when the community charge is introduced.

As you know, the ILEA is a major factor in the range of the community charge and Mr. Ridley and Mr. Baker are considering other options for its future, following your recent meeting.

I wonder whether one option would be to postpone the introduction of the community charge for the ILEA boroughs by a few years. This would allow time for rate-capping to bring ILEA spending nearer to the national average and so reduce the effect on the community charge when it is introduced.

(Now in your folder, below.) I understand that DHSS will be circulating fresh distributional tables at tomorrow's meeting: the tables they have sent to you assume some cash protection for existing benefit recipients. The effect on new benefit recipients will be larger.

DAVID NORGROVE

29 April 1987

SECRET

LOSAIL

PRIME MINISTER 29 April 1987

MEETING OF E(LF)

You are meeting after Cabinet tomorrow to discuss the minimum contribution that householders will be expected to make to domestic rates under the new housing benefit arrangements that come into force on 1 April 1988, and the initial level of and transitional arrangements for the national non-domestic rate.

Minimum contribution to domestic rates

Norman Fowler proposes confirming the decision that from 1 April 1988 householders will be expected to meet at least 20% of their domestic rates. We agree with this.

He also proposes that in setting the level of income support benefits from 1 April 1988 additional resources should be provided to enable benefit recipients to meet the 20% of their rate bill they will face for the first time. Without an increase in benefit the standard of living of benefit recipients will be reduced. On the other hand, replacing a proportion of housing benefit, which is available to householders both in and out of work, with an increase in benefit rates generally will reduce incentives to work (although this effect could be reduced by increasing family credit as well). We therefore favour increasing benefit rates only for those groups who are not in the labour market, ie pensioners and the long term sick and disabled. This approach can be defended as ensuring that those groups most in need are broadly protected from the change in housing benefit regulations.

The National Non-Domestic Rate

Mr Ridley proposes taking power to:

1. set the poundage for the National Non-Domestic Rate (NNDR) below the level needed to maintain revenue from non-domestic rates;

2. put a cap on the increases in rateable values that result from revaluation;

3. phase in the NNDR over five years.

A lower starting poundage for the NNDR will increase the number of gainers and reduce the number of losers from the change. It will also moderate the impact in areas that will otherwise face large increases in non-domestic rates. However, it is not clear how Mr Ridley proposes to compensate for any resulting reduction in revenue. Although he is only seeking a power to make such reduction its inclusion on the face of the legislation will lead to pressure on the Government to use it. In practice the cost will be met either by reductions in public expenditure, an increase in Corporation Tax or pre-empting some of the Chancellor's fiscal adjustment. We think it is unwise to take a decision in principle on this issue until further thought has been given to the question of how the short fall in finance would be made up.

We see no such difficulty with the proposal to limit the increase in rateable values on revaluation. This affects the distribution of the burden of the NNDR but not the total amount levied.

The NNDR will be introduced for the first time in 1990. Mr Ridley proposes phasing in the charge over the five year period up to 1995 by placing a limit on the increase in rate

bill faced by individuals in any one year. This ensures that phasing applies only to those businesses facing the greatest impact. There are some attractions in introducing the NNDR without a transitional period because it would concentrate the problems in a single year rather than the Government facing criticism and requests for further concessions each year over a five year period. Although some businesses will face very large percentage rate increases it is not clear how large these increases will be as a proportion of their total costs. If the proportion is relatively small for the vast majority of businesses the balance of advantage is against a transitional period. If, on the contrary, a significant proportion of businesses will face substantial increases in their total costs the balance of advantage is in favour of a transition in order to give them time to adapt. Further work needs to be done on this.

Finally, Mr Ridley now proposes going on back on E(LF)'s decision to give the Chancellor discretion to increase the NNDR by less than the rate of inflation. He argues that this is a less effective way of reducing the impact of the NNDR on business costs than his current proposal to reduce the initial poundage and that taking such a power reinforces the criticism that the NNDR is a new national tax and if used, would allow local authorities to blame the Government for increases in the Community Charge. We do not find these arguments particularly strong. We earlier argued that the increase in the NNDR should be something less than the rate of inflation, in order to exert pressure on local authorities to improve efficiency. But failing that, we see advantage in the Chancellor retaining a power to reduce the rate of increase in the NNDR.

Conclusions

We support the proposal to fix the maximum level of assistance with rates at 80%. We do not favour increasing all benefit rates to compensate but see a case for increasing them for pensioners and the long term sick and disabled.

No decision should be taken on reducing the initial poundage for the NNDR until thought has been given to how the Government will compensate for the reduced revenue. Further work also needs to be done on the impact of increased rate bills on companies' costs before a decision can be taken on a transitional period since there are some presentational attractions in getting the transition over as quickly as possible. But we support the proposal to place a cap on the increase in rateable values arising from the proposed revaluation. However, we favour placing a limit below the rate of inflation on the annual increase in the NNDR or at least maintaining the earlier decision to give the Chancellor discretion to vary the NNDR by less than the rate of inflation.

Peter Stredder

PETER STREDDER

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P 02656

PRIME MINISTER

Minimum Contribution to Domestic Rates

[E(LF)(87) 9]

DECISIONS

The Committee needs to decide:

i. whether to confirm that the maximum rate of rebates towards domestic rates, and later the community charge, should be 80 per cent, leaving all taxpayers to find 20 per cent from their own pockets;

ii. whether to increase the levels of income-related benefits from April 1988 to help the poorest beneficaries to meet their new rates and community charge liabilities.

BACKGROUND

2. You asked Mr Fowler to bring this paper forward at E(LF) on Thursday 23 April (E(LF)(87) 6th Meeting) when you considered exemptions from the community charge in the context of the Abolition of Domestic Rates Etc (Scotland) (ADRES) Bill. You had agreed that:

i. the severely mentally handicapped should be exempt from the community charge;

ii. residents of certain homes and hostels should be exempt, but that these institutions should continue to pay non-domestic rates which would be reflected in their charges;

iii. a tightly defined group of the disabled should be eligible for rebates up to 100 per cent;

iv. students' liability for the charge should be restricted to the same proportion as those on the maximum benefit rate.

You were concerned to reach a firm decision on the maximum general benefit rate (so far 80 per cent has been used as an indicative figure, but it has never been finally decided), and to reconsider whether some help should be given through income support to those on the very lowest incomes. So far, the Government have avoided making public commitments, either way, on whether such help should be available, on the grounds that the 80 per cent figure is illustrative only.

3. The decision to limit assistance with rates was taken in March 1985 as part of the review of social security. Its purpose was to make local authorities more accountable by requiring all ratepayers to make an explicit contribution to the cost of the policies their representatives adopt. It would also apply to the new community charge which is to replace domestic rates, with the effect that all adults (except the severely disabled whom it has been agreed to exempt) would pay at least a percentage of the charge.

Mr Fowler's proposals

4. Mr Fowler now proposes that the Government should confirm this earlier decision, and agree that the maximum general benefit rate should indeed be the 80 per cent figure which has been used widely in public. But he proposes that the levels of income support which will be brought into operation from 1 April 1988 should be increased to help people at that income level to meet the cost of their new 20 per cent liability. Of the options available, Mr Fowler recommends a blanket increase in the income support basic rate, rather than a targetted increase going only to, for example, pensioners or the disabled. I understand that Mr Fowler will be circulating today a further note which will contain estimates of the costs of this proposal and the other options he considers but rejects. I have used provisional DHSS figures in this brief.

ISSUES

Maximum rate of benefit

5. The arguments of accountability apply as much now as when the maximum rate of benefit was first agreed. If benefits continued to be paid generally at rates up to 100 per cent, there would be a substantial number of households who paid no domestic rates - 3 1/2 million households are in this position at present. From 1989 in Scotland and from 1990 in England and Wales there would be a large number of adults who paid no community charge. They would nevertheless continue to vote in local elections, and would influence the expenditure decisions of councils without bearing any part of the cost.

6. On the other hand, it has to be recognised that the poorest households have very low incomes out of which to meet rates or the community charge. Furthermore, while 20 per cent of the average community charge might amount to only £1 per week per adult, it may be much more in some areas, and particularly in central London. This problem of the variation in individual rates and charges can be addressed only through housing benefit, because it is the only benefit which is related to an individual's actual liability.

7. Mr Fowler reviews two alternatives to an 80 per cent limit on rebates:

a. an increase in benefit rates to 100 per cent in certain cases. This would be a substantial breach of the principle that everybody should pay something, would weaken accountability, and would give up the ground that was defended last year when a Lords amendment to the Social Security Bill was reversed in the Commons. I understand it might cost £350 m in a full year;

b. an increase to 90 per cent in certain cases. This would halve the burden on some individuals, and thus again weaken accountability. The administrative costs of collecting only

10 per cent of the community charge would also be disproportionate to the extra income. I understand that this option might cost £180 m in a full year.

For the reasons given above, Mr Fowler rejects both of these options. If the Committee agrees, it will have to accept that if any extra support is provided to those on the lowest incomes, it will not reflect variations in the actual rates or community charges they pay.

Increased rates of income support

8. Mr Fowler instead favours increasing income support benefit rates for the most vulnerable groups by a fixed amount which would reflect average liabilities to rates or the community charge. He considers three options:

a. a blanket approach, under which the basic rate would be raised so that everybody entitled to income support would get extra money. I understand this would cost £350m if the additional benefit was £1.30 per week, reflecting the full average liability;

b. a selective approach which would give increased benefit to the premium groups (pensioners, families with children, disabled people and lone parents) who have already been identified for higher levels of income support. I understand this might cost about £290m;

c. an even more selective approach would would help only some of these groups, at proportionately lower cost.

He favours the (most expensive) blanket approach of support to all those on the lowest incomes.

9. As indicated above, the Government have so far avoided making any final commitment on helping the poorest people to pay their 20 per cent liability and in their original discussions (in March

1985) MISC 111 agreed that losers should not be assisted generally through Supplementary Benefit (which Income Support will replace). The issue would, however, have become of more public interest over the next few weeks if Mr Fowler had consulted the local authority associations, as he intended, on the final draft of the housing benefit regulations. That draft would have restated the 80 per cent maximum rebate as an illustrative figure.

10. On technical grounds, if it is decided to make some help available, Mr Fowler's approach would work reasonably well once the community charge is in place. The Government would be in a position to say that either all those on the lowest incomes or a more selective group had been given extra money to help meet the remaining 20 per cent of the average community charge. But the approach is less satisfactory while domestic rates remain in being. Recipients of income support would get extra benefit regardless of whether they actually paid rates, or of the level of those rates (which are of course affected by ratable values as well as the local authority's rate poundage). Under the streamlined social security arrangements coming into force next April, however, income support is the only system that can be used to deliver the kind of help that is in question. The choice is, therefore, between increasing income support (either on a blanket basis or selectively) or doing nothing.

11. The proposals are, however, extremely expensive and would ratchet up the social security programme under the new arrangements from April 1988. This is precisely what you have been concerned to avoid; indeed, much effort was spent in last years's Star Chamber on considering whether the starting rates in April 1988 could be reduced, not increased.

Reaction of other Ministers

12. The other Ministers principally concerned are highly unlikely to challenge the proposal to confirm 80 per cent as the maximum general rate of benefit. However, for the reasons above, the Chief Secretary will strongly resist such a large increase in the

overall cost of income support, which would substantially reduce the savings associated with the new social security arrangements.

13. The Employment Secretary may argue that Mr Fowler's proposals would also act as a disincentive to find work. Mr Fowler will respond that, while that might have been true if in the case of Supplementary Benefit, it will not be true of income support, where any increase automatically feeds through into housing benefit and family credit. It is not a consequential of Mr Fowler's proposals that unemployment benefit need be increased.

HANDLING

14. You will want to ask the Secretary of State for Social Services to introduce his paper. The Environment Secretary, the Welsh Secretary the Scottish Secretary and the Employment Secretary will wish to comment on the implications for them. The Chief Secretary, Treasury will wish to speak about the implications for public expenditure. Other Ministers will also wish to contribute.

15. Finally, it is vital that you should ensure that the meeting decides the timing of any announcements of the decisions taken. You might ask Mr Fowler for his suggestions on this, once the substantive decisions are taken. If you decide in favour of increasing income support, there are obvious arguments for an early announcement. If you decide against this you may wish to postpone any statement for as long as possible.

J B UNWIN

29 April 1987
Cabinet Office

CONFIDENTIAL

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bc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 April 1987

Dear Robin,

COMMUNITY CHARGE: EXEMPTIONS AND RELIEFS

The Prime Minister has seen your Secretary of State's minute of 28 April about exemptions and reliefs from the community charge and has noted his intention to circulate proposals as necessary in due course on how the problems he describes should be tackled.

I am copying this letter to the Private Secretaries to the Lord President, the members of E(LF) and Sir Robert Armstrong.

Yours,

David.

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

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Prime Minister 2
Rarely for the
second page of this.
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Prime Minister

COMMUNITY CHARGE: EXEMPTIONS AND RELIEFS

ATTACHED

At E(LF) on 23 April we agreed a number of further exemptions and reliefs from the community charge. But we did not have time to consider all the detailed implications. I am therefore minuting you to put on the record some of the consequential issues which we must return to at a later stage.

As we recognised at the meeting, we will need to provide for workable administrative arrangements to enable local authorities to decide who should benefit from the exemptions. Some of the cases will be contentious and there will need to be provisions for appeal. Where necessary we may need to allow for appeals tribunals to consider expert evidence - particularly in cases involving the mentally handicapped.

I am particularly concerned that we should limit the scope for abuse of the proposal for a flat rate of 20% payment by students. I am content that the Scottish Bill should be amended to allow these matters to be settled by order. But there will need to be controls to ensure that those institutions offering full time courses are in fact doing so and that those students that have signed on for such courses are actually attending and not merely using their enrolment to avoid paying the full community charge.

I think we shall have to return to the subject of exemptions to consider how far the present boundary line is defensible. The fact that we have given some ground will encourage pressure groups to renew the arguments for further exemptions and I foresee particular difficulties from those representing:

- old people living in the community who will feel that it is unjust if those in old peoples' homes are exempt while they have to pay;

- hostels run by bodies like the Salvation Army which seem not to be covered by the Homes and Hostels exemption we have agreed;

- young people on MSC schemes or in low paid jobs who could be paying a larger proportion of the community charge than students who may have larger incomes.

We shall also need to consider how the cost of the exemptions is to be met. My officials estimate that the total number affected by our revisions might by 1.3 million people and the total cost of the exemptions might be around £180 million or £5 per adult community charge payer. This would not matter too much if it were evenly spread but there are significant variations in the location of, for example, universities and old peoples' homes, in different parts of the country. We shall need to consider what grant arrangements are necessary to compensate for the shortfall of income which will affect some authorities.

I have asked my officials to explore all of these issues in more detail with the other Departments concerned and I will circulate proposals as necessary in due course.

I am copying this to the Lord President, members of E(LF) and Sir Robert Armstrong.

NR

N R

28 April 1987

CONFIDENTIAL

CCBG

Prime Minister 2
Rarely for the second page of this.
DCV
28/4.

Prime Minister

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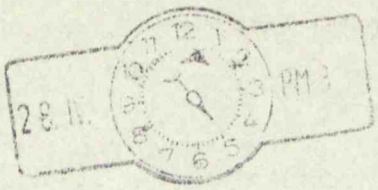
28 April 1987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CC/BG

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PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR THE ARMED FORCES

Rt Hon Lord Glenarthur
Minister of State
Scottish Office

D/US of S(AF)RNF 5/2/3

NRBM - 28th April 1987

Dear Simon,

attar

In your letter of 20 April you sought George Younger's views on the position of British Servicemen in relation to the Abolition of Domestic Rates Etc (Scotland) Bill, on how the position of visiting forces might be dealt with under the new legislation and how you might respond if further questions on these points are raised during Report Stage beginning on 28 April. I am writing formally to confirm the advice that I gave you earlier today by fax.

As regards the position of British Servicemen I can confirm that my Department are currently considering the implications of the new community charges for British Service personnel stationed in Scotland and will be reviewing the basis of the assessment of Service accommodation charges to see whether changes need to be made in the light of the new system. If further questions are raised at Report Stage I would suggest that you reply along those lines. I agree that it would be inappropriate for this matter to be dealt with in your Bill.

The position of members of visiting forces, and their civilian components, will be different. The NATO Status of Forces Agreement includes a provision that, when the legal incidence of any form of taxation in the receiving state depends upon residence or domicile, periods during which a member of a force or civilian component is in the territory of that state by reason solely of his being a member of such a force or civilian component shall not be considered as periods of residence therein. In order to give effect to this provision in UK law it will be necessary to legislate to provide for members of visiting forces, allied headquarters and their civilian

components to be exempted from the personal community charge. In addition, it will be necessary to legislate to extend to visiting forces the exemption from the standard and collective community charges which home forces will enjoy by virtue of Crown exemption.

Our officials have been discussing what form such legislation might take. The solution referred to in paragraph 4 of your letter would have enabled a provision to exempt visiting forces from the personal community charge to be included in the Bill now going through Parliament. However, I understand that Treasury officials have advised the Chief Secretary that no decisions should be taken about the position of visiting forces until there has been an opportunity to consider the position of other foreign residents, eg diplomatic staff, and that it would therefore be premature to provide for the exemption of visiting forces in the Scottish Bill itself.

It has therefore been proposed that the position of visiting forces and diplomats should be covered throughout Great Britain in the forthcoming bill to reform rates in England and Wales, on the basis that this would be enacted before the Scottish Act came into operation on 1 April 1989. I understand that this presents the DOE with no difficulty in legislative terms and on this assumption I am content for the exemption of visiting forces to be dealt with on this basis. If the matter is raised again at Report Stage you could say that the position of foreign forces and diplomats in this country was under study and some aspects would probably require consultation with other Governments. Further legislation might be required, in which case the Government would bring this forward in time for enactment before the new arrangements come into operation in Scotland on 1 April 1989. In any circumstances, the Government would honour its international obligations under the NATO Status of Forces Agreement and under the Vienna Convention.

I am copying this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Lord President of the Council and Members of E(LF) and also to Sir Robert Armstrong.

Yours ever

Roger

Roger Freeman

LOCAL GOVT : Rating PT6.

cc BG.

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

24 April 1987

Dear Willie

NBM.

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

I have seen the latest letters from Nicholas Ridley (11 April) and from Quintin Hailsham (9 April) on this subject.

In view of colleagues' concern I agree with Nicholas that we should drop the idea of liability extending back before marriage or cohabitation. But I think that his suggested alternative would attract considerable critiçism because of the assumption we would be seen to be making. In effect, Nicholas resolves the problem by treating all couples as if they were unmarried; and I think that this does not sit well with our more general approach to the family. I have considered as an alternative a rolling joint and several liability which would be restricted to each current and preceding financial year. This would do away with many ofthe problems associated with establishing when liability should begin, while severely curtailing the degree of retrospection. But if colleagues still find this limited amount of retrospection unacceptable, then I would support Quintin's proposal.

I am copying this letter to the Prime Minister, members of E(LF), the Lord Chancellor and Sir Robert Armstrong.

Yours ever

Nic

The Rt Honourable Viscount Whitelaw CH MC
Lord President of the Council

Locke
Gut
Kates
PTG

310.

CCBG
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K01617

PRIME MINISTER

E(LF): THE COMMUNITY CHARGE AND STUDENTS

The Education Secretary's minute to you yesterday evening argues that in England and Wales it would be very difficult to find a way of reimbursing students through their grants that could take account of the wide variety of community charges there. Accordingly, Mr Baker suggests a totally new approach for putting students in funds to pay 80% of the charge, separately from the grant system. Such a scheme would be operated by educational institutions themselves and would represent a substantial new administrative machinery for them.

2. We understand that Scottish ministers may very well take the view that their educational institutions would simply not take on the extra work that Mr Baker is suggesting. They will say that for Scotland a grant-based system with an element of rough justice remains the best approach. It was specifically agreed in the E(LF) discussion last October (E(LF)(86)4th meeting) that the decision on students in Scotland "did not necessarily commit the Government to adopt the same approach to compensation when the community charge was introduced throughout Great Britain".

CONCLUSIONS

3. Mr Baker's minute merely underlines that any system of applying the community charge to students in England and Wales is likely to be very different from what is proposed for Scotland.

4. The first point that you will want E(LF) to address is simply to confirm that it will be politically sustainable for the Scotland arrangements to be cast as presently proposed, in the knowledge that England and Wales will be markedly different.

5. Assuming that E(LF) endorse that, the second point to consider will be Mr Rifkind's specific suggestion for a 50% regime for foreign students etc. The earlier brief suggested that this might risk appearing to raise some anomalies.

AJL

A J LANGDON

23 April 1987

PRIME MINISTER

Abolition of Domestic Rates Etc (Scotland) Bill:

Exemptions from the Community Charge

[E(LF)(87)7 and 8; the Environment Secretary's minute to you of 10 April is also relevant]

DECISIONS

The Committee needs to decide whether Scottish Ministers steering the Abolition of Domestic Rates Etc (Scotland) (ADRES) Bill through the House of Lords should make concessions in response to pressure for further exemptions from the community charge. The main groups for whom exemptions are being sought are:

i. the severely mentally handicapped;

ii. the physically disabled;

iii. other low income groups such as pensioners and participants in YTS and other MSC schemes;

iv. university students.

For the handicapped and disabled exemption could either be on a personal basis, or on the basis of residence in certain categories of homes and hostels, or both.

BACKGROUND

2. The community charge proposed in the Green Paper "Paying for Local Government" was intended to be a universal obligation on all

adults. At the same time changes in the social security system which are due to come into effect from 1988/89 will limit housing benefit to a maximum of 80 per cent of an individual's rate or community charge liability. These measures will enhance accountability by ensuring that all those who are eligible to vote in local government elections will have to bear part of the cost of the policies their representatives follow. So far only two exemptions from the charge have been agreed, for long-term hospital patients and convicted prisoners: in both cases it can be argued that electoral accountability does not apply.

3. E(LF) has been at great pains not to make any further concessions unless and until it became clear that something more was needed in order to carry the ADRES Bill. Various suggestions for concessions have, therefore, been deliberately put aside since last September. A note of these, together with the current proposals, is attached at Annex A.

4. The moment has now come for taking the final decisions against a very tight timetable. The ADRES Bill is due to have its Report in the House of Lords on Tuesday 28 April (with Third Reading scheduled for 11 May). Scottish ministers are clear that the Lords will fight hard for some concessions in respect of the mentally handicapped, the disabled and students, and they propoose a limited package on which they believe the Lords would settle. They fear that if this package is not delivered, the Lords will write in far wider concessions that the Government could not possibly accept. Any concessions made now will tend to weaken local electoral accountability, and will be likely to set the

scene for what is done in England and Wales. You will wish to ensure that any concessions that are offered are the very minimum that is needed to secure the ADRES Bill's Royal Assent on its present timetable.

MAIN ISSUES

5. E(LF)(87)8 proposes three concessions on compassionate grounds. E(LF)(87)7 deals with students. It will be convenient to take each group separately.

Mentally handicapped

6. An exemption for the severely mentally handicapped can be argued on the grounds that accountability cannot realistically apply in their case. It would be relatively restricted, applying to perhaps 120,000 people in Great Britain. Mr Ridley's minute to you of 10 April makes it clear that he could accept it. Mr Fowler may however oppose it on the grounds that it raises substantial problems of defining the degree of handicap which would qualify, and that it would in any case be invidious to classify mentally handicapped people in this way. At the earlier E(LF) discussion on this point you were keen that people who make great sacrifices to keep handicapped people at home should not be given a financial incentive to stigmatise them.

7. Despite the counter-arguments, an exemption for the mentally handicapped may represent the minimum possible concession. But, given the definitional problems, it might be advisable to take a

power to specify exactly which category of people would be eligible by Order rather than try to build a definition into primary legislation.

Residents of homes and hostels

8. An exemption for all residents of certain homes and hostels is more difficult to reconcile with the policy of increased accountability. A significant proportion of residents can be expected to vote, and to be able to pay at least a share of the community charge. It would exempt about 360,000 people in Great Britain, three times the number of severely mentally handicapped people. It would also clash with policies on care in the community, since it would exempt people resident in homes and hostels but not those with similar problems in the community.

9. Against this, Mr Rifkind and Mr Fowler can be exepted to argue that residents of homes and hostels do not pay domestic rates, and are outside the housing benefit system. Making them subject to the community charge will involve substantial administrative costs in bringing them into the benefit system. Defining the difference between a hospital and a nursing home may also be difficult: but problems of this sort are likely to arise wherever the boundary is drawn. Above all, in present circumstances, the Lords' concern to do something for the old and decrepit may be a paramount consideration.

The Disabled

10. The case for higher rates of rebate (up to 100 per cent) for some disabled people seems to rest not on the argument that

accountability cannot apply, but on the ground that they have low incomes and high expenditure. But those whom Mr Rifkind proposes should be eligible (about 220,000 in Great Britain) are just those who qualify for special payments. It is not clear that after these payments they are worse off than other low income groups. If they are, a better approach might be to increase those payments, much in the same way as is proposed for students. The alternative proposed by the Scottish Secretary would break the 80% limit on rate and community charge rebate and set a precedent that could be very difficult to handle when the new housing benefit limits are brought into force next year. Mr Fowler may well argue against the proposal on those grounds.

Students

11. Mr Rifkind's proposal to change the basis of additional student grants from 80 per cent of the average community charge to 80 per cent of the actual charge in the relevant university town is a technicality which seems unlikely to sway Peers who oppose the Bill. It might be more difficult to apply in England than in Scotland - for example, an assumption that students at a college in central London live in the same borough is not realistic. But E(LF) has already recognised that different arrangements may need to apply south of the border.

12. It is far more difficult to see a logical case for requiring foreign students and others not eligible for grants to pay only 50 per cent of the community charge. (This would mean that students on grants paid 20% of the community charge, while foreign and other students not eligible for grants paid 50%.)

Mr Rifkind acknowledges that the charge is unlikely to deter foreign students, and that there is a good case for requiring them to pay. A 50 per cent charge would also be a completely new element of the arrangements, and could introduce substantial new problems for local authorities in determining eligibility. If this is indeed a price that has to be paid for getting the Bill through the Lords it is one that will result in a confusing system that may be difficult to present. At the outset of this exercise E(LF) considered Mr Baker's arguments for exempting students and Mr Rifkind's for including them as fully as possible. That point was settled in Mr Rifkind's favour. But a compromise between those two clear-cut points of view does look very awkward.

Financial implications

13. Some of the proposals would reduce income from the community charge. Others would also increase public expenditure, on administration or on benefits. None of these effects are quantified but it would be unrealistic for this to be done in any detail against the parliamentary timetable.

Tied houses

14. Mr Ridley also refers in his minute to you of 10 April to the taxation of payments which employers may make in respect of the community charges of employees and their families living in tied houses. The position is that such payments will count at tax-deductable expenses of the employer so long as they are part of the employee's contact of service. But from the employee's point of view they will be taxable income: this is the point

Mr Ridley is keen to reinforce. However, this is not currently at issue. It has been accepted by all concerned in recent correspondence between Mr Rifkind, Mr Ridley and the Chief Secretary.

HANDLING

15. You will wish to ask the Scottish Secretary to describe the position on the ADRES Bill and to introduce both his papers.

16. Before the discussion turns to the specific proposals, you will wish to ask the Lord President to comment

i. on the timetable for the Bill, and especially the time available for resolving any dispute between the Lords and Commons

ii. on the mood of the Lords, as he sees it, and the general need for some concessions.

17. The two papers could then be discussed in turn. The Environment Secretary, the Welsh Secretary and the Chief Secretary will wish to comment on both papers. The Social Services Secretary has a major interest in the general proposals for exemptions, the Education Secretary in the proposals for students. The Home Secretary and the Chancellor of the Duchy have both expressed their support for the DHSS proposals on residents of homes and

hostels, and the Chancellor of the Duchy will almost certainly wish to comment on the student dimension .

A.J.L.

A J LANGDON

22 April 1987

ANNEX A

Mentally handicapped, disabled, etc

1. E(LF) has considered the possibility of a concession in the ADRES Bill for the handicapped and disabled on two previous occasions. On 17 September 1986 (E(LF)(86) 3rd Meeting) it considered a proposal that a general power to grant exemptions by secondary legislation should be drafted on a contingent basis. On 20 November 1986 (E(LF)(86) 6th Meeting) it considered a proposal that Scottish Ministers should indicate that they were prepared to exempt the mentally handicapped from the community charge. On both occassions the Committee decided against making any concessions, although it recognised that these decisions might need to be reviewed in the light of Parliamentary pressure. On the second occasion the Scottish Secretary was asked to consider further how an exemption for the mentally handicapped should work, and in particular the level of handicap which might be the basis for exemption.

2. On 2 March the Minister for Social Services and the Disabled wrote to the Environment Secretary and other E(LF) members seeking agreement to the exemption of residents of residential care homes, registered nursing homes and hostels from the community charge, and the retention of these premises in non-domestic rating. This proposal would exempt about three quarters of the severely mentally handicapped from the community charge together with many others. It was supported in letters from the Home Secretary and Mr Tebbit, but opposed by the Secretary of State for the Environment and for Wales, and by the Chief Secretary, Treasury. Since the provisions in the ADRES Bill would be sufficient to achieve the proposed exemption by Order, a decision was not required urgently, and the issue has not been resolved.

3. The Scottish Secretary now proposes a package of measures in response to pressure in the Lords for widespread exemptions from the community charge. He recommends:

i. full exemption for the severely mentally handicapped, on the basis of the definition in paragraph 7 of E(LF)(87) 8;

ii. exemption for residents of homes and hostels as proposed by Mr John Major in his letter of 2 March: the homes and hostels would however remain subject to non-domestic rates;

iii. provision for up to 100 per cent rebates for tightly defined categories of the disabled. He proposes that this concession should also be extended to domestic rates from 1 April 1988.

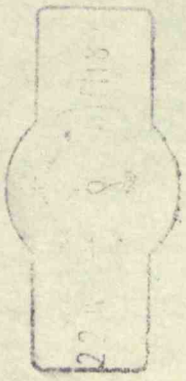
Only the first proposal requires an amendment to the ADRES Bill, although Mr Rifkind would want to announce the full package of concessions during Lords Report stage.

Students

4. The Committee considered the treatment of students under the community charge on 2 October (E(LF)(86) 4th Meeting). It accepted the Secretary of State for Scotland's proposal that students should be liable to pay the full charge at their term-time addresses; that they should not be eligible for rebates; but that there should be a flat rate addition to student grants to help them meet the cost. The extra grant was to be paid to all students eligible for a grant, whatever their parents' means, and was to be equal to 80 per cent of the average community charge. This would leave students paying 20 per cent of the charge on average, but more in high charge areas and less (or nothing at all) in low charge areas. The Committee rejected the Education Secretary's alternative proposal that students should simply be exempt from the community charge since applying the charge to them was no more than churning public money at considerable administrative cost. But E(LF) recognised that somewhat different arrangements might be needed in England and Wales in view of the wider range of likely community charges south of the border.

5. The Scottish Secretary now proposes a somewhat revised scheme. Students eligible for grant would still pay the charge, but would get additional grant (without a means test) equal to 80 per cent

of the actual charge in their university town (which might or might not be where they actually lived in term-time). All other students, including overseas students, would be liable to pay 50 per cent of the community charge: this proposal would require an amendment to the ADRES Bill.



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NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

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

22 April 1987

Dear Nick

RATING OF SPORTS CLUBS

NBPM.

Thank you for your further letter of 7 April.

I am very happy to see the valuation point put on the record, and Simon Glenarthur has now done this (Official Report, House of Lords, 9 April 1987, col 1199). Your proposed letter to John Carlisle is consistent with Simon's statement.

The amendment to the Local Government (Scotland) Act 1966, to allow the concession to apply in 1988-89, is by reference to earlier (1962) legislation which does not refer to sports clubs, in terms. I am however advised that in practice there are likely to be few other bodies falling within the definition. The terms of the amendment do, in any case, allow me to restrict the concession as I wish and I intend to restrict it specifically to sports clubs if (contrary to present impressions) there is any risk of there being significant other beneficiaries. If you require any further information on this, perhaps our officials could speak.

I am copying this to Willie Whitelaw, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

JWT104A4

Local Govt

Rates

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PRIME MINISTER

THE COMMUNITY CHARGE AND STUDENTS

I have misgivings about Malcolm Rifkind's proposals in E(LF)(87)7. It may be helpful to set them out before we meet on Thursday.

2. Full-time students raise special problems for the operation of the community charge, since most of them have no income other than that from their grants, from their parents, or from social security benefits. I accordingly argued last October in E(LF)(86)7 that students should be exempted from liability. I will not reopen that argument now: I am content that the position of students in England and Wales should remain open for later consideration in the light of the conclusions of George Walden's review.

3. However, I am concerned that decisions taken now about the introduction of the community charge in Scotland should not be such as to lead to unworkable consequences were they later to be implemented in England and Wales. I do not believe that Malcolm's proposals can be effectively transplanted from Scotland.

4. If students are to pay the charge, I go along with the view that they should be registered throughout the year at their term-time address and pay the charge levied by the authority in whose area they are registered. I agree also that they should be compensated, or put in funds to meet their liability, by reference to specific levels of the charge, not a national or regional average. Indeed, the range of community charges in England and Wales will be such that public opinion would not countenance the rough justice of a single rate of compensation.

CONFIDENTIAL

5. However, I see no justification for Malcolm's proposal to base students' compensation on the charge levied by the authority in which the higher education institution is situated, **if the student is resident elsewhere.** This would have absurd results in England and Wales, especially in the major conurbations where many students live in the area of one authority and attend a university, college or polytechnic in that of another. For example, a student resident in Richmond, where he would be liable to a community charge of £220, might study at the University College of London (UCL) in Camden whose charge is likely to be £769: a student compensated at 80% of the latter charge, £615, would make a profit of £395.* While this may be an extreme case, there would be many anomalies of this kind, working in both directions.

6. Where students find themselves under-compensated in relation to the charge they are actually required to pay, their reaction is unlikely to be to campaign for the more efficient provision of local services: the situation will breed not accountability but resentment, and the resentment will be against the Government. Insofar as the community charge may impel students to vote, it will be against the Government too.

7. Malcolm's proposal illustrates the difficulty of finding any satisfactory basis of compensation through the grant system for the wide range of charges that will be levied in England and Wales. Rebate for students through Housing Benefit would not be available to students since it is our aim to withdraw students from the social security system. My conclusion is that if students are to pay the charge, they cannot be expected to pay the whole of it and it would be equitable to relieve

*These figures are based on DOE's exemplification of the possible effects of movement from domestic rates to community charge, assuming no "safety netting".

CONFIDENTIAL

them to the same extent as proposed for the unemployed - ie. by 80% of the charge that they actually pay. Administratively such a relief could be paid as follows. The student would pay 100% of the charge to the authority where he lived - ie. to Richmond in the example cited above. He would then claim a refund of 80% from his institution - UCL in this case. UCL - who would of course know for sure that he was a bona fide full-time student - would then secure reimbursement from Richmond.

8. Given such a rebate system, overseas students and GB students without grant could be treated in exactly the same way. They should in my view pay no more and no less than grant-supported students. The same would apply to students on lesser-value discretionary awards, with whose situation Malcolm's paper does not deal.

9. I invite my colleagues to agree this as a practical way forward. The alternative, I have to say, is exemption for students.

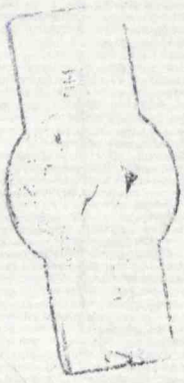
10. I am copying this minute to members of E(LF) and to Sir Robert Armstrong.

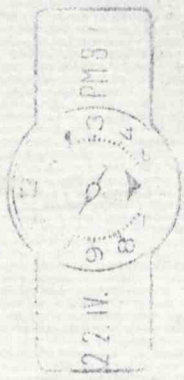
RS

K B
Department of Education and Science
(Approved by the Secretary of State and initialled in his absence)

22 April 1987

CONFIDENTIAL

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FROM THE MINISTER OF STATE, SCOTTISH OFFICE

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon George Younger MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1

20 April 1987

NBPM.

Dear George,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
BRITISH SERVICEMEN AND VISITING FORCES

As you will know, the Abolition of Domestic Rates Etc (Scotland) Bill completed its Committee Stage in the House of Lords just before the Easter Recess. On 7 April we debated an amendment relating to the position of various groups of people who at present have their rates met as part of their emoluments (Official Report, 7 April, Cols 919-929). This provided an opportunity for the Opposition to ask me about various groups including British servicemen and visiting forces.

In the course of the discussion about British servicemen concern was expressed on all sides of the House about the position of those who are posted from areas where the community charge is not payable to areas where it is in force. Reference was made to allowances which servicemen receive in respect of expenses when posted overseas and the suggestion was made that something similar should be considered in relation to the community charge. I made it clear that there could be no question of the Bill dealing with the remuneration of any group of workers, which must properly remain a matter between them and their employer. But I did undertake to draw the whole question to your attention. I realise that you may not wish to give any firm commitments at this stage on how, if at all, the community charge would be taken into account in determining servicemen's pay and allowances, or indeed in the related question of determining what they pay for accommodation following the change from the rating system to the community charge system. But it is important that I should have something reasonably positive to say when we return to this matter, as we undoubtedly will, on Report Stage (beginning on 28 April). I should be grateful for your views.

I was also asked about the position of American servicemen and said simply that the Bill imposes liability to pay the charge on all adults including groups such as American forces (Col 922). I am aware that this is a potentially difficult area, in which there are at present rather complex arrangements whereby payments in lieu of rates are made by the Government in respect of certain premises used by American servicemen and that those who occupy private accommodation pay rates normally, though part of that is recovered by the Americans as an offset against the amount which they reimburse in respect of the payments in lieu.

It had originally been envisaged that provisions dealing with visiting forces and related international organisations would be best handled on a GB basis in Nicholas Ridley's forthcoming Bill to introduce the community charges south of the Border. However, I understand that your Department's advice now is that the Scottish Bill should contain a self standing provision which would exempt from the personal, standard and collective community charges both visiting forces and certain other related categories of people. The scope of this exemption is under discussion between our officials: my preference would be that it should exempt from the personal community charge only categories who are already exempted from income tax and capital gains tax by section 367 of the Income and Corporation Taxes Act 1970. The related exemptions from standard and collective community charge could in any event be achieved by an Order in Council made under the Visiting Forces Act 1952.

The notion of exemptions from the otherwise universal nature of the community charge obligations is a difficult one and Malcolm Rifkind has proposals before E(LF) on 23 April about one or two detailed possibilities. It will be necessary for him to refer at that meeting to the problem posed by the servicemen, and it would obviously be helpful if he could report that an agreed solution has been achieved. I hope you can lend your support to the search for agreement. My officials are in urgent touch with yours about the details.

With Malcolm Rifkind's agreement, I am therefore copying this letter to the Prime Minister, the Lord President of the Council and Members of E(LF) as well as to Sir Robert Armstrong.

Yours ever

Lima

GLENARTHUR

PRIME MINISTER

15 April 1987

COMMUNITY CHARGE EXEMPTIONS

You are meeting after Cabinet next week to discuss Mr Rifkind's papers E(LF)(87) 7 and 8 about exemptions from the Community Charge. The first deals with the position of students and the second with that of the elderly, disabled and mentally handicapped. Mr Rifkind wants to make certain concessions as a result of pressure in the Lords. So far, the Government has agreed that only prisoners and long stay residents in hospitals should be exempt from the Community Charge.

Position of Students

Present policy is that 80% of the average community charge in Scotland will be added to Students grants. Mr Rifkind proposes instead to add to students' grants 100% of the community charge in their university town and that students who do not receive a grant including overseas students should pay only 50% of the community charge.

Each local authority in the United Kingdom will be paying grant to students attending universities in England, Scotland and Wales so this is one area where it would be administratively inefficient to make different arrangements for Scotland. Paying grant in relation to the charge in a students' university town, will not work in England where a student may study in Camden (community charge £390) but live in Bexley (community charge £205). So we do not favour Mr Rifkind's proposal.

On the other hand, the present solution puts students in a worse position than other groups whose charge is partly paid from public funds because they pay both 20% of the cost and (unlike benefit recipients) any excess above the average

charge. The simplest way of dealing with this is to base grant on 100% of the average charge. This still promotes accountability because students will have to meet the full cost above average themselves.

But we see no reason to reduce the charge to students who do not receive a grant, including those from overseas. They may make considerable use of local authority services and many of them (including all the home students not receiving grants) will come from well off families. It is the responsibility of home Governments to provide support for overseas students who are less well off.

The Elderly, Disabled and Mentally Handicapped

Universality is an important principle underlying tthe community charge. We should depart from it only in the most exceptional circumstances where the justification of greater accountability does not apply. Mr Rifkind proposes:

- an exemption from the community charge for the severely mentally handicapped;

- an exemption for residents of homes and hostels;

- a 100% rebate for certain categories of the disabled.

We agree that there is a case for exempting the severely mentally handicapped from the charge since the accountability arguments are of little relevance to them. But this exemption should only be granted if there is no doubt that the proposed definition is watertight and properly policed.

However, we do not accept the case for exempting residents of 'homes and hostels' as set out in John Major's letter of 2 March. Some of those residents will be well able to meet

the community charge and should do so. Where they are not there is no good reason to give them more favourable treatment, for example, than those cared for in the community. Although there is a difficult borderline between this group and those resident in hospitals (whom it has already been agreed should be exempt) we question rather whether the latter group should be exempt.

The same counter arguments apply to Mr Rifkind's proposals to increase from 80% to 100% the community charge rebate to disabled people receiving the attendance, mobility or severe disablement allowance. There is certainly no less reason to expect the physically disabled to make responsible decisions when they vote than other groups in the community. There is no more reason to exempt them than other groups of poor people who are disadvantaged, for example some over-80s. The present rate relief for the disabled is designed to counteract the higher rates they pay because houses adapted for the disabled tend to have higher rateable values. These grounds clearly do not apply to the community charge.

Conclusion

Students should receive an addition to their grant equal to 100% of the average community charge payable in Scotland. The severely mentally handicapped should be exempt from the community charge. Other than this there should be no exemptions from the community charge other than those previously agreed.

Peter Stredder

PETER STREDDER

file DTS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 April 1987

UNIFORM BUSINESS RATE

The Prime Minister has recently seen some figures illustrating the effect the Uniform Business Rate would have had on business rates, had it been introduced in 1986/87 at a level designed to raise the same revenue from businesses as rates do at present. She has noted that in some cases there may be increases as large as 50 per cent, and has commented that there will have to be limitations on the amount of increase or decrease in any one year.

discussed in E(LF) 30.4.87

Could you please let me know if such a proposal is already under consideration? It may well be that it has been taken account of in discussions, and I am not therefore copying this letter at this stage.

P A BEARPARK

Robin Young, Esq.
Department of the Environment

PPS

2

PRIME MINISTER 10 April 1987

DKS
10/4.

UNIFORM BUSINESS RATE

You may be interested to see what effect the Uniform Business Rate would have had on business rates, had it been introduced in 1986/87 at a level designed to raise the same revenue from businesses as rates do at present. I attach a table showing the effect in selected areas. Broadly, rates would have been reduced quite substantially in the larger cities in the Midlands and the North and in Inner London and increased in the South. Where rates increased they would have done so by less than 25% in all but the 12 local authorities listed.

It is clear that the UBR will improve the climate for business in some of the worst inner city areas. It is an inevitable consequence, unless there is a reduction in the overall burden of business rates, that those areas (such as Wandsworth) that have managed their affairs best under the present system will experience rate increases.

There will have to be limitations on the amount of increase/decrease in any one year.

Peter Stredder

PETER STREDDER

ANNEX

Metropolitan Districts	
Birmingham	-6%
Leeds	-11%
Liverpool	-31%
Manchester	-28%
Newcastle	-40%
Salford	-18%
Sheffield	-38%
Wolverhampton	+½%

Inner London	
Brent	-11.9
Camden	-6.5
Hackney	-15.2
Islington	+5.1
Lambeth	-9.5
Lewisham	-15.2
Newham	-27.3
Southwark	-7.6
Tower Hamlets	-0.8
Wandsworth	+56.7
Westminster	+30.9

Shire District Cities	
Bristol	-19%
Derby	-17%
Hull	-13%
Leicester	-9%
Middlesbrough	-25%
Northampton	+7%
Nottingham	-17%
Portsmouth	+8%
Plymouth	+10%
Southampton	+10%
Stoke	-1%

Areas facing rate increases of more than 25%	
Bromley	+39%
City	+32%
Croydon	+40%
Ealing	+33%
Gillingham	+31%
Hammersmith	+29%
Kensington & Chelsea	+82%
Kingston	+32%
Merton	+33%
Redbridge	+36%
Sutton	+26%
Wandsworth	+57%
Westminster	+31%

LOCAL GOVT

RATES

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030/3292

CONFIDENTIAL

CCBG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Malcolm Rifkind QC MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON SW1A 2AU

WBPN.

10TH April 1987

Dear Malcolm,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: TIED HOUSES

Thank you for your letter of 31 March to Nigel Lawson, with the information that there have been representations by the NFUS and others urging tax concessions connected with the introduction of the community charge.

I understand that our officials have already been in touch over the detailed wording of your response to two amendments tabled by Lady Saltoun in the Lords, and I am content that officials should keep in touch if further briefing is needed.

In your letter you asked if you could explain during the House of Lords debates that employers should get tax deductions for payments towards an employee's community charge. The basic rule on business expenditure is that only expenses incurred wholly and exclusively for the purposes of the trade are tax-deductible. Payments made as part of an employee's remuneration package generally satisfy this test. Thus, where an employer undertook, as part of his contract of employment, to pay the employee's community charge, the payment would be deductible. Payments for a member of the employee's family, such as his wife, would also be deductible if they formed part of the contract. I should be happy for this to be spelled out in the Lords debates, on the lines agreed among officials.

As for the tax position of employees who have their community charge paid by their employer, I am in full agreement with the line you have been taking so far. All of an employee's emoluments from his employment (whether cash, benefits in kind or payments made to meet an employee's pecuniary liability) are chargeable to tax under Schedule E. This is an important provision : without it, employers could

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pay employees indirectly, and tax free, in all kinds of ways. The present special tax exemption in respect of domestic rates for employees living in tied accommodation has been justified by the argument that an employee who is required to live in a particular house provided by his employer cannot choose to move into premises with a lower rateable value. This argument will no longer apply under the community charge, and the grounds for special treatment will disappear. It would therefore not be equitable to give favourable treatment to employees in tied houses simply because of what happened in the past in relation to a tax which was based on different principles.

A concession would therefore be wrong in principle, and could be repercussive and expensive, and I would not wish to consider one. You say that you may need to come back on the question of a tax concession if you face difficulties in the Lords. I agree that to transfer liability for the community charge from employees to employers would undermine much of its purpose. But an amendment to this effect - if one should be put forward - should therefore be resisted on its merits, and not by a potentially damaging concession on the tax side.

I am copying this letter to the Prime Minister, Willie Whitelaw, other members of E(LF), Michael Jopling and Sir Robert Armstrong.

Yours ever,

JOHN

JOHN MacGREGOR

CCG

SECRETARY OF STATE FOR THE ENVIRONMENT

for E(LF) meeting folder, 23/4.

Prime Minister

COMMUNITY CHARGE: EXEMPTIONS AND RELIEFS

A meeting of E(LF) has been arranged for 23 April, under your chairmanship, to discuss various proposals for exemptions and reliefs from the community charge. I have a close interest in this matter, as there is likely to be irresistible pressure for any concessions that are made on the Abolition of Domestic Rates Etc (Scotland) Bill to be carried over to the England and Wales Bill next Session. It may be helpful for me to set out my views now.

The main justification for introducing the community charge is that it will make local authorities more accountable to those who elect them, and who use local services. It seems to me that any exemptions we make must therefore be based already on a judgement that, for those groups of people, accountability cannot operate.

This applies to the two exemptions we have made so far, for convicted prisoners and long-term hospital patients. Similar considerations apply to the mentally handicapped, and I think we could justify agreeing to an exemption for them. Officials will need to look carefully at the definition, and the administrative arrangements.

John Major has suggested that all those resident in homes and hostels should be exempt. I cannot agree with that. It would be unsustainable, for example, to treat old people in homes more favourably than those who are being looked after by relatives. Moreover, John himself has admitted that "many residents of homes and hostels are capable of exercising their voting rights". For those who are not, an exemption for the mentally handicapped would achieve the same result.

We must certainly not give ground on those who live in tied houses: there is no reason why farm workers or vicars should pay less than everyone else. Where an employer chooses to pay the community charge on their behalf, we have already announced that it would be an expense against tax for the employer, and a taxable benefit for the employee.

Nor is there any case for exempting students. British students are one of the groups that most need to appreciate that public services cost money, and have to be paid for. Foreign students use local services while they are here, and it seems improbable that the community charge will be more than a small proportion of their overall living and tuition costs.

The virtue of the community charge is its universality. Widespread exemptions would greatly detract from the benefits the new system will bring. While I accept the case for exempting the mentally handicapped, therefore, I feel very strongly that we must not go further than that. If the Government is defeated in the Lords on the Scottish Bill, I think we must make clear our intention of restoring the position at the next legislative opportunity.

I am copying this minute to Willie Whitelaw, members of E(LF) and to Sir Robert Armstrong.

pp NR

10 April 1987

(Approved in draft by the Secretary of State and signed in his absence.)

nbpm

R11/4

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON SW1A 2AU

9 APR 1987

Dear Malcolm,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL TIED HOUSES

I have seen your letter of 31 March to Nigel Lawson, in which you comment on the community charge liability of people in tied accommodation

I agree the line you are taking; the community charge is a personal liability and is clearly the responsibility of the tenant, and if the landlord chooses to pay it, it should not be regarded as a business expense.

A consequence of this is that people in tied accommodation who are on low income will be able to apply for a community charge rebate, and will thus be brought within housing benefit for the first time. I see no insuperable administrative difficulty, but it will of course increase the expenditure of this Department.

I am copying this letter to Nigel Lawson, to members of the E(LF), and to Sir Robert Armstrong.

Yours Ever,
John

JOHN MAJOR

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

LORD CHANCELLOR

HOUSE OF LORDS,
LONDON SW1A 0PW

9 April 1987

The Right Honourable
The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

My dear Willie:

Community Charge: Married and Unmarried Couples

Nicholas Ridley has copied to me his letter to you of 1 April.

I was glad to hear that Norman Tebbit and Malcolm Rifkind both shared my anxiety about the retrospective nature of the original proposal. I do not find the second paragraph of the letter entirely clear, but I hope I am to take it as meaning that there will be no retrospective element in the legislation, and that couples who live together, whether married or unmarried, will be jointly liable for one another's debts only in so far as these were incurred after they started living together.

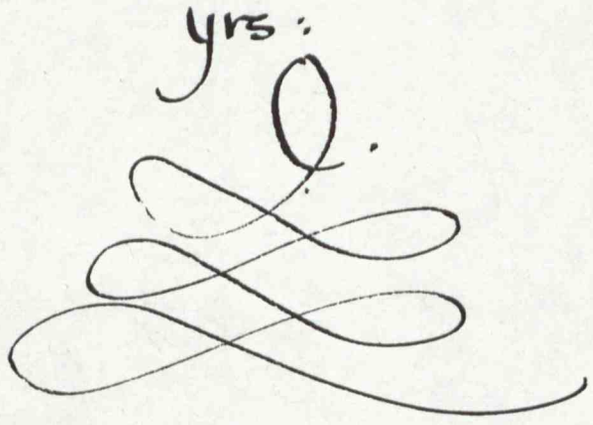
I am rather less than enthusiastic about the third paragraph of Nicholas Ridley's letter. My suggestion in my letter of 9 March, that the burden of proof should be reversed, was expressly limited to unmarried couples. But what is now being proposed is that the Government should introduce legislation containing a provision to the effect that married couples are to be presumed to have lived together as husband and wife before their marriage unless they can show otherwise. Even if this is true of a substantial proportion of married couples, I suspect that many of our supporters will find a legal presumption that this has occurred somewhat bizarre. I can imagine too what our critics will say about Victoria values.

/I do not understand

I do not understand the reference at the end of that paragraph to "the perverse effect that unmarried couples could limit their joint liability by getting married". Their liability would be unchanged. The only thing that would have changed is that it would then be for the local authority to show that the debt was incurred at a time when the couple were living together, rather than the reverse.

I hope therefore that on reflection this presumption will not be made in any proposed legislation for enforcement of the community charge.

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



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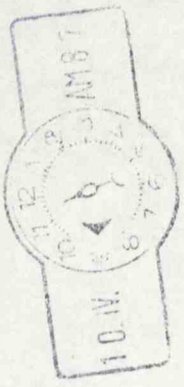

CLBG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

7 April 1987

NBPM.

Dear Malcolm

jcap.

RATING OF SPORTS CLUBS

Thank you for your letter of 26 March. The fact is that my task over the next 18 months will have been made appreciably more difficult by the need to fend off pressure to extend your concession to England. I have already had an approach from John Carlisle on behalf of his back-bench Committee.

To help me in dealing with this, I should be grateful if you would take an early opportunity to make a clear statement on the public record, that the principal justification for the concession lies in the anomalously high rateable values of sports clubs in Scotland, and that it will be reviewed in the light of progress torwards harmonisation of valuation in 1990. Perhaps you could undertake that this could be done at the time that your amendment to the ADRES Bill - which I see you have tabled - is moved. I would also wish to make the point in replying to John Carlisle. I attach a draft of the reply I propose to send.

I should also be grateful for urgent clarification of the extent of the concession. The concession has been talked of only in relation to sports clubs and the figures you quote, in response to John MacGregor's query, seem to relate to sports clubs alone. However the amendment you have tabled seems to extend to any non-profit making club providing for any recreational activity.

I am copying this to Willie Whitelaw, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY

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DRAFT LETTER FOR THE SEC OF STATE TO SEND TO JOHN CARLISLE MP

RATING OF SPORTS CLUBS

1. Thank you for your letter of 19 March asking whether it is intended to extend the concession made by Malcolm Rifkind in Scotland to sports clubs in England.

2. I am very much aware of the concern that has been expressed by the CCPR and individual clubs about the rating of sports clubs. But the position remains that both Malcolm and I believe that it should be a matter for local authorities to decide whether it is appropriate to give any relief to a particular sports club in the light of local circumstances and the benefit which any club gives to the residents of that area. Local authorities have the necessary powers to give up to 100% relief where they think fit.

3. It seems to be the case in Scotland, however, that sports clubs there bear a heavier rate burden than equivalent clubs in England. This is as a result of differences in rating valuation practice. It was in recognition of this that Malcolm announced that he proposed to give local authorities some help with the cost of any reliefs they may decide to give.

4. It is clearly unsatisfactory that valuation practice should vary in this way and we are now engaged in considering what can be done to bring about greater harmonisation in the revaluations planned for both countries in 1990. I understand that Malcolm intends to review the need for any special arrangements in the light of the outcome of the revaluation.

CONFIDENTIAL.

CCBS

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

6 April 1987

Dear Secretary of State,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: TIED HOUSES

I have seen a copy of your letter of 31 March to Nigel Lawson about the treatment for taxation purposes of community charge payments made by employers on behalf of employees living in tied houses.

I am sure it would be helpful, as you suggest, to be able to confirm in the Lords that such payments would be treated as a business expense of the employer which may be set against tax, provided that they are made as part of an employee's contract of service.

I am equally sure that we must not make any concession on the treatment of such payments, from the employee's viewpoint, as a taxable benefit. By definition the community charge is a personal liability, unrelated to the property occupied, and it would be a significant breach of this principle to grant a concession to employees living in tied cottages. I fully support, therefore, your resolve to maintain a firm line on this point.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nigel Lawson, other members of E(LF), Michael Jopling and Sir Robert Armstrong.

Yours sincerely,

pp NICHOLAS RIDLEY
(Approved in draft by the Secretary of State and signed in his absence.)

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CCBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Viscount Whitelaw PC CH MC DL
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

NBBM / April 1987

Dear Willie,

COMMUNITY CHARGE: NON-DOMESTIC RATING OF 'HOMES' AND HOSTELS

FILE WITH DRW

I refer to the letter of 2 March from John Major to Nicholas Ridley. I have now seen the comments made by Douglas Hurd, John MacGregor and Nicholas Ridley.

As John Major points out, during the Commons stages of the Abolition of Domestic Rates Etc (Scotland) Bill we have made clear that exemptions from personal community charge liability should be kept to a minimum - prisoners and resident hospital patients. While, as Nicholas Ridley mentions, there was relatively little sustained pressure in the Commons for further exemptions, the case of a number of particular groups, most notably the mentally handicapped, was raised. As you know, it is clear that exemptions form one of the key pressure points in the Lords. It is therefore appropriate that we should now review our overall policy in this area.

I certainly see some attractions in the course proposed by John Major. It would remove from community charge liability certain particularly vulnerable categories of people in institutions in relation to whom it is very difficult to sustain an argument for liability on the grounds of accountability. It may also reduce the need for complex arrangements within the rebate system for these groups of people - though it would not eliminate it, since the rebate system will still have to take into account people not living in these institutions who are dependent on board and lodging allowances. At the same time, within the groups exempted by this proposal will be some individuals - such as the elderly suffering from only a minor degree of physical disability - who should in equity be required to pay the personal community charge; and, more significantly, the proposition would throw into relief those groups of people in the community - most noticeably, the mentally handicapped and possibly the elderly demented - who could be argued to have little appreciation of accountability but who would not be exempted under a property-based mechanism.

The position of the mentally handicapped receives particular prominence amongst the substantial number of amendments calling for exemptions from the community charge which have been tabled for consideration during the House of Lords Committee Stage. They will be discussed on Thursday

2 April I think it is unlikely that we will be able to sustain an entirely unsympathetic line as regards the mentally handicapped at least, though I hope it will be possible to avoid accepting any specific amendments at this stage. If we have to do so the most promising is that tabled by Lady Carnegy and Lady Saltoun (No 134) which would insert provision for exemption based on the wording of Article 3 of the Mental Health (Northern Ireland) Order 1986 which defines mental handicap as 'a state of arrested or incomplete development of mind which includes significant impairment of intelligence and social functioning'. My own view is that this could form the basis of a justifiable and workable personal exemption from the charge.

While John Major's proposal goes some way towards meeting the pressures arising during Lords consideration of the Bill, it would not meet these pressures directly and could indeed leave anomalies within the system. I think therefore that we should consider again collectively whether any concessions which may have to be made should be based on categories of people or categories of the property where people live. We need to look in particular at the possibility of exemption for the mentally handicapped, as proposed in my letter of 7 November to you and my subsequent minute of 19 November to the Prime Minister, perhaps on the basis of the amendment which I have mentioned above. There is some urgency about this since, although an exemption based on property could be achieved by means of the regulations already provided for in the Abolition of Domestic Rates Etc (Scotland) Bill, provision for the exemption of a category or categories of people would have to be added to the Bill before it leaves the Lords. I therefore hope we can meet in good time before Lords Report Stage, scheduled for immediately after Easter.

I am copying this letter to John Major, to the other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

Malcolm

MALCOLM RIFKIND

dhmgaa15

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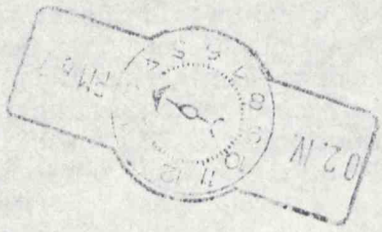

CC: BG

2 MARSHAM STREET
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01-212 3434

My ref:

Your ref:

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

1st April 1987

Dear Willie

NBPM

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

I am grateful to colleagues for the comments on the proposals in my letter of 27 February on this subject, about which you wrote to me on 10 March.

Quintin Hailsham and Norman Tebbit shared Malcolm Rifkind's concern about my proposal that joint and several liability should apply to the full amount of the debt at any point. In view of their worries about retrospection, I have looked again at how the system might operate.

Quintin's suggestion - of reversing the burden of proof - is a helpful one, and meets my original worry about designing a system that would be workable so far as local authorities are concerned. I do feel, however, that the same rule should apply to married and unmarried couples. That will simplify the legislation. It will also make it easier for local authorities to deal with those couples who live together before getting married (approaching 40% of all those who marry, according to statistics from the General Household Survey), and avoid the perverse effect that unmarried couples could limit their joint liability by getting married.

In practice, this requirement to show proof need not be burdensome. The obvious way in which proof could be offered would be by the couple demonstrating that, until a certain date, they were registered for the community charge at separate addresses. For couples who did not live together before marriage, this date would be the date of their wedding.

Subject to any further comments colleagues may make, this is the approach I intend to build into the legislation for enforcement of the community charge in England and Wales.

I am copying this letter to the Prime Minister, the Lord Chancellor, members of E(LF) and Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY

This is 100% recycled paper

LOCH GOIL

LAKES

PTG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

31 March 1987

Dear Nigel,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
TIED HOUSES

We are under growing pressure on the treatment for taxation purposes of payments which employers may make in respect of the community tax liability of employees living in tied houses. The matter was raised during the Committee Stage and the Report Stage of the Bill in the Commons and during the Lords Second Reading Debate, and is now the subject of amendments to be discussed in Lords Committee.

So far, as agreed by E(LF) last September (E(LF) 86 3rd Meeting) we have taken a hard line. Both Michael Ancram and Simon Glenarthur have explained that there are no grounds for carrying over into the new system of personal local taxation reliefs appropriate to the present property-based system. They have indicated that the question of tax reliefs would not, in any case, be appropriate for the Abolition of Domestic Rates Etc (Scotland) Bill and have said no more than that the matter would be drawn to your attention. The prime purpose of this letter is simply to do that: my officials can provide yours with the relevant Hansard references if you wish.

The main representations on this subject are being made by the National Farmers' Union of Scotland, who are making two points on the taxation question. Their principal point of concern appears to be that any payments which an employer makes to an employee in respect of the employee and members of his family, should be treated as a business expense of the employer which may be set against tax. They are under the impression that the Inland Revenue would not allow this. The advice which my officials have from yours is that NFUS are being unduly pessimistic, and that such payments would be allowed as a business expense, provided that they are made as part of an employee's contract of service. I think it will be essential to be able to say that clearly and unequivocally when the matter is debated in the House of Lords and seek your agreement that we should do so.

EML08916

The second concern of NFUS relates to the tax position of employees who receive payments from their employers in respect of the community charge liability of themselves and their families. I intend that we should continue to maintain a firm line that a concession on this is out of the question, using the arguments we have already been making. I hope that we shall be able to win the day, but I have to point out that at a recent meeting with Michael Ancram, the NFUS representatives were beginning to think of amendments to the Bill which would simply shift the duty to pay community charges from the occupants of tied houses to their employers. This would clearly establish the payments as business expenses for the employer, would avoid any question of tax treatment in the hands of the employee, but would in my view be completely unacceptable on wider grounds: it would apply much more widely than in the farming industry, covering large parts of the public sector where employees occupy tied accommodation and would seriously undermine the accountability of the new system. If this approach is pressed - and there are no signs of amendments to that effect at the moment - I may have to come back to you on the question of tax concessions for employees in tied houses.

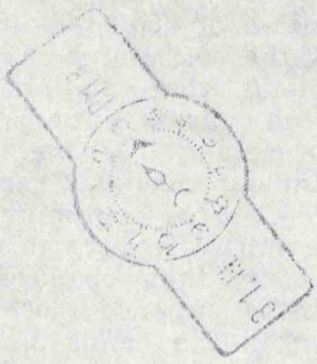
I am copying this letter to the Prime Minister, Willie Whitelaw, members of E(LF), Michael Jopling and Sir Robert Armstrong.

Yours ever,

Malcolm

MALCOLM RIFKIND

EML08916



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CCBG

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

27 March 1987

Brian Leonard Esq
Assistant Private Secretary to the
Secretary of State for the
Environment
Department of Environment
2 Marsham Street
LONDON
SW1P 3EB

NBPM

Dear Brian,

COMMUNITY CHARGE: NON-DOMESTIC RATING OF "HOMES" AND HOSTELS

The Chancellor of the Duchy has seen the letter of 2 March from Mr Major to your Secretary of State, and the correspondence flowing from it. In view of the difference of view illustrated by that correspondence, I should record that the Chancellor of the Duchy agrees with the views expressed by Mr Major in his letter, and as supported by the Home Secretary.

I am sending a copy of this letter to the private secretaries to other members of E(LF), to Colin Phillips (PS/Mr Major) and to Trevor Woolley (PS/Sir Robert Armstrong).

Yours Sincerely,

Andrew Lansley

ANDREW LANSLEY
Private Secretary

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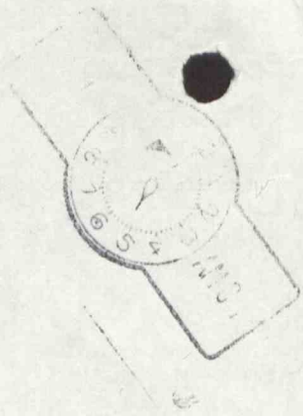
PTG



ECBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

26 March 1987 BPM.

Dear Nick

RATING OF SPORTS CLUBS

Thank you for your further letter of 18 March. I have also now seen John MacGregor's further letter of 24 March.

It will take some time to establish and implement a common valuation system, but I readily agree that the whole issue of reliefs will have to be considered afresh in that context. I will consider how I can best make this point clear.

As regards John's worries about additional costs to the Exchequer through rebates, we estimate that the maximum rate burden likely to be shifted from sports clubs to other categories of ratepayer/community charge payer as a result of my proposals is £1 million. The follow through effect of this on rebates will be very small.

I hope we can now regard this matter as closed.

I am copying this letter to Willie Whitelaw, to other members of E(LF), and to Sir Robert Armstrong.

Yours ever

Malcolm

MALCOLM RIFKIND

JWT084A5

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01-270 0538 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

26 March 1987

NBR2.

COMMUNITY CHARGE: RESIDENTS OF HOMES AND HOSTELS

Thank you for copying to me your letter of 2 March to Nicholas Ridley. I have also seen John MacGregor's and Douglas Hurd's letters of 17 March, and Nicholas' reply to you of 20 March.

I agree with John that accountability demands that liability for the community charge should be as wide as possible. If residents of nursing homes and hostels are not liable we will find it very hard to justify a refusal to exempt people with similar problems who are being cared for in the community; and the effect could be that, rather than heading off pressure on behalf of vulnerable groups, we open the door to further requests. We resisted the exemption of students for similar reasons; and the lack of serious pressure on Malcolm Rifkind in the Commons to amend his Bill, combined with our decision to introduce a rebate system remove the considerations which led us to defer a firm decision in November. I fully support, therefore, the line taken by Nicholas, and would wish my officials to be involved in the discussions he suggests.

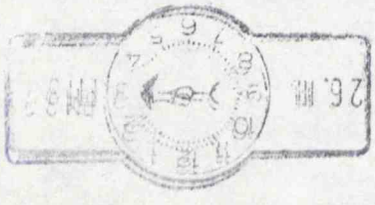
I am copying this letter to Nicholas Ridley, other members of E(LF), and Sir Robert Armstrong.

John Major Esq MP
Minister of State for Social Security and the Disabled
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

LOCAL GOUT

KATES

P.T.6



015/2985

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

24th March 1987

Dear Malcolm,

RATING OF SPORTS CLUBS

Thank you for copying to me your letter of 16 March to Nicholas Ridley, to which he replied on 18 March.

For the reasons I explained in my previous letter, I cannot agree that, whatever you said in the House, this concession is related solely to the distribution of grant. Wider issues were involved. While, therefore, I welcome your assurance that you do not propose to seek any new money to finance additional reliefs from rates, I cannot agree that your concession involved only the more detailed aspects of grant distribution in Scotland which are primarily your responsibility.

You and Nicholas have both made suggestions about what can be done to limit pressures to extend this concession. I agree with Nicholas that we should make it clear that the concession is temporary, pending changes to the different valuation practice in Scotland which are the underlying cause of pressure from sports clubs. In my earlier letter I pointed out one way in which the Exchequer consequences could be limited. That is not an academic point as you suggest: your concession is likely to add to burdens on the Exchequer and central taxpayer linked to the switch from rates to the community charge and our officials will need to discuss how this should be offset at the same time as they discuss other increases in indirect Exchequer support to local authorities as a result of the change.

I am copying this letter to Nicholas Ridley, other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

LOCAL COUT

KATES

PT 6

cc BG

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

20 March 1987

NBM.

Dear Nicholas

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

Thank you for your letter of 27 February. I have also seen a letter of the same date from Malcolm Ridkind, one of 9 March from Quintin Hailsham, one of 10 March from Nick Edwards, one of 12 March from Norman Tebbit, and one of 16 March from John Major.

I think you can take it that you have E(LF)'s approval for your proposals, except on the question of liability for debts incurred before a couple started to live together. No doubt you will want to consider what colleagues have said about this, and write again in due course.

I am sending a copy of this letter to the Prime Minister, the Lord Chancellor, the members of E(LF) and Sir Robert Armstrong.

Yours

The Rt Hon Nicholas Ridley MP

LOCAL COPY

KATES

PTG

CONFIDENTIAL

cc BG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

John Major Esq MP
Minister of State for Social Security
and the Disabled
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

20 March 1987

NBBM.

Dear John Major,

COMMUNITY CHARGE: RESIDENTS OF "HOMES" AND HOSTELS

Thank you for your letter of 2 March proposing that residents of residential care homes, residential nursing homes and hostels should be exempt from the community charge, and that the premises should instead remain subject to rates.

I think we need to look at this against the background of our conclusions in E(LF) on 17 September when we considered the general question of exemptions. E(LF) agreed that it was important that the charge should be a universal obligation, and therefore rejected Malcolm Rifkind's proposal for an enabling power to grant exemptions. We noted, however, that the decision might have to be reviewed in the light of decisions on whether the community charge should be rebated for those on low incomes, and of the reception of the ADRES Bill in Parliament.

Since then, we have agreed that rebates should be available for those on low incomes throughout Greater Britain. Moreover Malcolm has piloted his Bill though the Commons without encountering serious pressure for concessions on this issue - certainly not from our side of the House. Thus the arguments for further exemptions have lost rather than gained in force since we last discussed them.

I wrote to Norman Fowler on 29 October about the specific issues you raise, in response to an earlier approach from your officials. The arguments I set out there still hold good, in particular the difficulty of defending a concession which would favour old and disabled people in "homes" over those being cared for in the community.

I note your comments about the difficulty of implementing changes in benefit arrangements. I would not, however, accept this as making the case for an exemption, since the problem will in any event have to be addressed in adapting board and lodging benefits to a situation in which most of those receiving them will become liable to the community charge (or a collective charge contribution). I look forward to seeing your proposals on that.

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I understand your concern about defining the boundary between hospitals and nursing homes, and I agree that drawing a line anywhere gives rise to anomalies. I doubt, however, whether the definitional problem is insuperable. If you are convinced that it is genuinely impossible to distinguish in legislation between a hospital and a nursing home, my preferred solution would be to withdraw or narrow the exemption for resident hospital patients, rather than to extend it to the residents of nursing homes. My principal concern is to maintain the credibility of the community charge as a universal liability, and I believe that would be severely undermined if we allowed any further exemptions.

Despite the smooth passage so far of the Scottish Bill, I accept that we can expect further pressure on behalf of the residents of homes and hostels. I would be happy for my officials to get together with yours to consider ways of defusing this pressure, perhaps by easing through the administrative arrangements the burden that the community charge may represent for the residents and managers of homes and hostels. At the same time they will need to consider solutions to the definitional problem you have identified. As I have made clear, I do not believe the solution to either problem lies in granting further exemptions from what is intended to be a universal obligation.

I am sending copies to members of E(LF) and to Sir Robert Armstrong.

Yours sincerely,

R. Ridley

pp NICHOLAS RIDLEY
(Approved in draft by the Secretary of State and signed in his absence.)

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CC: BG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Scottish Office
Dover House
Whitehall
LONDON
SW1

18 March 1987

Dear Secretary of State

NBPM.

RATING OF SPORTS CLUBS

Thank you for your letter of 16 March in reply to mine of 9 March. I have to say that it does not address my and John MacGregor's criticism of your failure to consult us, nor does it do much to allay my concern on the substantive issue.

Of course I accept that the grant system in Scotland is largely a matter for you and John MacGregor; but in this case it is only through force of circumstance that the concession was made through the grant system. You were aware that the substance of the concession would embarrass me; to my mind that entails an obligation to consult.

I note what you say about the differences between the circumstances in England and Scotland. I shall of course have to make use of those arguments in defending the present position in England; it would have been helpful if your announcement had laid stress on them. The fact remains that I shall face additional and unnecessary pressure to replicate the concession in England.

Had you consulted, and had I and colleagues been persuaded - as we were not when you first wrote - that some concession was needed to avoid a defeat in the House, I should have suggested something much more closely tailored to fit the differences in valuation practice which cause the problem, on the lines of the present 40% derating for Scottish industry.

I remain of the view that we need to consider carefully what we can do to rescue the situation: as an absolute minimum, to make clear that the concession is a temporary one pending action to redress the anomalies in Scottish valuation practice.

I am copying as before to Willie Whitelaw, members of E(LF), and Sir Robert Armstrong.

Yours sincerely

Isobel R. Gluc (Private Secretary)

NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence)

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QUEEN ANNE'S GATE LONDON SW1H 9AT

17 March 1987

NBPM

Dear Nicholas,

with DRN

COMMUNITY CHARGE: NON-DOMESTIC RATING OF HOMES AND HOSTELS

I have seen a copy of the letter John Major wrote to you on 2 March.

I agree that the opportunity should be taken during the remaining Parliamentary stages of the Scottish Bill to announce the Government's intention to prescribe residential care homes, registered nursing homes and hostels that fall within the social security definition as non-domestically rated. I accept the arguments set out by John Major and would only add that these institutions are catering for the most vulnerable people in our society. We should not do anything that might increase the problems of the many charitable organisations who are seeking to meet the needs of such people, and I do not think our supporters would understand why such exceptions could not be made.

I am sending copies of this letter to Malcolm Rifkind, members of E(LF), John Major and Sir Robert Armstrong.

Yours,

Douglas.

The Rt Hon Nicholas Ridley, MP.

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CONFIDENTIAL

cc BG

Treasury Chambers, Parliament Street, SW1P 3AG

John Major Esq MP
Minister of State for Social Security and the Disabled
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1 6BY

NRBM

17th March 1987

Dear John,

COMMUNITY CHARGE: NON-DOMESTIC RATING OF "HOMES" AND HOSTELS

FILE WITH ON

Thank you for copying to me your letter of 2 March to Nicholas Ridley.

As we have agreed, if local authorities are to become more accountable for their financial decisions the community charge must be as widely applicable as possible. That line was maintained during the Commons committee stage of the Abolition of Domestic Rate Etc (Scotland) Bill and will need to be maintained when the parallel bill for England and Wales is debated in due course. So I am not persuaded that we should make the concession that you suggest.

Before considering any concession, I think that we would need a thorough examination of the costs and problems involved in making residents of these homes and hostels liable to the community charge. This would include:-

(a) Options for distinguishing between hospitals and nursing homes: this may be difficult as you say, but it may prove a more attractive option than exempting those in homes from the charge while continuing to charge those cared for in the community.

(b) A firmly-based estimate of the administration costs that would be incurred through bringing these residents into community charge rebates.

(c) A firmly based estimate of the cost of changes in the level of 'pocket money' which Norman Fowler referred to

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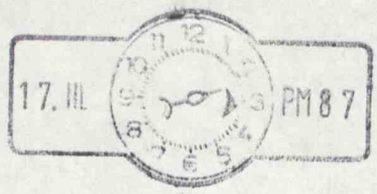

in his letter to Willie Whitelaw of 11 November.

(d) Consideration of alternative ways of handling the "pocket money" issue.

I could not agree to this concession before the issues have been examined properly. It undermines our general approach and runs the risk of being repercussive, possibly substantially. After such an examination we can take a firm decision.

I am copying this letter to Nicholas Ridley, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

MG4579p

CC BSG

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

16 MAR 1987

Dear Willie,

NBPM

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

at Flap

Nicholas Ridley copied to Norman Fowler his letter to you of 27 February.

I am content with the proposals set out in the note by officials, though I would oppose making a couple jointly and severally liable for community charge arrears incurred before they started living together; retrospective liability would be inconsistent with social security practice.

I am copying this to members of E(LF) and Sir Robert Armstrong.

Yours Ever,
John

JOHN MAJOR

LOCAL GOVT : Ralang PTG

CCBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

16 March 1987

NRBM

Dear Secretary of State

RATING OF SPORTS CLUBS

Thank you for your letter of 9 March. I have also now seen John MacGregor's letter of 12 March.

Following our earlier exchanges I accepted your and other colleagues' objections to my proposal to give limited mandatory relief for sports clubs and, as you say, I proposed to consider the matter further within the present arrangements. I did just that, and I should make it clear that I propose neither to change the statutory provisions concerning rates relief to sports clubs, nor to make any new money available to the local authorities to finance that relief. What I said in the House last week related solely to the distribution of grant and was what I judged to be the smallest concession necessary to prevent our own backbenchers voting for mandatory relief.

What I have therefore proposed is that from April 1988 authorities will be compensated, within the existing grant provision, in respect of all reliefs which they give to sports clubs. From 1989-90 this will be possible under the provisions of the Abolition of Domestic Rates Bill, but for 1988-89, a small amendment will be required to the existing statutory provisions governing grant distribution.

The detailed arrangements for grant distribution in Scotland have always been a matter for me - and are of course significantly different from those which you operate south of the Border. I do of course recognise the risk that any concession in Scotland will increase the pressure on you, and that is why I sought to minimise what I was offering. The fundamental point is that, on either side of the Border, the power to give relief to sports clubs remains discretionary on the local authorities. I also think that, if you come under pressure, you can point to significant differences in circumstances between the two countries.

First, what I am proposing for Scotland is no more than an extension and rationalisation of the arrangements that already apply here. At present, local authorities are fully compensated for granting relief, where they receive resources element of rate support grant. With the simplified grant arrangements under the new system, resources element

disappears, and it is logical to treat reliefs by all authorities in the same way. The Bill does not set out the detail of how reliefs are to be handled in grant distribution, and discretion obviously remains. But in the light of the pressure that has built up on this issue, I obviously could not at present contemplate an arrangement which would treat some authorities and their sports clubs less favourably than at present. This points to full compensation for reliefs, but of course within a fixed total of grant.

Second, it will be useful for you to be able to argue (in response to any complaint about what I am doing for 1988-89) that the present legislative position is quite different north and south of the Border. In particular, the need for the change to my present legislation arises from the fact that compensation for relief is now paid under the resources element of grant, which is only available to some authorities. You, of course, no longer have anything like resources element.

Third, it is important to remember why such a head of steam has built up about this issue in Scotland. It is because Scottish sports clubs do pay much higher rates than their English counterparts, and you can point to the different valuation practices which give rise to this.

Turning to John's letter, I am sure he will agree that his point about possible Exchequer consequences is fairly academic. You and I are agreed that the question of possible offsets from AEG raises big issues and needs to be considered carefully - certainly not as an aside (and a not particularly relevant one) to this correspondence.

I am copying this letter to Willie Whitelaw, other members of E(LF), and to Sir Robert Armstrong.

Yours sincerely.

Andy Rifkind

MALCOLM RIFKIND

Approved by the Secretary of State
and signed in his absence

JWT072A6

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CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

12th **March 1987**

Dear Malcolm,

RATING OF SPORTS CLUBS

I have seen Nicholas Ridley's letter of 9 March to you. I strongly support his objection to your announcement without prior consultation.

In addition to the points that Nicholas makes, I have three further objections:

- removing any disincentive to give reliefs from taxation is liable to add to the Public Sector Borrowing Requirement unless the reliefs are offset by other changes in central or local taxation. In this case your officials have assured mine that you will not argue for additional grant. The full cost of reliefs will therefore fall immediately on all Scottish ratepayers/community charge payers; but a small part will still be financed by the Exchequer through rate or community charge rebates;

- as I explained in my letter of 16 February, we should resist requests for special treatment unless the case for complicating local government finance and for shifting the rates burden from particular interests to other ratepayers is very strong indeed;

- you appear to have committed the Government to removing all incentives from all Scottish local authorities to exercise their powers over discretionary rate reliefs responsibly. Although this may simply extend the (anomalous) position of a majority of Scottish local authorities at present, it sits very oddly with Nicholas's intention, which we endorsed at E(LF) on 20 November, that the cost of reliefs should be split equally between the giving authority and all others.

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I cannot understand therefore why neither you nor your officials consulted me or mine before you announced your concession.

I agree with Nicholas that we must consider what can be done to mitigate the effects of the announcement. One step, which would help at least towards the Exchequer point, would be for you to withdraw your objection to taking account of Exchequer support to local authorities through rates/community charge rebates in setting the total of RSG. (Officials are discussing the need for adjustments to RSG to take account of changes in rebate expenditure as a result of the introduction of the community charge, following my letter to you of 17 February and your reply of 23 February.)

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Ridley, to other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

CC, BG

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

12 March 1987

The Rt Hon Viscount Whitelaw PC CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

NRBR.

D Willie.

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES at trap

I have seen Nicholas Ridley's letter of 27 February, that from Malcolm Rifkind on the same day, and from Quintin Hailsham on 9 March.

As regards the question of whether couples, whether married or otherwise cohabiting, there should be jointly and severally liable for the full amount of the debt at any point. The difference between Scottish and English law will serve to focus attention on this point. Quintin Hailsham argues most effectively the point of principle at stake. I agree with him. It seems to me unsustainable that the fact of cohabitation for any period, however short, should make one partner responsible for the retrospective liabilities of the other. Quintin goes on to propose a means of tackling this question. I agree with him. It seems both reasonable and workable.

I am sending a copy of this letter to the Prime Minister, members of E(LF), and to Sir Robert Armstrong.

NORMAN TEBBIT

LOCAL GOVT : Rating PT6

CC BG

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Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

10 March 1987

NEBM

Dear Willie

COMMUNITY CHARGE: MARRIED AND UN-MARRIED COUPLES

FILE WITH DN

I have seen Nicholas Ridley's letter to you ~~of~~ 27 February, following our discussion of this subject in E(LF) on 22 January.

I support the proposals made by officials, and agree with Nicholas that joint and several liability should be for the full amount of the debt at any point.

I am copying this letter to the Prime Minister, the Lord Chancellor, members of E(LF) and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

LOCAL GOVT Rating PT6.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Scottish Office
Dover House
Whitehall
LONDON
SW1

9 March 1987

Dear Malcolm

RATING OF SPORTS CLUBS

I have now seen the announcement of your concession to Scottish sports clubs. I object most strongly both to the concession and to the way in which it was introduced.

It was only last month that you wrote to the members of E(LF) proposing mandatory rate reliefs for sports clubs. That proposal received no support. Your letter of 24 February accepted that there was no support and withdrew the proposal remarking only that you would examine afresh other ways in which you might help within the present arrangements. I cannot see that as any basis on which to make the announcement you did without further consultation.

As I understand your proposal it is that, within the existing grant totals, you will so arrange matters that any authority exercising its discretion to grant rate relief will be fully compensated by grant for any loss of rate income. Had you asked me therefore, I should have made it clear that I object to this proposal on the following grounds:

- that as a matter of principle it is wrong to give local authorities a discretion which they can exercise at no cost to themselves;

- since I assume you have not got agreement to increase the total of grant, the claim which you made to the House that authorities exercising their discretion would not lose a penny as a result of doing so is misleading. In fact the arrangement you propose would have the effect of further encouraging local authorities to be reckless in the exercise of their discretion, since if they were to grant less reliefs than the average authority their ratepayers would end up being net losers;

- as I have already explained to you I am under considerable pressure in England to make concessions. I am resisting those because I do not believe they are justified. Your announcement will now make my position very difficult.

In view of these considerations, I consider it most important that E(LF) have an early opportunity to discuss your announcement with a view to seeing whether the position can be reversed or at least mitigated in the House of Lords.

I am copying this letter to Willie Whitelaw, the members of E(LF) and Sir Robert Armstrong.

NICHOLAS RIDLEY

FROM:
THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

ce BG

HOUSE OF LORDS,
LONDON SW1A 0PW

9. March 1987

NBM.

My dear Willie.

COMMUNITY CHARGE : MARRIED AND UNMARRIED COUPLES

I have read with interest Nicholas Ridley's letter of 27th February, and the attached note prepared by officials. Although as a rule I am unhappy to see the law treating unmarried couples as if they were married, I am fully prepared to see an exception to this rule made where otherwise the consequence would be that an unmarried couple would be in a better financial position than if they were married. I understand that my officials are discussing with those of the Department of the Environment the additional expenditure which, as a result of these proposals, would be incurred by the courts, tribunals, and the legal aid fund.

There is however one aspect of these proposals which concerns me, and that is the suggestion in paragraph 30 that the joint and several liability of one spouse for the community charge of the other should be retrospective, and apply to debts incurred before the marriage; and similarly in the case of unmarried couples.

.../2

The Right Honourable
Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
London SW1

The paper itself suggests that the proposal may be criticised as harsh; and so in my view it is. But it is also objectionable as retrospective. To take an extreme example, it surely cannot be right for one person to become liable for the debts of another incurred over a number of years, solely on the basis that they have been living together as husband and wife for two or three weeks. But my main objection is one of principle. Joint and several liability of married couples, or couples living together, is acceptable and indeed desirable because almost invariably much of their property is in practice shared, and it would be wrong for property owned by both persons not to be used to satisfy the debts of both of them - but only in the case of debts incurred after the property was shared.

Nicholas Ridley gives in his letter, as his main reason for supporting this proposal, the difficulty which local authorities might otherwise have in determining when cohabitation began. In the case of married couples this can surely be assumed to be the date of marriage; if cohabitation in fact began earlier, it would be for the local authority, like any other creditor, to establish that fact, on the balance of probabilities, and the date on which cohabitation began. In the case of unmarried couples the difficulty could perhaps be avoided by a reversal of the burden of proof; one partner would be jointly and severally responsible for the other's debts, whenever incurred, unless it could be established that some were incurred at a time when they were not living together.

I am sending copies of this letter to the Prime Minister, members of E(LF), and to Sir Robert Armstrong.

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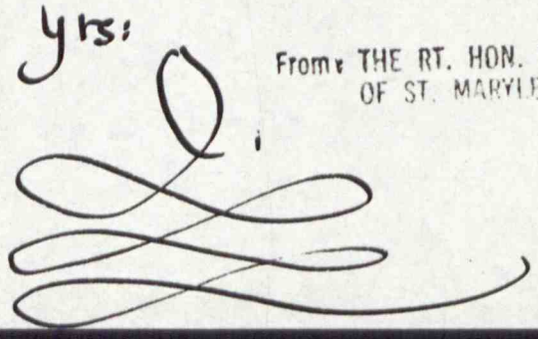

From: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH, FRS, QCL

LOCAL SAT –
Reading PE6

CONFIDENTIAL

MTB0116t

CCOG.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

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

NRBM

- 2 MAR 1987

Dear Nick,

COMMUNITY CHARGE: NON-DOMESTIC RATING OF "HOMES" AND HOSTELS

Norman Fowler wrote to you on 6 November about the need, which you accepted, to keep our options open on the possible retention of residential care homes, registered nursing homes and hostels (as defined in social security regulations) within the non-domestic rating, exempting their residents from the community charge provisions.

It was important that during Standing Committee debate of the Scottish Bill we should have made clear our intention to keep exemptions from the community charge to a minimum. This has been achieved, and the time has now come for us to consider the retention of non-domestic rating for homes and hostels. The effect of this would be to exempt certain vulnerable people from community charge liability but it would result from retaining the existing status of particular categories of building, and would thus reduce the risk of setting precedents for further exemptions.

These premises are non-domestically rated at present, and the cost is passed on through charges. If their status were to be altered we would be faced with formidable problems of legal definition, and if their residents were to be made liable for the community charge major changes would be needed in benefit arrangements which would not be implemented easily.

It is already proposed that resident hospital patients both in the National Health Service and in the private sector should be exempted from liability for the community charge, and since private hospitals are registered as nursing homes it would be very difficult to provide a satisfactory legal distinction between hospital patients and nursing home patients. There is very

LOCAL GOVT Rating PT6

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DG

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

2 March 1987

Dear Councillor Layden,

Thank you for your letter of 23 December, in which you ask about help towards the community charge for those on low incomes.

The Government's intention is that there should be community charge rebates throughout Great Britain, though each person liable would be required to make some community charge payment; the Social Security White Paper suggested that each household make at least a 20 per cent contribution towards domestic rates. You will have seen that Clause 26 of the Abolition of Domestic Rates Etc (Scotland) Bill provides the power to pay such rebates in Scotland. We envisage a similar power when the legislation to introduce the community charge in England and Wales is put before Parliament.

Our reason for changing the way local government is paid for is to increase local authorities' accountability to those who live in their areas - the people who use local services and can vote in local elections. As I made clear at our meeting on 25 November, we therefore intend to ensure that our rebate proposals work in a way which is compatible with this overriding objective.

6

It is not possible, at this stage, to give all the details of how community charge rebates will work. I can confirm, however, that we envisage a system that is based on the revised rate rebate system to be introduced in 1988, and where young, single people entitled to income support are eligible for community charge rebates.

Yours sincerely

Margaret Thatcher

Councillor John Layden, J.P.

CONFIDENTIAL

PRIME MINISTER

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

As you know, the Government has made a commitment to introducing rebates for the community charge in Scotland, but has left open the position in England and Wales. In England and Wales it is said only that those on low incomes will continue to get help through the social security system.

It has always seemed inevitable that there would be a rebate scheme in England and Wales. However Mr. Fowler, perhaps alone among your colleagues, argued in favour of giving help through basic social security payments (supplementary benefit, etc.) rather than through the rebates.

Councillor Layden of the Association of Metropolitan Authorities, lighted on this disagreement as a result of the meeting you had with leaders of Local Authority Associations in November and he wrote to you on 23 December. Mr. Ridley, Mr. Fowler and others have been arguing about the response ever since. (I sent Councillor Layden an interim reply).

Mr. Fowler has now agreed with Mr. Ridley and other interested Ministers that there should be a rebate scheme, and your reply to Councillor Layden will be the announcement that the English and Welsh legislation will provide for community charge rebates to be extended throughout Great Britain.

A letter for your signature is below.

David Norgrove
27 February 1987

DG2BTH

CONFIDENTIAL

010

CC Bs

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

Prime Minister 2
DHW
2/3

27 February 1987

Dear Lord President,

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

E(LF) discussed this subject on 22 January. Colleagues were inclined towards extending joint and several liability for the community charge to unmarried, as well as married, couples, but asked officials to prepare a scheme suggesting how joint and several liability might work.

I enclose a note which my officials have prepared in consultation with other Departments concerned. I understand that the suggested framework has been accepted by all those involved, subject to one issue remaining unresolved.

The paper considers, but rejects, the suggestion that there should be no explicit provision at all for joint and several liability. Instead it recommends that joint and several liability should apply to married couples and to unmarried couples living together as husband and wife.

The operation of the system is summarised in paragraph 31 of the paper. It would mean that the need to establish joint and several liability arose only where a bill was unpaid, but that at that point that local authority would be able to take action against the debtor's partner as well as the debtor. In all cases, however, those concerned would have the opportunity to appeal.

I support the proposals that officials have made. I also feel that joint and several liability should be for the full amount of the debt at any point (paragraph 30 of the paper). That will mean that, in some cases, unmarried (and married) partners will find themselves liable for sums relating to a time before they started to live together. But the alternative of applying joint and several liability only to the period when the couple lived together would make it necessary for the local authority to establish when cohabitation began; this would be particularly difficult for unmarried couples.

Officials' proposals would mean slightly different arrangements in Scotland from those in England and Wales. This is inevitable given the decisions we have already taken about the system for enforcement of payment and for community charge appeals. But the

principles would be consistent across Great Britain, and it would be clear both that we intended to prevent avoidance of payment, and that unmarried couples were being treated in the same way as those who were married.

I understand that Malcolm Rifkind is hoping to put down Government amendments for Commons Report Stage of his Bill. My officials will be consulting other Departments further about the implications for drafting of the England and Wales Bill in due course.

I am copying this letter to the Prime Minister, the Lord Chancellor, members of E(LF) and to Sir Robert Armstrong.

Yours sincerely,

R Ridley

pp NICHOLAS RIDLEY

(Approved by the Secretary of State in draft and signed in his absence.)

THE COMMUNITY CHARGE - JOINT AND SEVERAL LIABILITY

Background

1. Summing up E(LF)'s discussion of this subject on 22 January, the Lord President said that the Sub-Committee were inclined towards extending joint and several liability for the community charge to unmarried couples, although they recognised that there were considerable practical problems.

2. Officials were asked to prepare a detailed scheme suggesting how joint and several liability might work, and how the practical objections might be overcome. This note, prepared by DOE officials in consultation with those from DHSS, Scottish Office, Welsh Office Home Office and Lord Chancellor's Department fulfils that remit.

Summary

3. This paper:

(i) explains that there is a need for joint and several liability for the community charge because of difficulties in enforcing payment solely against the individual;

(ii) proposes that joint enforcement arrangements should be limited to married couples, and those living together as husband and wife, and that joint and several liability should be established as part of the enforcement process rather than at the registration stage;

(iii) sets out proposed procedures for joint enforcement in Scotland and in England and Wales, including provision for the couple to contest joint and several liability.

Individual liability: problem cases

4. The personal community charge is envisaged primarily as an individual liability. If the person concerned has no earnings, and

their savings fall below the qualifying limit, then the individual concerned may be eligible for social security benefits. In many cases where two adults living in the same household will be liable to pay the community charge - for example a brother or sister, or parent and grown-up son or daughter - then each will be eligible for assistance in their own right. This means they will each have income from which to pay the community charge.

5. But there are some individuals for whom this is not the case, and who will not necessarily be eligible for help even if they would otherwise meet the qualifying criteria. In these difficult cases, if the individual does not pay his or her community charge, the local authority may have problems enforcing payment. They may seek to distrain against the individual's personal possessions, but the value of the goods may be insufficient to pay the whole debt. In some cases an individual may claim that goods belong not to him but to his partner, or that goods are jointly owned or owned in common.

6. The largest of the problem groups is married and unmarried couples with one earner. They are jointly assessed for benefit to prevent (for example) a housewife being eligible for support where her spouse is in a well-paid job.

7. There are also other individuals who will not be eligible for benefit, including

- students who are dependent on their parents - either because they are on courses that do not attract awards, or their parents' incomes are such that the student receives little or no grant; there are about 100,000 students in these categories;

- those who refuse to make themselves available for work without good reason;

- immigrants who are dependent on sponsors.

8. Officials have considered whether joint enforcement arrangements should take special account of these relatively small groups, or

should be limited to married and unmarried couples. The detailed arguments are set out at Annex A. We recommended that joint enforcement arrangements should be limited to married couples and those living together as husband and wife.

The Debtors (Scotland) Bill

9. At the E(LF) meeting on 22 January, Ministers considered with two options for dealing with married and unmarried couples:

- individual liability, with the debt being enforced by seizure of the individual debtor's goods or of his earnings;

- joint and several liability, with the debt enforced by the seizure of goods or earnings belonging to either spouse.

10. Further examination of the issues has shown that, in Scotland there will not be such a clear distinction between enforcement against an individual and enforcement against a couple. The Debtors (Scotland) Bill, presently in the Lords, allows the Sheriff officer to poind (distrain on) goods which the debtor owns in common with any third party. This will make poinding easier in cases where the debtor is married, because Scottish family law (the Family Law (Scotland) Act 1975, section 25 - not yet in force) will create the presumption that household goods are in common and equal ownership.

11. The Debtors (Scotland) Bill also creates the rebuttable presumption that all goods in the debtor's home belong to the debtor, making it easier for the Sheriff officer to poind the goods he finds there in the possession of the debtor.

12. These provisions do not cover all the situations that E(LF) wished effective remedies to apply to.

- They do not allow arrestment of the earnings of the debtor's spouse.

- They do not allow poinding of goods which belong solely to the debtor's spouse.

- They affect married and unmarried couples unequally since the household goods of unmarried couples will not be presumed to be held in equal shares.

- They apply only to Scotland. Parallel legislation does not exist and is not at present planned in England and Wales.

13. Moreover, it would be difficult for the Government to retract from the present statement in the Abolition of Domestic Rates Etc (Scotland) Bill, which provides that married couples should be jointly and severally liable for the community charge. Pressure in Committee has been for the extension of joint and several liability to unmarried couples. There has been relatively little criticism of the idea of joint and several liability.

Joint and several liability

14. Only joint and several liability fulfils the E(LF) remit to treat married and unmarried couples equally, and paves the way for the introduction of comprehensive enforcement procedures.

When joint and several liability should be established

15. The Abolition of Domestic Rates Etc (Scotland) Bill assumes that the decision on whether joint and several liability applied would be taken as part of the process of registration for the community charge. The Bill envisages that people would need to declare on the canvass form whether they were married to someone living at the address. However, to follow the same approach for unmarried couples would mean

- requiring people to say, in responding to the canvass, whether they were living with someone as 'husband and wife';

- making it a requirement that anyone who began to cohabit, or ceased to do so, in the course of the year should inform the local authority.

The alternative, given that joint and several liability will come into play only at the stage when a community charge bill has not been

paid, is to leave the question of whether a person is jointly and severally liable until the need for enforcement actually arises. It would still be possible to seek information about married couples at the registration stage. But on balance we do not recommend this: to do so would mean that the system did not treat married couples in the same way; and married couples are in any case likely to provide fewer problems.

16. There would need to be included on each community charge bill a clear statement that, although the person to whom it was addressed was individually liable to pay it, in the case of married and unmarried couples failure to pay could result in action being taken against the partner.

17. In most cases where bills are not paid on time, payment will be forthcomming following a reminder, or where the authority makes clear that is prepared to take action through the courts.

Proposed Scottish procedures

18. Where legal remedies against non-payment were needed, the local authority would apply for a summary warrant for the recovery of the amount owed. The summary warrant would usually in the first instance be simply against the debtor. It would be enforced by the Sheriff officer who may poind the debtor's goods, arrest his earnings, or seize other assets including money held in the debtor's bank account, according to the local authority's specific instructions.

19. It is proposed that the Bill should provide that persons who are living together as man and wife are jointly and severally liable for each other's personal community charges, but that this should not be a matter which is checked at the registration stage and that it should not therefore appear on the register. The local authority would have the discretion at any stage in enforcement proceedings to apply to the Sheriff court for an ordinary court decree in the names of both the debtor and the spouse. The local authority would have to make a case that the couple were living together as husband and wife. The debtor and the partner would have the opportunity to make

representations. If a decree was granted the Sheriff officer would be able to seize the assets of both the debtor and the debtor's partner.

20. The point at which the local authority sought a joint decree against the couple would vary depending on the circumstances. In some cases, the local authority would do this straight away, without first attempting enforcement solely against the debtor. For example, the local authority might have knowledge of the couple accumulated as part of a history of bad debts, or it might have dealt with a rebate application for the couple, in which they accepted that they were living together. In other cases, the authority would seek a joint decree once enforcement solely against the individual had been tried and failed.

Proposed English and Welsh procedures

21. As in Scotland, it is proposed that in England and Wales the local authority would usually first attempt enforcement solely against the debtor, before seeking a warrant in joint names, but the authority would have the discretion to seek a joint warrant in the first instance. The warrant would be administered by the local authority. It would give more limited powers than a warrant in Scotland - it is proposed that it would allow only distraint on goods (by bailiffs) and attachment of earnings. It would not allow the local authority to arrest assets in bank accounts, etc.

22. The procedures for acquiring a joint warrant would be slightly more complex than in Scotland because of the different court system. Where an authority had evidence of the identity of the debtor's spouse it could apply to the magistrates' court for a summons, then a warrant, in both names. Both the debtor and the alleged spouse would have the right to object that they were not in fact living as husband and wife. Where such an objection was made the case would not normally be heard by the magistrates' court but would be referred to the relevant body dealing with such appeals. In the interim the magistrates' court would issue a warrant only in the name of the debtor.

Appeals in England and Wales

23. Under the system described above, appeals against issue of a joint warrant would always be by the debtor or (alleged) partner, against the local authority's contention that the couple were living together as husband and wife. In Scotland, cases would be dealt with by the Sheriff, who will be the normal channel for appeals on community charge matters there.

24. Which body decided the appeals in England and Wales would depend on the circumstances, as set out below.

25. If there had already been an appeal against joint assessment for income support that appeal would have been heard by the Social Security Appeal Tribunal or would be pending. The decision of that Tribunal should be conclusive so far as joint and several liability for the community charge was concerned unless material circumstances had changed.

26. The same would apply if a similar appeal had already been made to the Local Authority Review Board. This body deals with appeals on assessment for housing benefit for those not on social security.

27. Where the couple had not made such an appeal, separate hearings would be needed on joint and several liability. These could be dealt with

- by the Local Authority Review Boards, which (as noted above) have experience of these matters, but use of which would involve expanding their remit to include people who were not receiving rebates;

- by the new Local Taxation Tribunals which will be based on the existing Local Valuation Courts but will be hearing appeals about a wide range of community charge issues, including appeals against civil penalties.

On balance we favour the use of Local Taxation Tribunals.

Necessary conditions for Joint and Several Liability

28. There are two final points about the conditions which should be satisfied for joint and several liability to apply.

29. First, joint and several liability for the community charge has always been envisaged as applying to all married couples, including those where both partners have incomes. E(LF) was concerned that unmarried couples should not be treated more favourably than those who were married. We therefore assume that joint and several liability should also apply to all unmarried couples living together as husband and wife, irrespective of their financial circumstances.

30. Second, it is for consideration whether, in the case of married couples, the local authority should be able to require a spouse to pay his or her partner's community charge, whether or not the debt arose before the couple married; and similarly, in the case of unmarried couples, whether joint and several liability should apply to community charge debts dating back before the couple began living together. This approach may be criticised as harsh. It would also be inconsistent with Scottish matrimonial property law, which limits a husband's liability for his wife's ante-nuptial debts to the value of any property she brings to the marriage, and under which a wife has no liability for her husband's previous debts. There is however no equivalent of this legislation in England and Wales. Moreover, if joint and several liability were limited to community charge debts incurred while the couple were living together, the local authority would need to show, not only that the couple were living together as husband and wife, but had been so throughout the period to which the debt related.

Conclusions

31. (i) The provisions of the Debtors (Scotland) Bill ease some of the problems associated with enforcing payment by couples, but do not achieve all that was required by E(LF). Officials recommend that the Abolition of Domestic Rates Etc (Scotland) Bill, and parallel

English and Welsh legislation, should enable or provide for joint enforcement procedures against married couples (unless separated) and against unmarried couples living as husband and wife.

(ii) Invoking joint and several liability should be left to the stage of seeking payment, not dealt with as part of the registration process. But a warning about joint and several liability should be included on all community charge bills.

(iii) In the first instance, enforcement would generally be sought against the debtor alone. Where the local authority believed it knew the name of the debtors partner it could apply to the court for an appropriate order which would contain both names.

(iv) The debtor and the alleged spouse would have the opportunity to object. In Scotland the case would be heard by the Sheriff court. In England and Wales the Local Taxation Tribunal would decide whether a couple were living together as husband and wife, unless the issue had already been considered (or was being considered) by other appeal bodies in the context of income support or housing benefit.

(v) It is for consideration whether, to ensure effective enforcement procedures, joint and several liability should apply to community charge debts amassed <u>before</u> a couple began living together as husband and wife, as well as to debts incurred <u>after</u> they began cohabiting.

ANNEX A

THE SCOPE OF JOINT AND SEVERAL LIABILITY

A1. It is proposed that joint and several liability should apply only to married couples who are not separated, and unmarried couples who are living together as husband and wife. An alternative would, however, be to extend joint and several liability beyond these categories to cover other people who may be dependent on a friend or relative. Examples previously mentioned are students who do not receive Government grant; those who refuse to make themselves available for work for reason unacceptable to DHSS, and sponsored immigrants.

A2. The main arguments for extending joint and several liability to these group would be that, where such people have no income and few possessions, it might be difficult to enforce payment of the community charge. If this happened, the local authority might reasonably look to those on whom such individuals were financially dependent to meet any unpaid bill,

A3. Such a wide definition of joint and several liability

i. would be contentious, and would tend to undermine the argument that the community charge is an individual liability;

ii. might still provide problems of definition and proof for the local authority: those concerned might, for example, be found to be partly dependant on a small amount of savings, rather than wholly dependent on any one other person;

iii. could make enforcement cumbersome - where the student did not live at the same address at his parents, for example.

A4. The risk of avoidance may, in any case, be rather less with these groups than it is with married and unmarried couples with only one earner. Many of the students for example will have part-time

jobs or some savings. So the local authority in England and Wales will have the option of seeking committal to prison if failure to pay the community charge is due to 'wilful refusal or culpable neglect' - that is, that the individual had had money which could have been used for the purpose. (In Scotland, civil imprisonment will not result: Debtors (Scotland) Bill, clause 74). In difficult cases there will be the possibility of renewing enforcement at a later date if the individual's circumstances change - for example, if someone who was not working got a job.

PNB
02.11.

CONFIDENTIAL

PRIME MINISTER

SCOTTISH COMMUNITY CHARGE

E(LF) have accepted Mr. Rifkind's proposal that Scotland should move straight from rates to the community charge without a transition.

DUTY CLERK
pp (DAVID NORGROVE)

25 February 1987

CONFIDENTIAL

CC/GG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
70 Whitehall
LONDON
SW1

27 February 1987

Dear Lord President,

COMMUNITY CHARGE: MARRIED AND UNMARRIED COUPLES

Nicholas Ridley's letter of 27 February proposes a scheme of joint and several liability for married and unmarried couples along the lines set out in the note by officials which he attaches in fulfilment of the remit from E(LF) on 22 January that such a scheme should be prepared.

I am broadly content with the scheme proposed by officials. As the note makes clear, the current Debtors (Scotland) Bill contains provisions which mean that in many cases of co-habitation it will be possible for effective debt recovery to be achieved without recourse to joint and several liability if the co-habiters own goods in common. I agree however that it will be necessary to provide for joint and several liability to apply in cases where the Debtors (Scotland) Bill arrangements might not be fully effective in achieving full recovery of personal community charge debts.

I have however reservations about the scope of joint and several liability envisaged in the fifth paragraph of Nicholas Ridley's letter. It would be contrary to basic principles of Scots law, most recently expressed in the Law Reform (Husband and Wife) (Scotland) Act 1984, for partners to find themselves liable for sums relating to a time before they were married or started to live together. I therefore propose that in Scotland joint and several liability should only apply to debts relating to the period within which a couple are married or have cohabited. It will be for the Sheriff to consider, as part of his determination of whether or not to grant a decree to the local authority permitting debt recovery on the basis of joint or several liability, the date on which cohabitation can be shown to have started. I prefer this approach on the general grounds of natural justice as well as on the ground that it is necessary against the background of family law in Scotland. If Nicholas Ridley and Nicholas Edwards nevertheless feel

strongly that it is necessary to provide for a wider scope of the debts covered by joint and several liability in England and Wales, however, I think that the difference could be defended on the grounds of differences between the legal systems north and south of the Border.

Since the Report Stage of the Abolition of Domestic Rates Etc (Scotland) Bill will be on 4 and 5 March, I have today given instructions for the relevant amendment to be tabled.

I am copying this to the Prime Minister, the Lord Chancellor, Nicholas Ridley, other members of E(LF) and to Sir Robert Armstrong.

Yours sincerely

L Gilchrist

MALCOLM RIFKIND

Approved by the Secretary of State and signed in his absence

27. VI.
PM 8 7

CONFIDENTIAL

GR

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Robin Young Esq
Private Secretary to
The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

25 February 1987

Dear Robin

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

My Secretary of State minuted the Prime Minister on 19 February about the correspondence on Councillor's Layden's letter of 23 December. He wished the reply to Councillor Layden to make clear that everyone would make a minimum contribution towards the community charge (in an unfortunate misprint for which many apologies this came out as a "maximum" contribution).

David Norgrove has asked me to agree a suitable form of words. I suggest the following which has been agreed by officials in your Department and mine: at the end of the first sentence in your second paragraph insert:

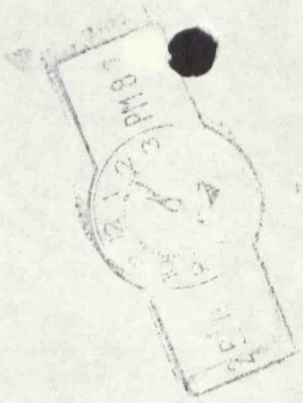
> "Although each person liable would be required to make some community charge payment; the Social Security White Paper suggested that each household make at least a 20 per cent contribution towards domestic rates"/3

I am copying this letter to David Norgrove (No 10), Joan MacNaughton (Lord President's office), Stephen Boys Smith (Home Office), Jill Rutter (Chief Secretary's office), Robert Gordon (Scottish Office), Colin Williams (Welsh Office) and to Trevor Woolley in Sir Robert Armstrong's office. Would you and others let me know by close on 27 February if you see any problems with this.

Yours sincerely
Bruce Calderwood

Bruce Calderwood
Private Secretary

CONFIDENTIAL



CCBC

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon The Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

24 February 1987

Dear Willie,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
RATING OF SPORTS CLUBS

I wrote to you and to E(LF) colleagues on 12 February, and am grateful to John MacGregor, Nicholas Edwards and Nicholas Ridley for their speedy responses.

Since their reactions to my proposal were negative, I accept that I should not pursue further the idea of extending some mandatory rating relief to sports clubs in Scotland.

I do not therefore now envisage a Government amendment to the ADRES Bill relating to sports clubs, although given the pressures I face from our supporters, I shall be examining afresh other ways in which I might help within the present arrangements.

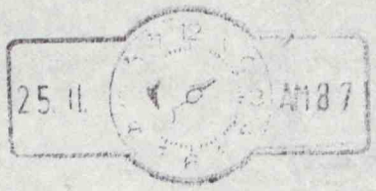
I am copying this letter as before to the Prime Minister, members of E(LF) and Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

ICH051A4

LOCAL GOVT
RATES Pt 6.



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CUBG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

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

23 February 1987

Dear Chief Secretary,

COMMUNITY CHARGE - REDUCTIONS IN AEG

FILE WITH DCR

Your letter of 17 February to Malcolm Rifkind, about his proposals for introducing the community charge, also raised the rather separate subject of possible offsets from Aggregate Exchequer Grant (AEG) to take account of increases in spending on student grants and rebates.

Although, as you say, these issues are largely hypothetical for me at the moment (as final decisions on the treatment of students, and on rebates, have yet to be taken for England and Wales), I must record my doubt about the proposition you put forward.

So far as I am aware, the Treasury has not previously sought to establish a link between the amount of AEG and the level of student grants, or rebate expenditure. Rebate spending can rise for a number of reasons - including an increase in the level of unemployment. No attempt has ever been made to adjust AEG to reflect rebate spending. Nor am I aware of any proposal that the level of AEG should be increased in 1988/89 to reflect the reductions in benefit spending which will result from the social security reforms - though that would be the logical consequence of what you propose.

The grant total for 1990/91 will be settled in due course in the light of all the relevant factors, including (no doubt) the possible consequences for the level of community charges, I do not think it would be fruitful to speculate now on what the figure should be; nor do I think that amounts paid as student grants or through the rebate system should be a relevant consideration when a decision does come to be taken.

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

Yours sincerely,

pp NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence)

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John MacGregor Esq MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

NBM.

23 February 1987

Dear Chief Secretary,

ADRES BILL: TRANSITIONAL PERIOD

Thank you for your letter of 17 February. I have also seen Kenneth Baker's letter of 20 February.

The points you make about student support and community charge rebates raise big issues. I am not at all clear why you suppose that either of these payments will result in additional Exchequer support for local authorities. Under our proposals, the income raised by community charges at the start of the new arrangements will be the same as what would have been raised through the payment of domestic rates, unless in the year of introduction local authorities increase the volume of their spending. There are considerable benefits in terms of accountability etc, in widening the net of local taxpayers to include (inter alia) students; and it is these benefits which have led us to introduce the legislation. But the widening of the net does not increase the income to authorities. The student support and rebate arrangements are simply income support for groups of the population whom we recognise will require that support, if they are to meet the new burdens being placed upon them. If the cost of that support is to be deducted from AEG, that will be seen by local authorities - and quite properly so - as a straightforward reduction in Government's support for local services. Since we are also taking control of the fixing of non-domestic rates, the slack will have to be taken up through community charges. In other word, the cost of student support and rebates, under your proposal, would fall on other community charge payers. That would scarcely get the new arrangements off to a good start and would be rightly rejected as intolerable.

I therefore certainly cannot agree to what you propose. I suggest that officials get together to discuss the matter further.

However, as you say, this is not strictly a point about transition and is not particularly relevant to my proposal to dispense with the transitional period, and I note that you have no other objections to that

proposal. I hope therefore that I have your agreement to that proposal and that you can agree to our officials now pursuing the points you have raised about student support and community charge rebates.

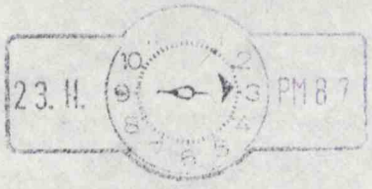
I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Ridley, other members of E(LF) and to Sir Robert Armstrong.

Yours sincerely

A Gilchrist

MALCOLM RIFKIND

Approved by the Secretary of State and signed in his absence



LOCAL GOUT: Rating pt 6.

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PRIME MINISTER

B/F Monday.

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

I have studied the exchange of correspondence following Councillor Layden's letter to you of 23 December. In general, I would accept the balance of arguments put by Nicholas Ridley. But we must recognise now that the introduction of rebates for the community charge, as well as reducing the pressure on local authorities to constrain spending, will significantly add to the caseload and expenditure on housing benefit. In particular, it would extend help through housing benefit for the first time to the young unemployed who live at home. On our figures, this means that whereas in 1988 we would expect the reforms to reduce caseload from about $6\frac{3}{4}$ million households to about $5\frac{1}{2}$ million, once the community charge is fully in place the Great Britain total would rise to about 7 million people receiving rebates.

It follows that I strongly support Nicholas on his desire to reduce the range of community charges so far as possible. We must also leave open the details in Scotland as well as in England and Wales of the rebate scheme so as to allow us to consider ways of putting maximum pressure on high spending councils. I think the reply to Councillor Layden should make it clear, however, that everyone will be expected to make a ~~maximum~~ minimum contribution to the community charge.

Copies of this minute go to Willie Whitelaw, Nicholas Ridley, Douglas Hurd, John MacGregor, Nick Edwards, Malcolm Rifkind and Sir Robert Armstrong.

19 February 1987

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CCBG

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

1

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland
Dover House
Whitehall
London SW1

NBBR.

20 February 1987

Dear Malcolm

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: TRANSITIONAL PERIOD

Thank you for copying to me your letter of 6 February to Willie Whitelaw. I have also seen Nicholas Ridley's letter of 13 February and John MacGregor's of 17 February.

Since I shall not be able to attend the meeting of E(LF) next Tuesday arranged to look at the implications for England and Wales of your proposals to dispense with a transitional period in Scotland, I write now to take up one consequential issue which concerns the treatment of students. Our officials have already been in touch about the arrangements for compensating students studying in Scotland for the new liability for the community charge. Some of those students will be in receipt of grants from local education authorities and other grant-awarding bodies in England and Wales. The costs of compensating them will fall on my Department's votes, and will require additional PES provision. It would be logical under the approach suggested by John MacGregor to secure this by a transfer from the provision for AEG in Scotland, since ultimately the additional grants to students will benefit local authorities in Scotland in the way that he describes. Our officials will need to consider the costs in more detail but a preliminary estimate is that I will need additional cover of about £2m a year at 1986-87 prices.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Ridley, John MacGregor, other members of E(LF) and to Sir Robert Armstrong.

Yours ever
Kenneth

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

19 February 1987

Dear Malcolm NBPM

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: RATING OF SPORTS CLUBS

Thank you for copying to me your letter of 12 February to Willie Whitelaw proposing 50% mandatory rate reliefs for non-profit making sports clubs. I have seen John MacGregor's letter of 16 February.

I agree with John and I am afraid that I too oppose your proposals for 3 reasons in particular:

- Section 40 of the General Rate Act which governs the present discretionary relief for sports clubs is not, as you suggest, virtually the same as the Scottish provision, because it goes much wider in making discretionary relief available to any non-profit-making organisation whose main objectives are charitable, philanthropic, religious, or concerned with education, social welfare or the fine arts, as well as to non-profit-making clubs mainly used for recreation. I can see no grounds on which to distinguish sports clubs from any of that much wider list.

- As you suggest the problem is essentially one of valuation practice. Since we are now engaged on harmonisation of practices, the granting of a permanent mandatory relief as well as ulitmately getting the rateable values down and bringing Scottish non domestic poundages in line with those in England would be too generous.

- Other ratepayers may well resent an indiscriminate subsidy for all sports clubs regardless of where the membership is drawn from or how restrictive the membership requirements are. Those who are not sporting will ask why their favourite recreation is not subsidised. The justification for any relief should rest on the extent to which clubs are providing a general benefit to the community and it should be for the local authority to decide on the facts whether that test is being met.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

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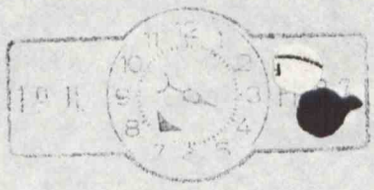
LOCAL GOVT: Rating revaluation: Pt 6



ccBG

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Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

18 February 1987

Dear Willie

NBM.

**ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL:
RATING OF SPORTS CLUBS**

I have seen Malcolm's letter of 12 February to E(LF) members. While I fully appreciate the pressure he is under, I am afraid I cannot support his proposal that mandatory rate relief should extend to sports clubs.

This is not the time to admit particular exemptions to the general rules we are seeking to introduce to local government finance. There will undoubtedly be many attempts by a wide range of organisations to secure special treatment as we proceed with our plans and we will face very difficult decisions in resisting them. Treating sports clubs in Scotland in the way Malcolm suggests would set a very awkward precedent both in Scotland and south of the border, and would weaken our position in dealing with representations from other organisations who we know are watching developments very carefully. In moving ahead we would be wise to maintain the line that in cases of this nature it is local and not central government who are best placed to decide when and when not to grant relief under existing powers.

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

Yours ever

Nick

The Rt Hon the Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Offices
Whitehall
LONDON SW1A 2AT

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cc PB/G

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon the Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

NBPM.

17 February 1987

Dear Willie.

cat flap

ABOLITION OF DOMESTIC RATE ETC (SCOTLAND) BILL - TRANSITIONAL PERIOD 1988 - 1992

Malcolm Rifkind copied to me his letter of 6 February proposing that the community charge be introduced in Scotland in April 1989 as a "clean break" without the three year transitional period provided for in the Bill.

This would certainly simplify the administrative arrangements and reduce costs, and I would support the proposal on these grounds. It would, however, increase pressure on us to give details of the community charge rebate arrangements, but this would need to await fuller consideration of the expenditure and caseload implications.

The proposal would lead to pressure for doing without a transitional period in England and Wales, where the effects would be much greater. I would hope that we could avoid giving any commitment so far as England and Wales are concerned until these can be properly assessed.

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

Yours Norman.

NORMAN FOWLER

Local Gov't : Rating PTB.

CCBG

Y SWYDDFA GYMREIG
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Tel. 01-270 3000 (Switchboard)
01-270 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

17 February 1987

NBPM.

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL TRANSITIONAL PERIOD

I have seen Malcolm's letter to you of 5 February and note that he plans to abandon the idea of a transitional period between the old domestic rating system and the new community charge in Scotland. I can see the force of his arguments in both presentational and practical terms. This seems to be a matter for Malcolm's judgment, and I have no objection to his going ahead.

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

The Rt Hon The Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

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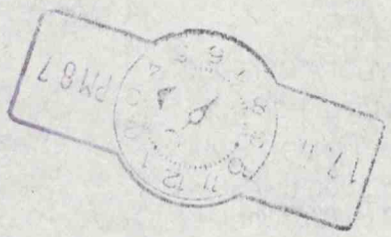

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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

17th February 1987

Dear Malcolm,

ADRES BILL: TRANSITIONAL PERIOD

Thank you for copying to me your letter of 6 February to Willie Whitelaw. I have also seen Nicholas Ridley's letter of 13 February.

Nicholas has suggested a collective discussion of your proposal. I am sure that is right, but there are two points raised by your ideas which I think we could clarify beforehand. They concern student support and community charge rebates.

We have agreed that students studying in Scotland who receive a mandatory award should get a flat rate enhancement to help them pay the community charge. (Officials are considering the details.) Local authorities will benefit from the resulting Exchequer support, paid first to students as part of their grant and then by the students to authorities as community charges. To preserve the position of the Exchequer, local authorities and other community charge payers it will be necessary to reduce direct Exchequer support to local authorities - Aggregate Exchequer Grant - below what would otherwise be appropriate in Scotland by an amount equal to the addition to spending on student awards.

This is not strictly a point about transition. But under your proposal the necessary adjustment to AEG in Scotland would fall primarily in 1989-90, and not also be phased in over three years.

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Local Govt
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The same point arises in connection with rebates from the community charge in Scotland. To the extent that such rebates exceed rebates from rates, additional Exchequer support to local authorities will be channelled through individuals, and a compensating reduction in AEG would be aprropriate.

Could I have your confirmation that you agree full adjustments to AEG in Scotland would be necessary? In due course, similar adjustments may be necessary in England and Wales, depending on our final decisions about students and about rebates.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Ridley, other members of E(LF) and to Sir Robert Armstrong.

Yours ever,

JL

JOHN MacGREGOR

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

DN

Andy Bearpark Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

My ref:

Your ref:

16 February 1987

Dear Andy,

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

I wrote to you on 30 January about Councillor Layden's letter to the Prime Minister on this subject on 23 December, and on 3 February I asked you to send the material back to me so that my Secretary of State could have second thoughts. He has now considered the matter further.

The leaders of the local authority associations met the Prime Minister on 25 November to discuss the Green Paper "Paying for Local Government". The Prime Minister was accompanied by my Secretary of State and the Secretaries of State for Scotland and Wales. Councillor Layden's recollection is that the Prime Minister said during the meeting that help towards the community charge for those on low incomes would be through a rebate system. David Norgrove's note of the meeting bears that out, saying "Rebates would be provided for the community charge, working in a similar way to the present system of rate rebates, though the percentages might be different".

On 2 October, however, E(LF) had concluded that, while provision allowing for the rebating of the community charge should be included in the Scottish legislation, no commitment should be given for England and Wales about the way in which those on low incomes might be helped to pay the community charge. Consequently, the Abolition of Domestic Rates Etc (Scotland) Bill includes a power to give community charge rebates, but the DOE/Welsh Office document on the operation of the community charge in England and Wales, published on 15 December, says merely that "those on low incomes will continue to get help through the social security system. Detailed arrangements will be settled later."

Councillor Layden's letter draws attention to this apparent discrepancy, and asks whether there will in fact be community charge rebates in England and Wales.

My Secretary of State has always been concerned to avoid the need for a rebate system if possible. Rebates are costly to administer, and shield those receiving them from the full impact of changes in local spending - the very pressures that the Green Paper system is designed to impose. The alternative would be to provide assistance through the Income Support arrangements.

However, after considering the matter very carefully, he has reached the view that Government policy should be to provide

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community charge rebates in England and Wales. There are three reasons for taking that line.

(i) Without a tapered rebate system, anyone who had been unemployed and took a low paid job could well go from receiving substantial help towards his community charge bill, to receiving no help at all. That would damage work incentives, and suggests that any decision not to have rebates should be taken in the wider context of the benefit and tax system as a whole.

(ii) The main concern being expressed about the community charge is the fairness of a flat-rate payment. It will be much easier to win this argument if the Government can say that there will be rebates for those on low incomes, which will introduce a limited element of progressivity into the community charge at that end. In defending the proposals in their Bill, the Scottish Office have relied heavily on the fact that there will be rebates.

(iii) Although my Secretary of State is keen to reduce the range of community charges if possible, public debate about the new system will take place against the background of the very wide range of charges that is implied by the present pattern of local spending. If the Government were to provide help only through Income Support, it would be seen as overcompensating those in low charge areas while placing very heavy burdens on those where bills were high.

My Secretary of State therefore believes that the only sensible course is to use the opportunity of the reply to Councillor Layden to announce that the English and Welsh legislation will provide for community charge rebates to be extended throughout Great Britain. This would not, however, rule out the possibility of putting pressure on high spending councils by, for example, imposing a ceiling on the maximum amount of community charge that would attract a rebate. Nor would it preclude a decision to revert to a system of help through Income Support alone if circumstances changed.

Following my earlier letter, the Secretaries of State for Scotland and Wales indicated support for such an announcement; the Chief Secretary was also content. Subject to the views of the Secretary of State for Social Services in particular, and the Prime Minister's own views, I enclose a draft letter to send to Councillor Layden accordingly.

I am copying this letter and the draft reply to Joan MacNaughton (Lord President's Office), Stephen Boys Smith (Home Office), Jill Rutter (Chief Secretary's Office), Geoffrey Podger (DHSS), Robert Gordon (Scottish Office), and Colin Williams (Welsh Office), and to Trevor Woolley in Sir Robert Armstrong's Office. Perhaps Geoffrey Podger and others could let you know by close on 19 February if they see any problems with the policy or the terms of the letter to Councillor Layden.

Yours sincerely,
Robin Young.

R U YOUNG
Private Secretary

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007/2769

CCBS

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

16 February 1987

Dear Malcolm,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: RATING OF SPORTS CLUBS

Thank you for copying to me your letter of 12 February to Willie Whitelaw.

I do not believe that we should include a mandatory relief for sports clubs in the ADRES Bill. We should resist requests for special treatment unless the case for complicating local government finance and for shifting the rates burden from particular interests to other ratepayers is very strong indeed. A 50 per cent relief would be a substantial concession, and I understand that although the recent evaluation may have changed the position of some clubs there has probably not been a major increase in their overall burden. I can therefore see little justification for conceding a relief which may well be repercussive South of the border.

I understand that you face considerable political pressure from backbenchers but I note that Michael Ancram undertook to consider their views in the context of overall policy in the UK. If this concession is granted, it may prove difficult to remove when non-domestic property in all three countries is revalued in 1990 and as valuation practice becomes more consistent throughout Britain. Indeed, we may then be asked to consider an extension of the relief to England and Wales. I think it better to rely on the

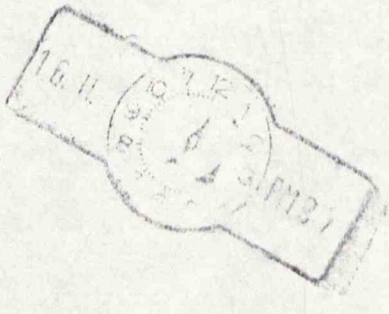
LOCAL GOVT. Rating PT6.

existing discretion for local authorities to grant relief and, if necessary, to point out that it is local authorities deciding not to use that discretion who cause problems for their local sports clubs.

I am copying this letter to the Prime Minister, E(LF) and Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR



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CC(87)

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

Prime Minister 2

DCS 17/2

13 February 1987

Dear Malcolm

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: TRANSITIONAL PERIOD 1988-1992

Thank you for copying to me your letter of 6 February to Willie Whitelaw.

Apart from the impact on individuals - particularly those who have not been paying rates - part of the case for a transitional period has been the risk of making local authorities totally dependent on income from the community charge before the radically new arrangements have had time to become established. I hope you are satisfied that local authorities in Scotland would in fact be ready for full implementation of the community charge in 1989.

I am convinced that we must at least reduce the transitional period in England from the 10 years envisaged in the Green Paper. My officials are looking hard at all the options, and I will be coming back to colleagues with proposals as soon as I can. But some very difficult issues are involved. Meanwhile, if you made the announcement you propose, I would be able to say only that I was sympathetic to the aims of shortening the transitional period, and was considering ways in which this could be achieved. I am a little apprehensive as to whether this would sound convincing.

When, in due course, we do come to announce decisions about introducing the community charge in England, there will (as you say) be reasons we can put forward to justify variations between the two countries. But I am not sure how easy it will be to defend greatly different transitional periods north and south of the Border.

In view of the importance of the issues involved, and the implications for England and Wales of what you are proposing, I think it would be helpful to have a brief discussion in E(LF) before any final decision is taken.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

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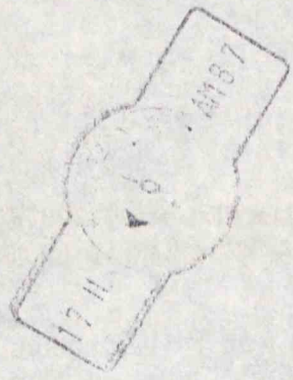

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

NBPN.

The Rt Hon The Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

12 February 1987

Dear Willie,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
RATING OF SPORTS CLUBS

I am writing to you and colleagues in E(LF) about this issue to ask for agreement in principle to an amendment before the end of the Commons Committee stage of the ADRES Bill. I am under strong pressure from our supporters both in the Committee and in Scotland in general to change policy on rating of sports clubs in Scotland.

Since the material is fairly lengthy, I have set out the background, in the note I am annexing to this letter, but my conclusion is that I should seek your approval, and the authority of colleagues in E(LF), to my offering to move a Government amendment to the ADRES bill at Commons Report Stage offering 50% mandatory rating relief to prescribed Scottish sports club facilities (excluding licensed bars and the like), with local discretionary relief remaining available up to 100% of prescribed and on-prescribed facilities within the present 1962 Act definition. I would hope you will feel able to agree this change, which has no public expenditure effects, in correspondence since the timing of a decision is fairly tight. The Scottish Scottish Standing Committee will expect us to have come to a conclusion on sports clubs by the time they reach the stage of New Clauses towards the end of their consideration of the Bill; following the guillotine motion, this makes the deadline Thursday 26 February.

This is an issue which has over a year generated a great deal of political steam, particularly amongst our supporters in Scotland who are convinced that local authorities are not well disposed towards voluntary sports clubs, that there is innate political hostility from Labour Councils, and that legislation is the only way of effecting a real solution. Equally all Opposition parties in Scotland have sought to capitalise on this pressure by adding their voices to it. Failure to come forward with a solution will be difficult to defend and would be damaging.

I would be grateful for comments on this proposal by 18 February.

CML04201

E. B.

I am copying this letter and my annex to the Prime Minister, E(LF) members and Sir Robert Armstrong.

Yours ever,

Malcolm

MALCOLM RIFKIND

CML04201

ANNEX

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
RATING OF SPORTS CLUBS

Note by the Secretary of State for Scotland

BACKGROUND

1. The problem as perceived by Scottish sports clubs faced with large bills is a complex one. To a significant extent it is a valuation problem, in that there seems little doubt that Scottish assessors have adopted practices which lead to higher rateable values for non-commercial sports clubs than in England, even when adjusted to the same price base (for example, I understand that West Lothian County Cricket Club, with a small pavilion, tea room and bar, has a valuation giving it a rates bill of some £2,800, more than 1½ times that of the major English county club ground at Worcester, with a large pavilion, seating for 10,000 spectators, dining-room, supporters' club offices and lottery offices). I have accordingly pressed the assessors, who are, as colleagues know, now embarked upon a series of discussions with their Inland Revenue opposite numbers, to review their techniques with a view to harmonisation of Scottish and English valuation practice as soon as possible. But this could not take place before the simultaneous revaluations in 1990, at the earliest, - and it is possible that legislation may be required, (for example to overturn one or more court decisions in either jurisdiction inhibiting harmonisation) in which case it would probably take longer. I am clear that harmonisation of valuation practice is an important strand here, but it is by no means the only one. As we have already seen in Committee, it is quite impossible to sell the idea that a solution for Scottish sports clubs can simply wait until valuations in Scotland and England have been aligned, when everything will be all right.

2. A second strand is of course that a number of Scottish sports clubs have higher rate bills not only because of higher valuations, but because they suffer higher rate poundages due to higher local authority spending. This is a problem that the ADRES Bill begins to tackle by limiting and indexing the non-domestic rates, and I do not think there is more we can do for the moment.

3. The third strand is rate relief. Parliament has given rating authorities

> "power to reduce or remit any rate leviable in respect of ... any lands and heritages occupied for the purposes of a club, society or organisation not established or conducted for profit, and which are wholly or mainly used for purposes of recreation" (Local Government (Financial Provisions)(Scotland) Act 1962, s.4).

The English provision (General Rate Act 1967, s.40) is virtually the same.

4. The difficulty now is that - though there has in the last few days been some welcome movement toward flexibility by our largest Council - some rating authorities do appear to have been striking unsympathetic attitudes towards the granting of relief. There have been signs that, as

part of the increasing confrontation between local and central government, a few authorities are taking a hard line with applications for relief from sports clubs with quite a reasonable record of social contribution, claiming that they cannot afford relief when central government is restricting their spending on the services they prefer; there may be a party political angle also in that some sports facilities are seen as of more interest to our supporters than to the Opposition's. The 'affordability' argument is essentially spurious; not only does the present Scottish grant system attenuate the burden of granting relief for all those authorities receiving resources element of RSG, but in announcing the relatively generous RSG settlement for 1987-88, I made it quite clear that there was now no excuse for authorities not giving relief where it was due, the amounts involved even in a very generous interpretation of their discretion being small by comparison - maybe about one-tenth of a penny rate.

5. All these initiatives - towards harmonisation of valuation, controlling non-domestic rate poundages, and formally inviting authorities to use their discretion more generously, with grant to back this up - have I regret failed to alleviate the concerns of our supporters in Scotland Michael Ancram and I have faced mounting pressures, at meetings, on the media and now in the House itself, to take further action. Equally there are real fears that certain sports clubs might have to close as a result of their rate bills.

6. In the Committee stage of the ADRES Bill we had by the ninth sitting had three separate attempts at amendments to help sports clubs, all of them tabled and supported by our own backbenchers. Two would if passed have removed sports clubs (though not their bars) from the valuation roll altogether, and the third would have given mandatory 50% relief (with higher relief at the authority's discretion) to sports clubs (including bars). The first two were withdrawn, but in our view a Government defeat on the third was avoided only by Michael Ancram's undertaking to consider the position in the light of the debates, but making the following caveats: that the Government's consideration would have to be not just in the Scottish context, but in the context of overall policy in the UK, and that consideration would not be given to extending any mandatory relief to include licensed bars forming part of sports clubs.

OPTIONS

7. I have looked at the possibility of a 'Northern Ireland' solution, giving mandatory relief at a fixed level to parts of sports clubs prescribed by order (and thus including playing fields, changing rooms and toilets but excluding bars, offices etc), with no remaining local discretion to give additional relief. Both the prescribed and non-prescribed parts of the club would appear on the valuation roll and it would be the duty of the assessor to apportion the property and show them separately. (This is broadly what happens in Northern Ireland at present, the mandatory relief being set at 65% there by the Rates (Amendment)(NI) Order 1979 in an attempt to equal the average discretionary relief accorded by authorities in GB.) This precedented approach presentationally goes quite a bit of the way in the direction that the pressure groups wish, while leaving sports clubs in valuation. Though it leaves out local councillors it does retain the assessor's professional skills, restraining to some extent the extension of relief to clearly inappropriate parts of premises. But on implementation it would

have the fatal flaw of creating a whole new class of 'losers': those at present in receipt of discretionary relief at levels effectively higher than the fixed mandatory level. 65% off a club's pitch and changing room would certainly be less than 100% off everything and could even be less than 50% off pitch, changing room and bar. Accordingly I have reluctantly concluded that this option is not sustainable.

8. My other option is a mixed solution, giving mandatory relief, say at 50%, to prescribed parts of sports clubs, but leaving intact local discretion to extend further relief either to the prescribed parts or the other parts of sports clubs or, as at present, to both. It is in effect what the recent amendment sought to add to the ADRES Bill. Like the first option, it relies heavily on getting right what is prescribed by Order as qualifying for mandatory relief; this is almost bound to be wider in scope than what is actually granted discretionary relief at present, and will allow relief for cases which local authority elected members would turn down as inappropriate. Nevertheless, though it would not be easy, we cannot say (particularly in the light of the Northern Ireland position) that it would actually be impossible to prescribe the kinds of property that should qualify in such a way that assessors would be able to operate. And leaving a discretion to local authorities to extend further relief on top, either by way of more relief on prescribed parts or of relief on non-prescribed parts, would preserve flexibility and minimise the number of 'losers'.

9. The cost of either option would be spread across other Scottish ratepayers, but not to the extent that this would be perceptible. 100% relief to all sports clubs might reduce rate yields by £5 to £6 million, which would be recouped by a rate poundage increase of one-sixth to one-fifth of a penny; 50% relief would halve these figures. There would be no effect either upon public expenditure or aggregate Exchequer grant totals.

Cllr. LAYDEN

Cite SP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 February 1987

I have chased DOE again today.
J 13/2
Promised for mon. 16/2.

Thank you for your letter dated 10 January, received here on 11 February.

I regret that it has taken so long for Councillor Layden to receive a reply to his letter of 23 December. I expect that the Prime Minister will be replying shortly.

I am copying this letter to the Office of the Leader of the Opposition, as you did yours.

DAVID NORGROVE

M. G. Pilgrim, Esq.

RHS.

CONFIDENTIAL

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon The Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON SW1

6 February 1987

Dear Lord President

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
TRANSITIONAL PERIOD 1988-1992

This letter seeks the agreement of E(LF) that I should bring forward amendments to the above Bill at Commons Report Stage, provisionally scheduled for the first week in March, to delete the provisions it contains for a three year transitional period beginning on 1 April 1989. Domestic rates would thus be abolished entirely on that date and all those liable to pay the community charge would be expected to pay the full amount with effect from financial year 1989-90.

The idea of a transitional period has featured in our proposal since the Green Paper 'Paying for Local Government' was published in January 1986. We envisage that domestic rates would be phased out over the three years beginning on 1 April 1989, being payable in those years at respectively 60%, 40% and 20% of their former level. The community charge would become the balancing factor and would therefore increase correspondingly during the transitional period, as well as immediately bearing the impact of any overspending by authorities, thus securing from the outset our important objective of increasing accountability. There are at present roughly 2 million ratepayers, one million of whom have spouses so that the number of strictly 'new' payers - young single adults, people living with relatives and so on - would be about 750,000. The average community charge in Scotland at today's levels would be £221 (£4.25 per week) with the range from £261 (£5 per week) to £161 (£3 per week) (leaving out of account the islands councils to which special considerations apply). We have defended our proposals for the transitional period at Second Reading, in Committee and in public discussion on the basis that, especially for those who do not have rebates, a new liability for sums of this order might be rather a lot to take on all at once.

Our proposals have, however, met with some sustained opposition. This became clear in the informal official consultations we had with Scottish local authorities last summer, in which attention was drawn to the serious administrative burden of running the rating and community charge systems in parallel for three years: local authorities would undoubtedly find it easier to throw the full weight of their staff and computer resources on to developing and running the new system,

10 DOWNING STREET

Prime Minister?

I am not sure whether you looked at Mr Ryland's letter.

DLS
10/2

10 DOWNING STREET

Prime Minister

The Lord President believes that, all being well, the Scottish rates bill should be completed by the first or second week of May.

DHW
9/2

which of itself doubles the number of transactions they will have to handle. A particular point of concern was that the introduction of the community charge will come only one year after major changes in housing benefit, including the provision for a minimum contribution to be payable by all ratepayers. Attention was also drawn to the disproportionate expense involved in calculating rebates and collecting arrears at each end of the transition, when first of all community charges and then rates would amount to relatively small sums, well below the sort of figures for general debts which the Audit or Accounts Commission, for example, would regard it as economical for local authorities to pursue.

In their formal submissions on the Green Paper and the Bill the Chartered Institute of Public Finance and Accountancy (CIPFA), the Assessors and a significant number of local authorities echoed these concerns and in a number of cases argued for a 'clean break'. The formal submission from COSLA itself sat on the fence but in public statements this year the Convention has taken a much more clear cut line, arguing that the transitional period will produce 'utter chaos'. This theme has been taken up by Opposition spokesmen who have argued that, if we think we can have the community charge system in place so that the register is ready and bills may be issued in time for 1 April 1989, there is no reason why we should not go the whole hog and abolish domestic rates on that date. Amendments to this effect were table by the Opposition in Standing Committee. Although we defeated them using the arguments about the burden on individuals mentioned above it was clear that the points made had a good deal of force, and there were signs from our own backbenchers that they do not find it altogether easy to defend the proposed transitional period.

A particular problem is that we have had to acknowledge that the transitional period will bring considerably increased costs. Running the domestic rating system in Scotland at present costs about £17 million and we have acknowledged that the new system, with twice as many people paying and some of them difficult to keep track of, will cost twice as much, or perhaps slightly more, when it is fully operational. We have not given a figure but the clear implication is that operations during the transitional period will be three times as expensive as the present system and in the face of technical opposition from local authorities and cogent arguments from Opposition politicians at local and national level it will be difficult for us to maintain that this represents value for money.

Abandonment of the transitional period would simplify the introduction of the community charge rebate scheme, since there would be no need to run it in parallel with housing benefit for rates, a process which would undoubtedly be complex given that community charge rebates will have to be assessed on individual basis while rate rebate assessments take account of household circumstances, including the presence of non-dependents. I think there will turn out to be substantial administrative savings for both local and central government in this area. Amongst the new payers will be students (at least those who do not pay rates at present) and we are committed to reimbursing them through a non means-tested addition to grants, based on the average community charge. That system can cope perfectly well with immediate introduction of the community charge, though the full financial effects on the cost of the grant system would have to be borne three years earlier.

We have already accepted that the introduction of the community charge will be handled in a substantially different way north and south of the Border; in Scotland we are starting at least a year earlier and our present proposal for the transitional period, with phasing over a given number of years rather than the introduction of the new charge at a specified annual rate, are already very clearly different from what is envisaged in England and Wales.

I hope that colléagues will agree that we should take this important step Because of the shortage of time we are working on the necessary amendments on a contingency basis but I must nevertheless ask for responses from colleagues no later than the end of next week.

I am copying this letter to the Prime Minister, Members of E(LF) and Sir Robert Armstrong.

Yours sincerely,

Andy Kerr

pp **MALCOLM RIFKIND**

Approved by the
Secretary of State and signed
in his absence

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

No action until revised
date received.

4 February 1987

Dear Andy

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

Robin Young copied to me his letter to you of 30 January about the letter of 23 December to the Prime Minister from Councillor Layden.

My Secretary of State agrees with Mr Ridley that the Government should declare its intentions now on the assistance to be made available for those on low incomes in meeting their community charge. The reference in the joint DOE/Welsh Office document of 15 December is vague in the extreme and is increasingly difficult to defend. The Government is being pressed to give more details of how the proposed community charge will affect individuals and convincing replies cannot be given while the position on assistance for those on low incomes has to be kept so open. Inevitably, often the worst assumptions are then drawn. Even if Councillor Layden can be deflected my Secretary of State believes that pressures to declare our intentions will continue.

My Secretary of State also agrees with Mr Ridley that the appropriate form of assistance should be by means of direct rebates. To provide help through income support, based on an average community charge, produces manifold anomalies. Not only would some people in areas with high charges be faced with bills much higher than the amount they receive from income support, but where community charges are low, some individuals would receive a weekly sum significantly higher than their total weekly charge. In addition, one of the main criticisms which emerged from consultation on the Green Paper "Paying for Local Government" was that the community charge was a regressive tax. If we insist on everyone meeting their charge in full then, even if they receive compensating income from other sources, opponents of the rates reform package would say that their misgivings have been justified. It is important that the Government be seen to be deliberately scaling down the charges where appropriate for those on low incomes.

/ I am copying this letter to Joan McNaughton (Lord President's Office), Stephen Boys Smith (Home Office), Jill Rutter (Chief Secretary's Office), Tony Laurence (DHSS), Robert Gordon (Scottish Office) and Trevor Woolley in Sir Robert Armstrong's Office, and Robin Young (DOE).

Yours sincerely
John Shortridge

J D SHORTRIDGE

Andy Bearpark Esq
Private Secretary to
The Prime Minister

005/2985

CORG

Treasury Chambers, Parliament Street, SW1P 3AG

R U Young Esq
Private Secretary to the Secretary of State
for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

4 February 1987

Dear Robin,

NRBM.

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

Thank you for sending me a copy of your letter to Andy Bearpark. The Chief Secretary has no objection to the line you propose to take, or the terms of the draft letter for the Prime Minister to send to Councillor Layden.

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

Yours,

Jill

JILL RUTTER
Private Secretary

AM187

010

CCBG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

SR.
We still await revised draft

Andy Bearpark Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

RSS 4/2

4 February 1987

Dear Andy

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

WITH PAB?

My Secretary of State has seen Robin Young's letter of 30 January to you. He strongly supports Mr Ridley's proposal to give a clear commitment to the introduction of a community charge rebate scheme in England and Wales.

It is already clear from comment and discussion on the Abolition of Domestic Rates Etc (Scotland) Bill, both in Parliament and outside, that the provision of rebates is an essential element of the package. The fact that there will be a rebate scheme has been an important part of the defence of the Bill's provisions in Committee. Many of those who support the Goverment's proposals, including influential ratepayers' groups in Scotland, have stressed the need for proper rebates. And it would be very damaging if the lack of a clear-cut and positive reply to Councillor Layden's letter were, directly or indirectly, to cast doubt on the commitment to a rebate scheme in Scotland.

Mr Rifkind would therefore advise the Prime Minister to write to Councillor Layden on the lines proposed.

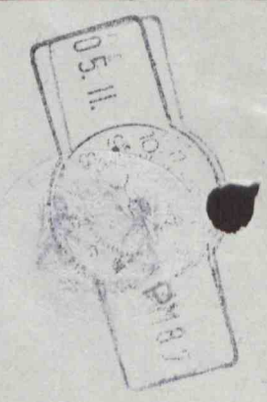
I am copying this to Robin Young and the recipients of his letter.

Yours ever

Robert

ROBERT GORDON
Private Secretary

dhmga75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PM 87

23/2

CONFIDENTIAL

CCBT

Mr Norgrove (rtte at end)

MR UNWIN

Mr Langdon

cc Miss MacNaughton.

COMMUNITY CHARGE: HELP FOR THOSE ON LOW INCOMES

with PAB

You asked for advice on the letter of 30 January from the Private Secretary to the Environment Secretary to Mr Bearpark. The Environment Secretary is now proposing that the Government should confirm that there will be rebates in England and Wales for those on low incomes.

The formal position was decided at E(LF)(86) 5th Meeting on 2 October. In summing up the Prime Minister said:

> "The Sub-Committee were therefore agreed that the Scottish legislation should include provisions to enable the community charge to be rebated. For England and Wales, however, the issue should be kept open in case it became possible in the light of further work to adopt a different course. This would require careful presentation."

Since that meeting, however, the Prime Minister has indicated that rebates would be provided, and the statement on the operation of the Community charge said that those on low incomes would continue to get help through the social security system. Given the precedent in Scotland, and the commitments now emerging in England and Wales, it seems inevitable that sooner or later the Government will have to confirm that there will be rebates. If that is so, there is much to be said for making this clear sooner rather than later in order to remove one issue on which the Government's opponents can attack the Community charge principle.

I understand from DHSS officials that they have advised their Ministers to abandon their earlier position that the option of not rebating should be kept open and to acquiesce in what is now proposed, subject to two points. First, they want Ministers to clearly understand that there will be an increased workload for local authorities in administering the new scheme. Second, they believe that the announcement should be made to Parliament and not in a letter to the AMA. Advice is with Mr Fowler at present, although his Private Office are not sure that he will make the deadline suggested by DOE - ie tonight. I have asked Mr Fowler's office to alert No 10 if this is the case.

Welsh Office officials have advised Mr Edwards to support Mr Ridley's proposal, and Treasury officials have advised the Chief Secretary to raise no objection.

J E ROBERTS

Provided Mr Fowler confirms his agreement, I think the Prime Minister could be advised to go along with this proposal, on the basis that the precise details have yet to be settled.

But it is a significant policy modification; or, as Mr Roberts notes, it will involve a substantial administrative burden on local authorities.

4/2/87

Cllr. John LAYDEN
9/2

Covering CONFIDENTIAL

FILE
DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 February 1987

You explained on the telephone this morning that your Secretary of State wished to amend the draft which you enclosed with your letter of 30 January on the community charge. I am returning it herewith.

I am copying this letter to Joan MacNaughton (Lord President's Office), Stephen Boys Smith (Home Office), Jill Rutter (Chief Secretary's Office), Geoffrey Podger (DHSS), Robert Gordon (Scottish Office), Colin Williams (Welsh Office) and Trevor Woolley (Cabinet Office).

(P.A. BEARPARK)

R.U. Young, Esq.,
Department of the Environment.

Covering CONFIDENTIAL

PART 5 ends:-

DOG to PAB 30/1/67

PART 6 begins:-

PAB to DOG 3/2/67

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