



DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
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*From the Secretary of State for Social Services*

The Rt Hon Malcolm Rifkind QC MP  
 Secretary of State for Scotland  
 Scottish Office  
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 LONDON  
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*NBRN*

11 November 1986

*Dear Malcolm*  
*at Prop*

SOCIAL SECURITY AND THE COMMUNITY CHARGE

Your letter of 15 October asked for comments on the issues raised by E(LF) about the form of the rebating system to be adopted in Scotland. In particular, you made proposals about the minimum level of rebate, the maximum amount of the community charge to be rebatable and the levels of charge eligible for rebate.

I endorse Nicholas Ridley's points, made in his letter of 27 October, that decisions taken for Scotland should not close options for England. The additional point which needs to be made is that most of the details of the current housing benefit scheme are set out in regulations. Since the primary legislation will only set out the general framework I see no reason why we should be tied down to such details in discussions on the Bill.

Specifically, on the question of minimum payments we have not yet finally decided what minimum should be used in income-related benefits in the 1988 reforms. These need to be considered together as the interaction of minimum payments on households eligible for more than one benefit can create unacceptable poverty traps if set too high. We will look at the implications of our proposals on other benefits for community charge rebates and write in more detail setting out the options. Meantime, you should note that the work previously done by officials indicated that varying the level of minimum payment had only a limited impact on expenditure and caseload.

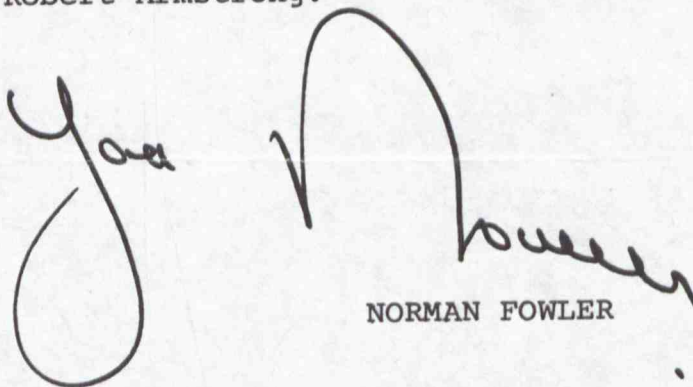
E.R.

The maximum level of rebate is also left to regulations in the current scheme. Our present position, reasserted in the debate on Lords' Amendments during the passage of the Social Security Act last July, is that the maximum proportion of rates met by rate rebate should be set in regulations and the Government view is that every household should make some contribution towards their domestic rates. We have illustrated this by setting the minimum contribution to domestic rates at 20 per cent but this will not be confirmed finally until the regulations are laid next April. As Nicholas Ridley says in his letter, I see no reason why we need go beyond that at this stage in the discussion of a community charge rebate system.

I note your view that there is no case in Scotland for limiting the level of charge eligible for rebate. But once again it is not clear to me that this needs to be the subject of any announcement. The powers to make regulations in the 1986 Social Security Act contain wide provisions on how charges liable for rebate may be determined and I assume the object is to ensure that community charge rebates will be covered by the same regulation-making powers. The use of these powers can be debated as and when there are any proposals to consider.

In short, I believe we should avoid tying our hands on any of these detailed issues for the purpose of debating the broad policy of rebating the community charge through the Housing Benefit Scheme. The effects of the community charge in Scotland can be illustrated on the same basis as the Green Paper which itself relied on the Technical Annex to the White Paper on Social Security. We still emphasise that the effects of our reforms on households cannot be finally determined until decisions are taken, for example on the social security basic rates to be applied from 1 April 1988. Any illustrations in Scotland must be equally tentative and indeed rather more broad brush given the limitations of the database available separately for Scotland.

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

A handwritten signature in black ink, appearing to read 'Norman Fowler', with a large, sweeping initial 'N'.

NORMAN FOWLER

Local Gov't: Rating Reevaluation PTS

