CCBG

SECRETARY OF STATE FOR THE ENVIRONMENT

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The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
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13 January 1987

Dear Lord President,

"PAYING FOR LOCAL GOVERNMENT": CARAVANS, HUTS AND CHALETS

I wrote to you on 11 December indicating that I remained unhappy about applying in England the treatment of holiday caravans which Malcolm Rifkind has adopted for Scotland, and proposing a holding form of words for the document on the community charge which we published on 15 December. This letter sets out my views more fully. In the light of Malcolm's views in his letter to you of 10 December, I imagine we shall need to discuss the matter at E(LF) on 22 January.

The essence of our proposals is to cease to tax domestic property - ie living accommodation - as such. We have proposed only the most limited exceptions: prisons and hospitals, neither of which are domestic as commonly understood. The standard charge for second homes is not an exception: it is a proxy for a personal charge reflecting use of services, and is unrelated to the value of the property.

It seems to me wrong to complicate this simple system by the retention of a property tax for one category of domestic accommodation. Holiday caravans are in all respect analogous to second homes, or holiday-let houses, in that they are occupied for part of the year by people who make some use of local services. In my view the same principle - that people should pay a charge reflecting that use - should apply.

I understand the problem that has led Malcolm to decide to leave caravans in rating. Caravan owners pay very low rates at present, commonly less than a quarter of the average two-unit standard charge for second homes. But caravans are not the only second homes with very low rateable values, though no doubt they form a high proportion. As you know, I would have preferred to deal with that by way of a lower standard charge generally, but colleagues disagreed. Caravan occupiers can however be protected from what might seem exorbitant increases in liability, by making them subject to a standard charge with a reduced ceiling. I suggested in my letter of 2 December that the ceiling should be one unit of charge, giving an average charge of £200. I still favour that approach. If, however, colleagues were concerned that even at that level some caravan occupiers would face excessive increases, a further option would be to set the ceiling at half a unit of charge, averaging £100.

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I think it is also relevant that if caravans were left in non-domestic rating, and therefore covered by the pooling of the non-domestic rate individual local authorities would receive none of the income directly to compensate them for the additional costs they face in providing services for the owners of these properties.

I therefore propose that caravans (other than those in residential occupation), together with analogous property such as seaside chalets unsuitable for year-round occupation, should be liable to a standard charge, subject to a ceiling of one unit of community charge.

My proposal relates to England. I would see advantages, if Nicholas Edwards can agree, in maintaining consistency between England and Wales, but I would not regard it as essential.

In his letter of 9 December, Nicholas Edwards also proposed that the discretion we propose for authorities to vary the standard charge for other classes of second or empty homes should be exercised by lower-tier (district) authorities alone rather than by the two tiers separately. I agree that this would be a welcome simplification, in line with present practice on rating reliefs. It has also been urged on us by the local authority associations. Malcolm Rifkind has, I know, taken the other view, which accords better with present Scottish practice, but I don't think a divergence on this minor issue need bother us.

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

Yours sincerely,

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