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CCBG

The Rt Hon Viscount Whitelaw PC CH MC DL
Lord President of the Council
Privy Council Office
Whitehall
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NBM / April 1987

Dear Willie,

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

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

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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

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