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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.

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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".

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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.

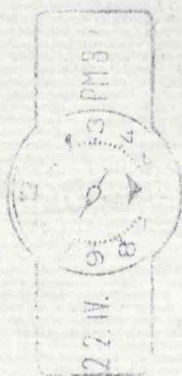
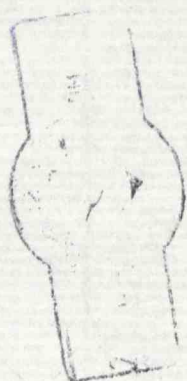
RIS

K B

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

22 April 1987

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