

PRIME MINISTER

22 July 1987

COMMUNITY CHARGE EXEMPTIONS

Prime Minister!
Concub with Mr Ridley's
proposals, subject to colleagues?
DEN 23/7.
at trap
Yes no

Mr Ridley has sent you a minute about implementing the decisions already taken on the groups to be exempt from the Community Charge.

His letter raises the following issues:

1. The definition of the severely mentally handicapped who are to be excluded from the liability to pay the charge.
2. The definition of the residential 'homes and hostels' whose residents will not pay the Community Charge.
3. A proposal to reverse the decision that such homes and hostels should continue to be rated.
4. Restricting the entitlement to pay only 20% of the Community Charge to those students on reasonably long courses.
5. Compensating local authorities for the exemption from Community Charge of the long stay residents of 'homes and hostels' by excluding such residents from the figures used in calculating the authority's population.
6. Funding exemptions for students by means of a specific grant on the lines of that to be paid towards local authorities costs in making rate rebates.

The only one of these issues that requires further consideration is the proposal to change the decision to keep residential homes and hostels within the rating system. It appears that when this was discussed at E(LF) some ministers doubted the wisdom of exempting the residents of such homes

from the Community Charge because it would create an incentive against care in the community. We also advise against creating this exemption. But it appears to have been accepted because these homes would continue to be liable to Rates.

- Presumably.

Now it appears that because of the wide interpretation the courts give to the Rating (Disabled Persons) Act 1978, virtually all these homes are exempt from Rates. As the Government has given a commitment that the existing pattern of exemptions and relief from rates will continue, very few, if any, of these homes will in practice pay rates.

This calls into question the earlier decision to exempt the residents of homes and hostels from the Community Charge. This decision was based on the expected attitude of the House of Lords. On its merits, the case for it is not strong since some of these residents will be capable of meeting the charge from their own resources whilst those who will not will be eligible for housing benefit towards 80% of the Charge. A new factor is the decision to increase benefit rates to cover the remaining 20% of the average Charge. This will be paid to most of the residents of these homes even if they are exempt from the Charge.

However, it is probably politically unrealistic to re-open this decision in England and Wales when it has already been enshrined in legislation in Scotland. Even though the Scots propose keeping these homes in the rating system, most will be exempt under the 1978 Act.

Conclusion

In principle the Government should not now propose exempting the residents of homes and hostels in England and Wales from the Community Charge and could justify this by pointing to the availability of housing benefit to meet 80% of the

charge and up-rating of income support benefits to meet the other 20%. However this is politically unrealistic since the concession has already been made in Scotland. We therefore support Mr Ridley's proposals on Community Charge exemptions.

Peter Stredder

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LOCAL GOVT: Ratona
PTT