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**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**

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From the Secretary of State for Social Services

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
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30 July 1987

WBM.

Dear Mr. Ridley

COMMUNITY CHARGE EXEMPTIONS

FILE WITH DM

I have seen your note of 20 July to the Prime Minister enclosing a paper setting out your proposals for handling exemptions from and reduced liability for the community charge. Whilst I can see the reasoning behind your proposal to reverse the earlier E(LF) decision and keep residential homes and hostels out of rating I am concerned about one or two aspects and feel there may be a need for some further work by officials before final decisions are taken.

Firstly I do not think that we can so readily remove the Rating (Disabled Persons) Act 1978 and its associated specific grant. The Act applies to non-residential property as well as to residential accommodation - principally day centres, sheltered workshops and non-residential premises used by voluntary bodies working with disabled people - which would remain in rating after 1990. There would seem to be a strong case for continuing the rebates for these premises from non domestic rates.

Secondly I am not sure that the implications of compensating for the exemptions from the community charge have properly been thought through nor whether it is necessary to have different arrangements for the exemptions and for students. On the former it seems to me that, given the very uneven distribution of residential care, there is a danger that some authorities would receive considerable compensation even though the people concerned were in private residential accommodation supported either by their own money or by Supplementary Benefit. If the resources used were to come from within Aggregate Exchequer Grant (AEG) or whatever replaces it, this would be to the detriment of other authorities who may be incurring substantial expenditure on maintaining people in their own homes - as we would prefer them to do. If the arrangement is outside AEG the problem is less acute. This is something we need to think

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through - including the possibility of radical changes to the financing of residential care since these are currently being examined. I am not yet sure whether a specific grant arrangement or the alternative you propose of adjusting the population base is to be preferred. I would be grateful if your officials and mine could consider this further and advise us more fully. I appreciate that this will delay giving Counsel drafting instructions on this part of the legislation but I would have thought that this part of the drafting could be left until a little later.

We accept the arrangements proposed for exempting severely mentally handicapped people but would point out that GP's will require payment for providing these certificates. This is clearly not a health function and would therefore be a private transaction between the GP and the individual. If the latter is not to bear the cost, the logical solution would be for the local authority to pay, in the same way that insurance companies pay for certificates they require. We will provide your officials with the data they need to take account of this in the overall running costs for the new system. One device for reducing the cost of this which might bear further examination is to make use of the existing certification process for the Severe Disablement Allowance. I understand our officials need to examine this further.

Our officials also need to look in detail at the rules for students which as formulated at present will leave some people who would class themselves as students outside both the exemption arrangements and the housing benefit scheme.

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

Yours sincerely

B. Calderwood

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(Approved by the Secretary of State
and signed in his absence)

