



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Minister of State for Social Security and the Disabled

Rt Hon Nicholas Ridley MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
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11 DEC 1987

Prime Minister²cc SP
PBA

Dear Nick,

The main fresh news here is that
compensation will be introduced on a
once for all basis from 1989.

LOCAL GOVERNMENT FINANCE BILL
 HELP WITH THE COMMUNITY CHARGE

WITH REQUEST IF REQUIRED

JRS

11/12

Michael Howard wrote to me on 27 November about the second reading debate on the Local Government Finance Bill. He thought you would be pressed on our proposals for helping people with low incomes meet their community charge liability and suggested that I should circulate a draft announcement.

Subject to your views and the views of colleagues, I propose making a statement about our proposed rebate arrangements in answer to a parliamentary question on the first day of the second reading. You would then be able to refer to it in the debate if that proves necessary. A suggestion as to the form the statement might take is attached.

The statement refers both to rebates and to compensation. We have already decided in E(LF) that there should be a rebate scheme and that the maximum rebate should be 80%, but we have not yet had occasion to consider it in any further detail. The statement goes no further than a description of those characteristics of the rebate scheme that are an inevitable consequence and the nature of the community charge itself. It also refers to the time table for making the Community Charge Rebate Regulations and to the separate issue of rebating the community charge together with residual rates in those English authorities where there will be a transition period.

At the E(LF) meeting on 3 November we agreed the form of the arrangements for providing compensation towards people's 20% contributions. The statement merely mentions that the compensation will be introduced on a once for all basis from April 1989. Although you may be pressed to give illustrative figures for the compensation based on the current estimates of the community charge, I think that would be unwise. As you will recall, the figures we looked at during the E(LF) discussions showed that in 1989/90 single people in

E.R.

England and Wales will not be fully compensated for their contribution to domestic rates. Since between now and autumn factors affecting the level of compensation may change, we should not make public the possibility of there being "losers" at this stage.

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

Yours truly,

Nick.

NICHOLAS SCOTT

HELP WITH THE COMMUNITY CHARGE

Question: To ask the Secretary of State for Social Services, how people with low incomes will be helped in meeting their liability for the community charge.

Suggested Reply

People with low incomes will be helped in two ways to pay the new community charge and to meet the requirement that everyone must pay at least 20 per cent of their charge themselves. There will be:

(i) a community charge rebate scheme providing rebates of the charge up to a maximum of 80 per cent depending on income and family circumstances;

(in) further compensation built into the income-related benefit levels (income support, housing benefit and family credit). This will cover the average minimum contribution to the charge for Great Britain as a whole, and it will give extra help on top of the rebate scheme to recipients of those benefits.

These arrangements will carry forward similar help for low-income ratepayers from next April when all ratepayers will be expected to pay at least 20 per cent of their domestic rates bill themselves. The rate rebate scheme will provide rebates up to 80 per cent, and the income-related benefit rates will include the average amount that income support claimants will be expected to pay towards their domestic rates.

The community charge rebate scheme will be administered by local authorities in accordance with regulations which will be laid before Parliament in due course. Rebates will be available on personal community charges and also on collective community charge contributions but there will be no rebates on standard community charge. In principle everybody who is liable for a full community charge payment will be eligible to apply for a rebate, but rebates will not be available for people such as full-time students who are exempted from a proportion of their liability. Where both partners in a couple are liable for a full charge there will be arrangements for rebating the liabilities of both partners.

The intention is that the method of assessing needs and resources, on which entitlement to rebate will be based, should be aligned as closely as is practicable with that set out in the Housing Benefit (General) Regulations 1987 for assessing entitlement to housing benefit. In particular, the maximum rebate of 80% of liability will be available to everyone receiving income support or with an income of an equivalent level, and, as for rate rebates, there will be smaller rebates according to a sliding scale for those with incomes above income support levels. Since non-dependant members of a household will be responsible for their own community charge liabilities, there will be no non-dependant deductions within the community charge rebate scheme.

Discussions with the local authority associations on the details of the rebate scheme have already started, and we hope to publish draft Community Charge Rebate Regulations during the spring or early summer of 1988, following consultation. It is our intention that the Regulations, insofar as they will apply in Scotland from April 1989, should be laid in the autumn. It is

expected that the same Regulations will apply in Wales and in most of England from April 1990, and in due course we will be bringing forward separate proposals for special rebate arrangements for those local authorities in England where there will be a transition period during which certain people will be liable both for the community charge and for residual rates. The details of these arrangements will be considered separately, but during the transition period rebates will be available to help people with low income meet both liabilities.

On the compensation arrangements, the Government have decided that there will be a once-for-all adjustment to the income-related benefit levels from April 1989 when the community charge is to be introduced in Scotland. In deciding this the Government took into account the importance of maintaining a national social security scheme with uniform benefit rates and the need to have a clear and simple arrangement for giving help towards paying the community charge.

The amounts to be included in the benefit levels will be decided nearer the time. But they will reflect the estimated community charge payments were the system to be introduced in 1989/90 across the whole of Great Britain. They will also continue to provide help towards the minimum contribution to domestic rates in England and Wales.

DHSS have agreed to remove this argument.

JLN
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