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*From the Minister of State for Social Security and the Disabled*

RESTRICTED

*RECEIVED*

The Rt Hon Nicholas Ridley  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 LONDON SW1

- 7 DEC 1987

*Dear Nick,*

THE COMMUNITY CHARGE AND SERVICE PERSONNEL

*ATTACHED*

I have seen the minutes of the meeting of E(LF) on 26 November at which your memorandum on the community charge liability of service personnel (E(LF) (87) 47) was discussed. Unfortunately no DHSS Minister was able to attend.

I note that it was proposed that George Younger should consider the possibility of compensating servicemen for variations in their community charge liabilities by adjusting their pay or accommodation charges.

I am concerned that arrangements worked out on this basis would be seen as running counter to the line we have taken in providing compensation for people on low income towards their minimum contributions to local taxes. We have decided that the compensation to be built into income related benefit rates should be based on the national average of domestic rate liabilities faced by income support claimants in 1988 and of community charge liabilities when the community charge is introduced. This means that people on low income living in low charge areas will be over compensated and that people living in high charge areas will be under compensated. We have justified this on the grounds that part of a local authority's responsibility to those living in its area is to keep its spending low. If it is known that the Government is pursuing the opposite approach for the benefit of service personnel, we will no doubt face increased pressure to provide compensation related to actual charges for people on low incomes. This could only be achieved by using different income-related benefit rates in different parts of the country, an approach already rejected by E(LF) as being at odds with a social security system geared to providing benefits at nationally uniform rates.

E.R.

I should like my officials to be consulted before any firm proposals are brought forward to compensate service personnel for variations in their community charge liabilities. I am copying this letter to the Lord President and the other members of E(LF), to George Younger, and to Sir Robert Armstrong.

Yours wv,

Nick.

NICHOLAS SCOTT

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