



Prime Minister

LOCAL GOVERNMENT FINANCE BILL: COMMUNITY CHARGE

at 11.10
In my minute to you of 2 June, setting out suggested concessions for Lords Report, I emphasised that the items listed represented the very minimum that was likely to prove acceptable to the House of Lords. In the event, Malcolm Caithness was forced to give a further undertaking to consider widening the exemption for individuals in very short-stay hostels; and the Government was defeated on an amendment concerning student nurses.

This minute sets out my proposals for handling those two items during the remainder of the Bill's passage.

Hostels

An amendment providing an exemption for all those who stay in hostels run by charities or voluntary organisations was defeated only because Malcolm Caithness undertook to consider the matter further. Even then, the Government's majority was reduced to 6.

It is clear that the concession we had already agreed (and which was part of the same group of amendments) - that those staying in such accommodation should pay only 20% of the charge without the need for rebates - has not been enough. During the debate, most concern was expressed about night shelters and similar accommodation where no payment is normally levied on those who stay there. Much was made of the difficulty of requiring those running such premises to secure payment of the collective community charge when the accommodation itself was being provided free. There was also strong support, however, for an exemption for all short-stay hostels. It was pointed out that accountability could operate to only a very limited extent when individuals were spending a day or two in a particular hostel.



We could attempt to restrict an exemption to "free" hostels. But that would risk definitional problems, and might still lead to defeat at Third Reading.

On balance, in the light of these factors and the small number of individuals involved, I recommend an exemption covering all very short-stay hostels and night shelters, whether or not they charge. This would apply to about 10,000 people in such hostels; these would be the same people that we had previously agreed should automatically pay only 20% of the charge. So the total income foregone by local authorities would be about £½ million a year.

Student nurses

The amendment on which we were defeated says

"If a person is undertaking a course of nursing education on each day of that period, the amount he is liable to pay under this section shall be determined by order, no such amount being less than one fifth of the amount it would be apart from this section."

In other words, it requires us to make an order which will determine the level of community charge to be paid by student nurses. That figure could be anything from 20% to 100%.

The amendment is defective in its drafting. I suggest that we correct the drafting at Third Reading. Thereafter, although we have previously taken the line that student nurses will not - until the implementation of "Project 2000" - be students for the purposes of the personal community charge, I doubt whether it is worth seeking to reverse the defeat at Commons Consideration. I am very keen to avoid the Bill coming back to the Lords if we can - and, anyway, the Lords might well try to reinstate the amendment.



I think the best course, therefore, is not to seek to overturn the amendment but to delay taking any decision on the use of the power, if possible until after Royal Assent. One important factor will be John Moore's proposals for implementing Project 2000. Depending on what John envisages there, we may decide that we are prepared to accept student nurses paying 20% of the community charge for a short period between the start of the new local government finance system and the implementation of Project 2000. If we do take that course, however, I think we should make it clear that this outcome was not the one we originally envisaged: otherwise we will greatly increase the pressure for similar treatment by other young people receiving salaries while undergoing "on the job" training, and earning (in many cases) less than student nurses do at present.

If we did decide to make an order setting student nurses' community charge payments at 20%, the loss of income to local authorities would be about £12 million in a full year, and proportionately less as Project 2000 began to be introduced.

Conclusion

I would be grateful for colleagues' agreement, by close of play on Thursday 7 July at the latest, that we should

- i. exempt from the community charge all those staying in very short-stay hostels and night shelters, where these are used by people who are likely to be eligible for maximum rebates;
- ii. correct the drafting of the student nurses amendment at Third Reading, but not seek to overturn it at Commons Consideration and, for the time being, restrict ourselves to saying that we will take a final decision on how to use the power in the light of developments on the implementation of Project 2000.



I am copying this minute to members of E(LF), the Lord Privy Seal, the Chief Whips in the Commons and the Lords, and Sir Robin Butler.

A handwritten signature in dark ink, consisting of a stylized 'N' and 'R'.

N R

4 July 1988