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PRIME MINISTER

COMMUNITY CHARGE: LORDS AMENDMENTS

Mr. Ridley mentioned at the Cabinet this morning the need to consider how to handle the four community charge amendments voted through in the Lords. He has this afternoon sent in a further minute seeking agreement to his proposals by close tomorrow, Friday.

The four issues are:

- (1) student nurses
- (2) hostels
- (3) the disabled
- (4) charities

The relevant papers are

- Flag A Mr. Ridley's earlier minute of 4 July covering student nurses and hostels
- Flag B Malcolm Rifkind's letter of 4 July, questioning the proposal on student nurses
- Flag C Mr. Ridley's latest minute of 7 July giving his proposals on the disabled and charities
- Flag D Peter Stredder's advice.

Student nurses

The Government has already conceded that student nurses will be treated like other students when Project 2000 comes into force. But that will be after 1990. The Lords have now passed an enabling power which allows Mr. Ridley to exempt student nurses from up to 80 per cent of the community charge straightaway.

Mr. Rifkind proposed last week (Flag B) making an immediate statement accepting that we would use the order-making power to give student nurses the full 80 per cent rebate. I

supported DoE in resisting that. Mr. Ridley (Flag A) proposes leaving the enabling power as it is and deciding later how to use it. Peter Stredder (Flag D) agrees that no further statement on the use of the power should be made until after Royal Assent, and urges that Mr. Ridley should not rule out keeping student nurses liability at 100 per cent of the community charge until Project 2000 comes into force.

Hostels

An amendment providing an exemption for all those staying in hostels run by charities or voluntary organisations was defeated only because Lord Caithness agreed to consider the matter further. Mr. Ridley now recommends an exemption covering all very short-stay hostels whether or not they charge. Peter Stredder suggests limiting this as far as possible to free places in short-stay hostels. I am not sure how easy that distinction would be to maintain, and whether it is worth the effort.

The disabled

As Mr. Ridley explained at Cabinet, the Lords have passed an amendment which is far too generous to the disabled. Mr. Ridley recommends reversing this when it comes back to the Commons. Peter Stredder agrees.

Charities

Under pressure in the Lords, Lord Caithness agreed to take the whole question of rates for charities away for further consideration. Mr. Ridley now proposes a rather ingenious compromise of increasing a mandatory relief for charities to 75 per cent, the cost of which would all fall on the national non-domestic rate, leaving 25 per cent discretionary to be paid by community charge payers. Peter Stredder supports this. On the tactics Mr. Ridley advocates not bringing concession forward at Lords Third Reading but holding it in reserve for the Commons.

Decisions

(1) on student nurses agree the Peter Stredder approach of no further statement on the use of the enabling power until Royal Assent, and agreement that continuing to set nurses at 100 per cent of community charge liability until Project 2000 comes into force should not be ruled out?

(2) On hostels, do you prefer Mr. Ridley's exemption for all short-stay hostels or Peter Stredder's proposal to limit the concession as far as possible to free hostels?

(3) Content that the disabled amendment should be reversed in the Commons?

(4) Content for the proposed concession on charities to be brought forward in the Commons?

(PAUL GRAY)

7 July 1988



Prime Minister

LOCAL GOVERNMENT FINANCE BILL: LORDS AMENDMENTS

with PG.
I minuted you on 4 July about concessions I would like to make to respond to Lords amendments on student nurses and hostels. This minute takes stock of later developments and sets out how I propose to handle the remaining stages of the Bill.

We did of course suffer one other narrow defeat, by 5 votes, on an amendment moved by Lord Allen of Abbeydale which would have the effect of giving 100% community charge rebates to disabled people. It would achieve this in a particularly cumbersome way. Disabled people would be eligible for the normal 80% maximum rebate; plus the increase in income support we have agreed for 20% of the average level of community charge; plus a further payment from the local authority sufficient to make up the difference between 20% of the average and 20% of the actual charge. This cumbersome procedure has been chosen because a straightforward amendment for 100% rebates for the disabled was defeated in Committee by 20 votes.

Whatever the route by which the effect is achieved, however, it is a central feature of the new system that everyone should make some contribution to local services and be exposed to the accountability pressures in areas where the charge is above the average. Indeed, disabled householders are already paying 20% of their rate bills in this way. Malcolm Caithness has already indicated that we will not be able to accept this amendment and that we will seek to overturn it on CCLA. I am sure this is right.

Malcolm Caithness also came under pressure during the Report Stage from the charity lobby. This time they were seeking a 100% mandatory relief from rates for all charities. In the face of certain - and in the view of John Belstead heavy - defeat, we agreed to take away the whole question for further consideration before Third Reading.