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The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
7 Marsham Street
LONDON

22 February 1989

Dear Nick

STANDARD COMMUNITY CHARGE

I would be grateful for your views and those of colleagues on a proposal that the Abolition of Domestic Rates Etc (Scotland) Act 1987 should be amended so as to limit the level at which local authorities could set their standard community charge and standard community water charge to one unit of the personal community charge and personal community water charge.

You will recall that in the paper which I circulated with E(LF)(86)(1) (dated 13 June 1986) I argued that the standard charge multiplier should be set at one unit because

- a. the evidence was that most second homes had rateable values well below the average and a multiplier of 2 units would be a significant additional burden in a majority of cases, and
- b. that setting the charge at 2 units would encourage attempts at avoidance.

After discussion it was agreed that the 1987 Act should provide local authorities with the discretion to set the charge at between one and two units. We accepted this on the basis that it gave local authorities the opportunity to take into account the circumstances of their area before determining the level of charge that was appropriate for their area.

It is now clear that local authorities have not exercised that flexibility to any extent and only Shetland and Western Isles Islands Councils have set their standard charges below the maximum. This is most regrettable and it is becoming clear that our earlier concerns about the effect of a multiplier of 2 units are being realised. We have received large numbers of representations about the issue including many from our own supporters. Examples of a standard charge of over £600 being levied on a property which has up to now been subject to rates of little more than £100 are quite common. There is concern about the effect on the price of such properties and in extreme cases worries that the owner will be unable to afford to keep the property and unable to sell it.

Particular concern is being expressed by some communities, particularly along the Clyde coast where there is a high preponderance of holiday homes upon which the local economy is to an extent dependent. The most difficult example is the town of Millport on Cumbrae where over half the dwellinghouses in the town are second homes. It does not appear to be the case that owners of properties such as these, some of which have been in the family for many years, will be able to offset the increased charge against a reduction in the charge they pay in respect of their main residence.

We are therefore concerned that the standard charge policy is not working as it should and is as a result generating problems and adverse publicity. The blame can undoubtedly be laid at local authorities' doors for failing to exercise flexibility, and we have been making this point in replies to correspondents. However we are concerned that authorities cannot be relied upon to act more sensibly next year and we have at present no powers to make them do so.

In these circumstances I propose to amend the 1987 Act so as to require authorities in Scotland to set their standard community charge and standard community water charge at the level of their personal community charge and personal community water charge (ie a multiplier of 1 unit). While this would still mean increased bills for many properties over their present rates bills, the policy is much more defensible. In Strathclyde, where many holiday homes are situated, we have estimated that this would have the effect of adding about £1 on to personal community charge bills. I would propose that the change should become effect from 1 April 1990, since it would be complicated to introduce it in mid-financial year.

If colleagues are content with this proposal I would propose to bring the change about by inserting a provision amending the 1987 Act into the Housing and Local Government Bill which is now before the House and which already contains other minor amendments to the Act. I would expect such an amendment to be generally welcomed.

Copies of this letter go to the Prime Minister, members of E(LF) and Sir Robin Butler.

Yours ever,
Malcolm Rifkind

MALCOLM RIFKIND