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The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
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29 June 1989

Dear Nicholas,

STANDARD COMMUNITY CHARGE

Thank you for your letter of 23 June about proposals relating to the operation of the standard community charge. I have also noted the comments I have received from Peter Walker and John Moore, both writing on 20 June.

I consider that the level of multiplier set by local authorities is at the heart of the problems we are encountering. As I explained in my paper, the assumption made in the Green Paper that a multiplier of 2 would leave second home owners broadly unaffected by the removal of rates simply has not been borne out by experience in Scotland. The average rates bill on second homes in the Strathclyde Region, which contains almost 30% of standard charge properties in Scotland, was £210-£220 last year while the standard charge, based on a multiplier of 2, averages £585 in that Region. There are moreover many properties, both in Strathclyde and throughout Scotland, where the difference is extreme, involving an increase of 10 times or more on last year's domestic rates' bill.

This was not anticipated and the conclusion I would draw is that in Scotland a multiplier of 2 is not reasonable. While therefore I understand the preference to maintain the present position in practice so far as England and Wales is concerned, I feel I need additional powers. The fact is that you have these powers and can, if you so choose, adjust the level of the multiplier for particular purposes. My suggestion that I take such powers to intervene is aimed both at providing me with the same statutory powers as you have and at preserving the statutory position in all 3 countries that the maximum could be up to 2. While we would be likely to use our discretion differently in certain respects to reflect different circumstances in England, Scotland and Wales, the statutory position would therefore be the same.

I am pleased that you agree that we should take steps in any event to allow the incidence of the standard community charge to be reduced. However I am not sure that your suggestion that local authorities should be given greater discretion to allow a reduction or remission in the

standard charge in cases where its effects seem unduly hard offers us a way forward. The introduction of discretion to allow for specific categories of personal hardship would sit very uneasily alongside our policy that hardship arising from personal circumstances under the community charges relates to means and is therefore dealt with through the personal community charge rebate scheme. A major difficulty I see in this approach lies in drawing up the categories for which discretionary remission of the charge would be available. One of the points that has emerged from our detailed look at how the present arrangements are working is the number of different personal circumstances in which apparent hardship is occurring.

It was for these reasons that we moved away from any radical attempt to resolve the problem by reference to 'classes' of people that were affected and suggested building on our present arrangements. The main instrument I proposed for tackling the 'difficult' cases, (apart from those cases where the problem is simply a large increase of the pre-1 April rates bill) was the introduction of a flexible period of grace for unoccupied but furnished property. This seemed to me to offer authorities considerable flexibility to act on a case by case basis and in a manner in which they are already becoming familiar, in that they are already determining periods of grace for unoccupied and unfurnished properties. In other words it fits the Scottish context particularly well, and I hope it need not cause problems for colleagues. It also avoids the kind of problems I have outlined above.

I would therefore be grateful if you could consider this suggestion again. If there is continuing concern about the nature of this proposal (although I think this is misplaced) we would need to consider leaving aside the proposed statutory minimum period of 3 months and instead giving authorities the power to set any period of grace, on a case by case basis, with appropriate powers to extend or shorten the period where they thought fit.

I am disappointed that more consideration does not appear to have been given to my other suggestions. The proposal to exempt unoccupied and unfurnished properties would resolve what is a serious, real and unavoidable bureaucratic tangle for local authorities and, as I indicated, the revenue foregone would be small, particularly since most authorities have set periods of grace at more than the minimum. In this connection, while I understand John Moore's concerns, I think that the revenue effects of our proposals have to be seen in perspective. A reduction of the multiplier to 1 would add, at the very most, £2-£3 to everybody's annual community charge bill. Our other proposals would add considerably less.

I would be grateful finally for an indication of how the proposal that holiday homes which are available for letting should move into rating is developing. This was, as you know, part of the package in my paper to colleagues and I understand that you are considering something similar.

While welcome in themselves I feel strongly that these more detailed changes, if we can agree them, would still be inadequate to deal with the discontent on the standard community charge arising not least from our own supporters in Scotland which will continue unless colleagues can agree that I tackle the multiplier issue. My proposal on that is framed with the precise object of bringing the primary legislation in the three

countries into line and I really do not see why either you or Peter Walker should be prejudiced if I do that.

I am sending a copy of this letter to members of E(LF).

MALCOLM RIFKIND

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