[redacted]

cc PM.

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Malcolm Rifkind MP
Scottish Office
Dover House
Whitehall
LONDON
SW1

6 July 1989

Dear Secretary of State,

STANDARD COMMUNITY CHARGE

Thank you for your letter of 29 June in response to mine of 23 June.

I certainly could not object to your having the same powers as are available to Peter Walker and me to prescribe maximum multipliers for certain classes of property. I would, however, still find great difficulties with any proposal to use this discretion to set a maximum multiplier of 1 in respect of any significant proportion of community charge properties. This would lead to great pressure on Peter and me to do the same in England and Wales, but there would be severe difficulties in our being seen to soften the effects of the charge in the case of people who would be represented by our opponents as a privileged class. While, therefore, I should be perfectly content for you to take the power to prescribe maximum multipliers, any specific proposals to exercise it in a way which differs form the situation in England and Wales should be the subject of consultation with E(LF) colleagues in the normal way.

From your letter it appears that there may be some misunderstanding of the nature of the proposal set out in my letter of 23 June. I was not suggesting that local authorities should have a discretion to remit or reduce the charge in individual cases. What I have in mind is a power by regulation to allow local authorities to make schemes under which people who fall within the terms of the scheme would be entitled to a reduction or remission of the charge. The regulations themselves could contain provisions on the fair and equitable application of such schemes, and I imagine that we should give general advice on how we see the power being used. Although it would be important to provide safeguards to ensure the power was not abused. I do not think we would want to be as prescriptive as to the

classes of circumstance which would qualify people for a reduction or remission as you are suggesting. This is something which would be for individual local authorities to decide in the light of the criteria they had decided to adopt.

While I accept, of course, that local authorities have discretion now, the point is that if they exercise it they benefit all second home owners. Under my proposal an authority would be free to set a standard charge multiplier of 2, but would be able to set a lower multiplier for certain categories of property within the various classes. At the moment authorities can claim that the system is not flexible enough to enable them to be generous, and can blame the Government. Making the standard charge more "fine-tunable" would enable us to say quite genuinely that the remedy in particular sorts of cases lies in the hands of the local authority.

It follows that since I am not proposing a "hardship" relief to be operated in individual cases, the point you make about rebates does not really arise. It is worth making the point, however, that there are, of course, no rebates for the standard charge.

I think it would be undesirable to exempt all unoccupied and unfurnished property from the standard charge. We could, I think, be criticised if we adopt a policy which encouraged people to leave domestic property lying idle. The advantage of my proposal is that it would allow authorities to provide relief, if they wished, for property owned by people living in accommodation which went with their job, or property subject to a standard charge while an elderly person was being cared for by relatives or any of the other kinds of case which currently give rise to difficulties.

My proposal would also cover your suggestion that the existing period of grace provisions should apply to properties which are unoccupied and furnished. An authority would be able to provide any relief which seemed appropriate, without necessarily providing a windfall gain to every owner of such property.

So far as holiday homes are concerned, I am proposing that commercially available holiday accommodation should in general be rateable as non-domestic property, except in cases where self-contained units of property are available for commercial letting for less than 140 days in the year. But I would see no difficulty in your making provisions which differed slightly in the details if you were so minded.

I short, I believe, that my proposals would provide a solution to the difficulties you identify, provided authorities made sensible use of the discretion available to them. It would be for the authorities themselves to justify any decision not to grant relief to people in circumstances which gave rise to controversy. It would, in my view, be better to take this approach than to involve Ministers directly in making decisions on which reliefs should or should not be offered. If, in the longer term, it becomes apparent that the standard charge is still giving rise to difficulties then we could consider a more direct use of powers to prescribe maximum

multipliers (which, as I have said, I should be quite content for you to take). But I do not think we should go down the road until we have tried the alternative approach I have suggested.

I am sending copies of this letter to members of E(LF) and to Sir Robin Butler.

Yours sincerely

pp NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)

Local Govt; Rates

A 13