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Prime Minister's copy

Content simply to note that these factors should be taken into account in the further work for the 1991-92 arrangements.

Prime Minister

THE STANDARD COMMUNITY CHARGE IN SCOTLAND

RRC6 24/3

I have read with interest Chris Patten's minute of 16 March and thought that it might be helpful if I were to offer the benefit of our experience in Scotland following the changes to the arrangements which were agreed last summer.

The attached paper provides a brief resume of the factual position, from which it will apparent that the changes have had a significant effect in encouraging local authorities to make more sensible decisions about the standard charge. It is nonetheless likely that criticism in Scotland will continue, if in a lower key.

First, despite central prescription and the decisions by a number of authorities, there are going to continue to be cases of hardship where a standard charge at twice the level of the personal charge appears too high. The new powers of course provide a firm basis for stating that local authorities now have ample discretion to make allowance for such cases, but they do of course still leave open the option of levying the charge at a maximum multiplier of 2. Our experience would suggest that the combination of higher than expected personal charge levels in England and the apparent decision by many English authorities to set their multipliers at 2 will mean that grievances arising in relation to the standard charge in England will increase as bills are issued and owners come to assess the financial implications. While I fully accept what Chris Patten says about the door being closed in respect of 1990-91, I would suggest that we should retain an open mind about limiting the maximum multiplier to 1 for the following year.

Second, there remain within the standard charge arrangements a number of areas which are difficult to present in the context of the community charge arrangements generally. In particular there is the perception that

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the charge is at odds with the concept of increased accountability, since many of those paying it, particularly second home owners, are required to do so to a council in whose area they do not live and cannot therefore call to account through the ballot box. The complaint is exacerbated by the comparatively low call that such properties and their owners make on local services. There is also the widely held view that the standard charge is a property tax which does not fit in with the personal nature of liability for the community charge. There are of course significant differences between the standard charge and a property tax such as domestic rates but the perception of it as a crude form of property tax is hard to dislodge.

I do not pretend that there is an easy answer to these problems but once again I believe that they tend to become less acute or at least less a source of concern as the actual level of charge is reduced. This reinforces my support of Chris Patten's view that we should not at this stage rule out options for limiting the amount of the charge in the future.

I am sending copies of this minute to John Major, Norman Lamont, Chris Patten, Peter Walker and Sir Robin Butler.

MR

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20 March 1990

LOCAL GOVT: Rates pt 17

OPERATION OF NEW STANDARD COMMUNITY CHARGE ARRANGEMENTS IN SCOTLAND

In Scotland, local authorities are required to determine a main standard community charge multiplier which will apply to the generality of properties in respect of which the standard charge is payable. This multiplier is determined by regional, islands and district councils.

The Secretary of State has prescribed certain classes of property for which, regardless of the local authority's decision on the main multiplier, the multiplier must be zero. The prescribed classes are:-

1. A dwellinghouse held by a religious body for occupation by a minister of religion (eg an empty manse).

2. A dwellinghouse in respect of which a liability for the standard community charge arises because of the death of the person who was living there - but in that case no charge is payable only for 6 months after the date of death.

3. A dwellinghouse in which there is nobody solely or mainly resident because the person who was resident there has been sent to prison or is otherwise in detention.

4. A dwellinghouse in which there is nobody solely or mainly resident because the person who was resident there is a full-time student who has to live elsewhere to attend his or her course.

5. A dwellinghouse in which there is nobody solely or mainly resident because the person who was resident there is ill and is being cared for at a place (eg a relative's house) where he has become solely or mainly resident.

6. A dwellinghouse in which there is nobody solely or mainly resident because the person who was resident there is solely or mainly resident somewhere else for the purpose of caring for someone else.

7. A dwellinghouse which is used as a trial flat by a registered housing association.

In addition, certain classes of property are excepted from the standard charge. These are:-

1. A dwellinghouse which is subject to an order under Section 13 of the Building (Scotland) Act 1959 because it has been found to be dangerous.

2. A dwellinghouse which is subject to a closing order.

3. A dwellinghouse which is subject to a demolition order.

4. A dwellinghouse which is incapable of being lived in because it is being repaired, improved or reconstructed.

5. A dwellinghouse in which nobody is solely or mainly resident because the person who was last resident in it is currently solely or mainly resident in hospital, a residential care home, a nursing home, a private hospital or a hostel, and is exempt from the personal community charge because of this; and

6. A dwellinghouse which is unoccupied and unfurnished and which is situated on and, when last occupied, was used in connection with agricultural land (eg an empty farm cottage).

Regional and Islands councils also now have the power to determine from 1 April 1990, additional classes of properties by reference to certain prescribed factors. Districts cannot determine additional classes but can set different multipliers in respect of classes determined by the region in whose area they fall.

USE MADE OF NEW POWERS

1. **Maximum multiplier**

Of the 12 regional and islands councils all but 2 (Shetland and Western Isles) set their main multipliers at the maximum (2) for 1989-90. Following the introduction of the new arrangements, 6, including the largest regions, Strathclyde and Lothian have retained their main multiplier at 2 for 1990-91, 2 have set it at 1½ and 4 have set it at 1.

2. **Examples of classes determined by Local Authorities**

Widespread use has been made of the power to determine special classes, although there is little by way of a common thread running through these decisions. Those authorities which have set their multipliers at the maximum have by and large made the greater use of their powers so as to create wider exceptions to the main multiplier.

Six Authorities have determined a class or classes relating to properties which are empty because the owner's work requires him to live elsewhere, eg in tied housing. The exact definition of the class varies by region as do the multipliers determined.

Four Authorities have determined classes covering properties which are for sale. Again definitions vary. Multipliers of 0 have been set in each case.

Four Authorities have determined classes covering public sector housing of various descriptions, where in each case a multiplier of 0 has been determined.

Other classes clearly reflect the policy of individual councils. For example, Strathclyde has determined a class with a multiplier of 0 covering premises maintained by a charity and occupied for charitable purposes on a non-profit making basis. Central Region have a class comprising all properties owned by registered housing associations for which they have determined a multiplier of 0.