

CCBG



010

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Norman Fowler MP
Alexander Fleming House
Elephant and Castle
LONDON
SE1

29 October 1986

NBFM

Dear Secretary of State,

"PAYING FOR LOCAL GOVERNMENT": SUGGESTED EXEMPTIONS FROM THE COMMUNITY CHARGE FOR RESIDENTS OF 'HOMES' AND HOTELS

Following earlier discussions, your officials have put to mine proposals for two new exemptions from the community charge. In view of Malcolm Rifkind's need for quick decisions for his Bill, it seemed best to take this up with you direct.

The groups in question are about 330,000 residents in residential 'homes', mostly highly dependent old people, and about 20,000 residents in non-commercial hostels, including for example alcoholics, young offenders and vagrants.

As background, the only adults we have proposed to be exempt are 18-year-olds still at school, prisoners, and resident hospital patients: all people who are without any income or access to benefits in their own right, or make no use of local authority services. Our general approach has been to resist pressures to erode the universality of the community charge, and E(LF) on 17 September confirmed this in rejecting Malcolm's proposal to take a general power to exempt people by order. E(LF) on 2 October reserved judgement on whether students in England might be exempt, as Kenneth Baker had proposed.

Considered in isolation, I can see the force of the case your officials make for exempting residents in 'homes', especially the elderly. In particular, I would accept that the main argument for the community charge - the need to increase accountability - has a lesser relevance to people who are heavily dependent and play little active part in the outside community. I also accept that we do not wish to give people a reason for preferring more institutional forms of care such as geriatric hospitals. And I can understand your difficulties in adapting the social security regime to cope with people whose accommodation costs are currently paid direct (though that problem will have to be addressed in the case of recipients of 'board and lodging' SB generally).

On the other hand, I do regard it as crucial to maintain the line that the community charge applies to all adults. When Malcolm's Bill, and later mine, come before the House, we are bound to face pressures for a whole series of exemption. We shall be far worse

equipped to resist these if we have already made concessions to other 'deserving' groups. In particular, if we exempt old or mentally handicapped people living in homes, we shall find it hard to defend not giving exemption to comparably dependent people living at home with their relatives.

I am also not wholly persuaded by the arguments relating to incentives. These will exist wherever we set the boundary. There must be as great a risk that those elderly people presently cared for in the community would be pressed to move into 'homes' if that would avoid liability to the community charge.

Generally, therefore, I would prefer to keep residents in 'homes' liable to the charge. If necessary I would be willing to reconsider when we see how the political pressures develop on this and other fronts.

In the case of non-commercial hostels, the case for exemption seems to be much weaker. Although some of the residents of these hostels may need to live in a caring environment and to be unable to appreciate the rights and duties of citizenship, for others it will be a matter of chance whether they live in such a hostel or in a commercial boarding establishment. I would also be very reluctant to open up the possibility of exempting people simply because they are disadvantaged in some way. I would therefore firmly oppose any such exemption.

Clearly we need to consider the social security regime that will apply to residents in homes and hostels and in board and lodging accommodation generally. One of the concerns underlying your officials' approach is that even 20% of the community charge - averaging 80p per week, but in some areas up to £3 - will be a large sum to require people to pay out of 'pocket money' of, I understand, £7.75 or £9.80 per week. There may be a case, contrary to our general approach, for uprating these allowances by an amount equal to 20% of the average charge.

In summary, I would oppose any exemption either for residents of residential homes, or for hostel residents, for the time being, though in the former case I would be willing to reconsider later. I should be grateful to have your views, and those of colleagues, not later than 6 November if we are to settle this in time to finalise drafting of the Scottish Bill.

I am copying this to members of E(LF) and to Sir Robert Armstrong.

and success,



Ry

PP

NICHOLAS RIDLEY

(Approved by the Secretary of State and signed in his absence.)