



PRIME MINISTER

COMMUNITY CHARGE EXEMPTIONS

ATTACHED

At E(LF) on 23 April it was decided that the severely mentally handicapped and residents of "homes" and hostels should be exempted from liability to pay the community charge. It was also decided that students should be liable to pay only 20% of the community charge.

Since then my officials and those from other Departments have been considering how these decisions should be implemented. I now attach a paper which sets out my detailed proposals for the handling of these exemptions.

I should point out that one of my proposals - that we should not attempt to keep homes and hostels in rating in England and Wales - would involve reversing a decision taken at E(LF) on 23 April; and that the proposal for compensating for the student discount had not been agreed conclusively at official level. I am confident, however, that the solutions I have put forward are the most appropriate in the context of the Rate Reform Bill.

In view of the time constraints I am under in preparing my Bill, my officials will be instructing Parliamentary Counsel in accordance with the proposals in the paper. It would therefore be helpful to know urgently whether colleagues see any major problems. Minor changes can be made later, if necessary when draft Clauses have been prepared.

I am copying this letter to the Lord President, members of E(LF) and Sir Robert Armstrong.

Rhys I. P. N R

20 July 1987

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

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COMMUNITY CHARGE EXEMPTIONS

Severely mentally handicapped

1. I propose that, in England and Wales, a person should be exempt from the personal and collective community charges if:

(a) he has a certificate from his general practitioner that he is suffering from a state of arrested or incomplete development of mind which includes severe impairment of intelligence and social functioning; and

(b) he is in receipt of Severe Disablement Allowance (SDA).

2. The definition in (a) is the same as that included in the Abolition of Domestic Rates Etc (Scotland) Act, and the requirement for a certificate is also in line with what is proposed in Scotland. The SDA qualification has been agreed by my officials and those from DHSS. The intention is that only those who already qualify for SDA (which is paid to the physically as well as to the mentally disabled) should be able to apply for a certificate of mental impairment: the effect will be to discourage frivolous or unjustified applications for certificates.

3. I understand that it is usual practice for general practitioners to receive payment for issuing a certificate. In my view it is important that the cost should not be borne by the applicant, but I understand I do not need to make provision for this in my Bill.

Residents of "homes" and hostels

4. DHSS officials have put forward a series of lengthy definitions of the various caring institutions, the residents of which will qualify for exemption from the personal community charge in England and Wales. While I would have preferred a more concise series of definitions, I am content to be guided in this by DHSS. Broadly speaking, the institutions covered are private and voluntary residential care homes; local authority residential care homes; registered nursing and mental nursing homes; and hostels providing accommodation and care with a view to rehabilitation or resettlement in the community. I understand that a different set of definitions will apply in Scotland, because of the different legislation under which homes and hostels are provided north of the Border, but the effect will be broadly the same.

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5. I put on record, in my minute of 28 April to the Prime minister, my view that we would need to reconsider at least some of the decisions taken about exemptions by E(LF) on 23 April. One such decision was that homes and hostels should continue to pay rates, on the basis that leaving them in rating would ensure that the residents contribute to the cost of local services. In fact, virtually all of these institutions qualify for rate relief, and we have given a firm commitment that the existing pattern of exemptions and reliefs from rates will continue. To a large extent, therefore, keeping these institutions in rating would be a meaningless gesture.

6. Moreover, in order to keep homes and hostels in rating we would have to allocate them artificially to the non-domestic sector (for which rating will continue), when under the system I envisage for the Rate Reform Bill they fall naturally into the category of residential property (for which we are abolishing rates and introducing the community charge). This would mean that we were keeping a cumbersome piece of legislation, the Rating (Disabled Persons) Act 1978 - and an associated specific grant, and complicating the Rate Reform Bill to no useful purpose.

7. I propose, therefore, to leave homes and hostels in England and Wales in the residential sector and not to attempt to make them theoretically liable to rates. I do, however, intend to ensure that the community charge exemption for residents of homes and hostels applies only to those receiving care; resident staff will pay the charge.

8. I appreciate that in Scotland it will be necessary to keep homes and hostels in rating, because that is the only mechanism in the ADRES Act for exempting the residents from the community charge. But in practice rates will not be paid in the vast majority of cases, because of the reliefs I have mentioned. For the reasons I have set out I see no reason to follow this approach in England and Wales.

Students

9. The Scottish Office are taking the lead in devising a definition of students who would be entitled to the 80% community charge discount. I understand that Malcolm Rifkind will be circulating a paper on this shortly. It is clearly vital that we agree a tight definition which eliminates, as far as possible, the scope for those who are not bona fide students to claim the discount. I understand the Scottish Office will propose a definition which includes only full time students involved in reasonably long courses (say two terms or more). I strongly support this approach.

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10. As far as the mechanics of the student discount are concerned, I propose to make provision in my Bill for registration officers to be able to require colleges to supply information about students for the purposes of community charge registration; for colleges to be under a duty to supply such information; and for colleges to be required to issue full-time students with certificates, which would be of use in proving their status and claiming the discount.

Paying for the exemptions

11. The exemptions agreed by E(LF) will mean that local authorities have to forgo the income they would otherwise have collected from the individuals who have been granted exemptions or discounts. One possibility would be to let these losses lie where they fall. This would mean authorities levying higher charges on all their other adults. But, given that the proportion of people eligible for the concessions will vary substantially between authorities - particularly the numbers of students and people in old people's homes - and will be significant in some areas, such an outcome would be demonstrably unfair.

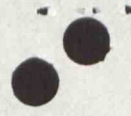
12. I propose, therefore, that authorities should be compensated for the exemptions and discounts that they will be required to give.

13. In the case of exemptions, I propose that compensation should be given simply by taking account of the numbers of exempt people in setting the population base for the purpose of equalisation. This will mean that authorities will be compensated only for spending at the level of their assessed need. Any authority spending less would be overcompensated, while authorities spending above their needs assessment would receive only partial compensation.

14. For students, who will not be exempt, but will pay 20% of their community charge, I propose a different compensation mechanism. There will be a specific grant to compensate authorities for the cost of community charge rebates. Since the student discount achieves the same effect as an 80% rebate, it would, in my view, be appropriate for compensation to be paid in the same way - by a (separate) specific grant. It would, in any case, be quite inappropriate to compensate for students by adjusting the population base, since this could only be done by counting each student as 20% of an adult - a clearly absurd procedure.

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The purpose of the present document is to provide information to the public regarding the proposed changes to the local government rating system. The proposed changes are designed to provide a more accurate and fair assessment of local government performance. The proposed changes will be implemented on a trial basis for a period of one year. The proposed changes will be subject to public comment and a final decision will be made by the local government rating board.

Factors for the evaluation

1. The evaluation system by (ERP) will mean that local authorities have to form the income they would otherwise have collected from the individuals who have been granted exemption from taxation. A person's liability would be based on these losses for work they do. This means that the proportion of people exempt from all their other duties, but, given that the proportion of people exempt from the tax system will vary substantially between authorities - and will vary further the number of people and people in different powers - and will be different in some areas, but an outline would be as follows:

1. Income, therefore, that authorities should be permitted for the purposes of the present document that they will be required to give.

1. In the case of exemption, I propose that compensation should be given to the authority in the form of an exemption from the tax system. This will be based on the population base for the purpose of the present document. This will be assessed by the authority and will be based on the level of the present document. Any authority applying for exemption will be overcompensated, while authorities applying for exemption will receive only partial compensation.

1. For students, who will not be exempt, but will get 20% of their community rating, I propose a different compensation mechanism. There will be a specific amount to compensate authorities for the cost of community charge rates.

1. The student discount applies the same effect as an 8% rebate, it would be a 20% rebate for the authority to be paid in the same way as a 20% rebate. The amount to be paid to the authority is the same as the amount to be paid to the authority. The amount to be paid to the authority is the same as the amount to be paid to the authority. The amount to be paid to the authority is the same as the amount to be paid to the authority.

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