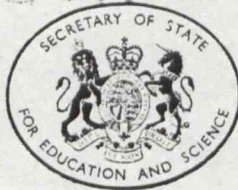


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The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham St
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NBRN

28 July 1987

Jim Muir

COMMUNITY CHARGE EXEMPTIONS

ATTACHED

I have seen your letter of 20 July to the Prime Minister.

My interest is in the arrangements applying to students. We have agreed that students should be liable at their term-time address for 20% of the community charge. You mention that the Scottish Office are taking the lead in devising a definition of a student for this purpose. I agree that we need a definition which restricts the community charge discount to bona fide full-time students, but I foresee difficulties if the definition is too tightly drawn. There will have to be further discussion between officials.

I also agree with you that there must be some compensation to authorities for the discounts given to students. However I am not convinced of the need for a new specific grant. I do not see a direct parallel with the arrangements for reimbursing authorities for the costs of rebates to those on housing benefits. In that case the rebates are part of a wider scheme of income support and depend on the individual's income. It is sensible to take account of the variable rebate payments as part of the wider specific grant for housing benefit. But for students the position is much simpler: all will be liable for exactly 20% of the charge. Full compensation for authorities spending at need could be achieved by counting each student as one-fifth of an adult in the population base for calculating RSG. There is no need for the additional bureaucracy which would be needed for dealing with the payment of grant to 330 different authorities.

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I do not see that there is anything odd in counting students in this way. The population base for this purpose is, after all, no more than a measure of the authority's ability to raise income from the community charge; it will be quite different from the population figure used, for example, in needs assessments, which will include those under 18 and adults not liable for the charge. I see no difference in principle between counting students as 0.2 to reflect their reduced liability and leaving out of the count completely those who will be exempt from the charge. I am aware that this mechanism will not compensate authorities for spending significantly above need; but I see this as an advantage. With compensation through specific grant based on the actual level of the charge we might be thought to be endorsing overspending.

We should also be aware of the likely size of a specific grant. I estimate that it might amount to £110 million a year at 1987-88 prices once the community charge is fully in place. In order to maintain the existing balance between the national and local taxpayer, this sum would need to be found from the grant which would otherwise be available for the new revenue support grant to local authorities.

I hope that in the light of these comments you will be willing to reconsider this aspect of your proposals. I am copying this letter to the Prime Minister, the Lord President, members of E(LF) and Sir Robert Armstrong.

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