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PRIME MINISTER

COMMUNITY CHARGE; EXEMPTIONS

The Local Government Finance Bill has now had two days of Committee consideration in the Lords. Committee Stage began in the best possible fashion thanks to the good work of John Belstead, Bertie Denham and all the others who ensured the comprehensive defeat of Lord Chelwood's amendment. As expected, However, Malcolm Caithness and Simon Glenarthur then came under considerable pressure during some of the debates on exemptions from the personal community charge. This minute deals with those topics on which undertakings were given to consider the policy. It sets out a package of proposals which will, I believe, ease the passage of the Bill while at the same time causing a minimum of damage to the principles underlying the new system.

PEOPLE WHO SLEEP ROUGH

We have always had a presentational difficulty in seeking to make people who sleep rough liable for the personal community charge. During the passage of the Scottish Act, and again during Commons Stages of the Local Government finance Bill, we have had to admit that, whatever the position in theory, in practice it would be very difficult to ensure that these people were registered for and paid the community charge.

A further problem is that Parliamentary Counsel has told us - and the Attorney General agrees - that there is considerable doubt as to whether the Bill as drafted covers those who sleep rough; and that, if he wanted to ensure that it did extend to them, we would need a Government amendment to say so. In view of the concern shown already by the Lords, and the fact that we could not realistically claim that these people could be made to pay, any such amendment would certainly be defeated.



In the circumstances, I think the best course would be specifically to exempt those who sleep rough; and to move a Government amendment accordingly. In practice, the loss of income to local authorities as a result of such an exemption would be negligible.

PEOPLE WHO STAY IN HOSTELS

The Lords were also concerned about people who stay in hostels and who would, under the Bill as it stands, pay collective community charge contributions. One argument will be that, if we exempt those who sleep rough, then there will be a disincentive for people to go into hostels, such as those run by the Salvation Army. But wherever we draw the boundary there will be a disincentive of some kind.

We have already exempted people staying in hostels providing care or treatment (for example drug rehabilitation hostels). I think we should resist widening this exemption to cover general purpose hostels. It will be much easier to secure payment from people who stay in hostels than it would be from those who sleep rough. And there are well-established arrangements for paying social security benefits - which will of course include an amount in respect of the community charge - to those staying in hostels.

However, if we are to defend the present position so far as liability is concerned, I think we must be prepared to meet the administrative worries that have been raised by bodies like the Salvation Army. They are concerned about the way in which those staying in such hostels will obtain the 80% rebates, for which nearly all of them will be eligible. The Salvation Army are concerned that, if people who stay in their hostels cannot show evidence of eligibility for a rebate, those individuals will have to pay the full community charge. They are also concerned about



the cost to the hostel owner who, in such circumstances, decides not to levy the full charge, but is still liable to pay the unrebated amount to the local authority.

DHSS Ministers are also anxious about the mechanics of getting rebates to people who may stay in hostels for only a few nights at a time. Nick Scott has therefore suggested that, in the case of certain types of hostel where virtually all those staying there will be eligible for maximum rebates, the hostel owner should be required to collect and pass on to the local authority only 20% of the community charge. I support that proposal. It eases the administrative burden for local authorities in operating the rebate system, and reduces the risk of hardship to those who stay in hostels and to organisations like the Salvation Army.

The cost of such a scheme will arise from the small number of individuals who stay in such hostels, and will be required to pay only 20% of the community charge, but would not be eligible for maximum rebates. However, I believe we can limit the scheme so as to keep those numbers very small. The Salvation Army, for example, has under 5000 beds in its general-purpose hostels. Other organisations probably have about the same number again. It seems unlikely that more than 10% of those staying in such hostels at any time are people who would not be eligible for 80% rebates. On that basis, the net cost of a concession would be about £200,000 a year - against which should be set the administrative saving to local authorities.

VOLUNTEERS

Another group on behalf of whom there was strong pressure for an exemption - from all parts of the House - was volunteer workers. Had Malcolm Caithness not agreed to consider an exemption, an amendment would undoubtedly have been carried against the Government.

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Volunteers are young people who work, for periods of up to a year or so, under the aegis of churches and charitable organisations. Many of them care for the elderly and handicapped. The volunteers generally have accommodation provided, and receive 'pocket money' - typically around £16 a week. This means that they would be eligible for 80% rebates, but not for income support (because they are not available for work). They would therefore have to pay the 20% net community charge bill out of their pocket money.

The case for an exemption is by no means overwhelming. The arguments of accountability apply to volunteers as they do to other young people. And, in financial terms, paying 20% of the community charge (around £1 a week on average) out of £16 a week pocket money would not put volunteers in a noticeably worse position than many other unemployed young people or students.

However, there is no doubt that the Lords will pass an amendment exempting volunteers if we do not put forward a Government amendment. We would then be in the difficult position of having to ask the Commons to delete the exemption - and the Lords to accept that decision - if we were to sustain our position. And there are some attractions in a scheme that encourages young people to become volunteers if they cannot find paid employment. In the circumstances, I think we should be prepared to agree to exempt volunteers - with a Government amendment that is drawn as tightly as possible.

I have asked my officials to consider, and discuss with Parliamentary Counsel, how such a narrowly-defined exemption might best be drafted. The criteria may well need to include

- restricting the exemption to young people;
- ensuring that it applies only to those working full-time for charities and churches;



- an income test: those who are exempt must have incomes significantly below the income support level.

The largest organisation in the field - Community Service Volunteers - has about 3000 young people working under its aegis. Assuming that 5,000 people in all might benefit from an exemption, the net cost (allowing for the fact that all would, in any case, have been eligible for 80% rebates) would be around £250,000 a year.

OTHER GROUPS

I do not, at this stage, envisage the need for any other exemptions. An amendment calling for 100% rebates for a wide range of handicapped people was defeated. All other amendments proposing exemptions or reliefs were withdrawn without the need for any Government undertaking to consider them.

CONCLUSIONS

I would be grateful for colleagues' agreement by close of play on Thursday 9 June to the following amendments to the Local Government Finance Bill:

- (i) an exemption for those who sleep rough; ✓
- (ii) automatic 80% reductions in liability for those who stay in certain types of hostels; ✓
- (iii) a tightly drawn exemption for volunteers. ✓

I estimate that the overall cost of these provisions, in terms of net community charge income foregone, should not exceed £½m a year.

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I am copying this to members of E(LF), the Lord Privy Seal, Chief Whips in the Commons and the Lords, and to Sir Robin Butler

RB Butler

RB

NR

2 June 1988

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

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