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The Rt Hon John Moore MP  
Secretary of State for Social Services  
Richmond House  
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2 July 1988

Dear Secretary of State

LOCAL GOVERNMENT FINANCE BILL: LORDS CONSIDERATION OF COMMONS REASONS

As you know, the Bill goes back to the Lords today, Tuesday 26 July, for consideration of the amendments made in the Commons last Wednesday. The most important of these is the deletion of Lord Allen's amendments providing 100% rebates for the disabled.

It is not yet clear whether Lord Allen, or indeed anyone else, will seek to reintroduce those, or similar, amendments. But there must be a possibility that they will.

We obviously need to do everything we can to ensure that the Government is not defeated again on this point - that would increase the pressure on the Government to make a concession, or run the risk of losing the Bill for this Session. What Malcolm Caithness is able to say, in those circumstances, will be crucial.

I enclose a draft speaking note which Malcolm envisages using. You will see that, in the last three paragraphs, we are attempting to offer reassurance to the Lords on two points: the level of the uprating for 20% of the community charge, where I envisage going rather further than we have done so far in revealing the decision we took last autumn in E(LF), and the recent proposal you circulated for comment; and the Government's willingness to keep under review the social security payments to disabled people.

I would be grateful for your, and colleagues', comments as soon as possible, and no later than 2.30pm this afternoon.

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

Yours sincerely  
R. Bridgman

NICHOLAS RIDLEY

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

LCCR - DRAFT SPEAKING NOTE FOR LORD CAITHNESS ON THE DISABLED AND THE COMMUNITY CHARGE

My Lords, when we debated that the Local Government Finance Bill should pass from this House, virtually all those who spoke remarked on the good spirit in which our debates on the Bill had been conducted. There were many references, too, to the concessions that the Government had made as a result of the arguments that were put forward in your Lordships' House.

I believe that the consideration of this Bill has shown the value your Lordships' House as a revising Chamber. There is no doubt in my mind that the Bill was greatly improved as it left this House compared with when it arrived.

Those who attended our debates will recall the many important changes that the Government made as a result of the arguments that were put forward by noble Lords from all sides. I have in mind particularly the exemption from the personal community charge for the homeless, and for those who stay in night shelters and short-stay hostels, such as those run by the Salvation Army. We also brought forward amendments to exempt from the community charge voluntary care workers; we extended the exemption for the severely mentally impaired to cover those who become handicapped as a result of an accident in adulthood; we moved amendments to exempt prisoners on remand as well as those who had been convicted.

We agreed that people going into hospitals and nursing homes should be exempt from the standard community charge. We accepted an amendment moved by the noble Lord, Lord Meston, to prevent the extract of the community charges register from being sold.

Elsewhere in the Bill we deleted a whole Part - dealing with residual domestic rates. We undertook that there would be a de minimis rule for liability to business rates, so that these would not be payable by, for example, child minders, or those who offered seasonal bed and breakfast accommodation. We also made a very substantial concession by agreeing that the mandatory rate relief for charitable property should be 80%, rather than only 50% as it is now. That concession alone will save charities £50m a year.

As I have listed the changes that were made, it is noticeable how many of them concern the most disadvantaged members of our society - the homeless, the handicapped, those on very low incomes - and the organisations that are dedicated to caring for them. That is a testament to the concerns of your Lordships' House. But it is, I think, also a clear indication of the Government's willingness to listen and, on issues such as these, to be guided by the wisdom and expertise of your Lordships' House.

My Lords, I have prefaced my remarks in the way that I have because I think it is important to set in context the issue now before us - the disagreement by another place to the amendment moved by the noble Lord, Lord Allen of Abbeydale and added to the Bill at Report Stage in your Lordships' House. The Government gave many concessions on the Bill. It was defeated only twice. And this is the only group of amendments which, in the Government's view, would strike so fundamentally at the basic purpose of the Bill that they should not be included.

This is, I know, a matter on which many noble Lords - on all sides of the House - feel strongly. That was why your Lordships' House decided to give the other place - and the Government - the opportunity to consider this matter again. This is an issue which the Government has thought deeply about. The decision to invite the other place to disagree to the amendments was not one that was taken lightly. I must also point out that the noble Lord, Lord Allen's amendments were fully debated in another place, and my rt hon Friend the Secretary of State set out in detail the reasons why the Government had taken the view that the amendments were unacceptable.

The Government's attitude to the noble Lord, Lord Allen of Abbeydale's amendments is not born of any lack of concern for the disabled. That much, I hope, is evident not just from the concessions we have made on this Bill to the disabled. I would also remind your Lordships that, as a result of the social security changes which took effect from April this year, disabled people on average are £4.50 a week better off than they were before. The Government's aim has been to target help where it is needed - among the main beneficiaries from that policy have been the disabled.

The same is true, my Lords, of the community charge rebate system. It too will be specifically designed to give extra help, in three important respects, to those who are disabled.

- First disabled people will be eligible for rebates - whether the maximum, or any other level of rebate - at far higher net incomes than their able-bodied counterparts. In 1988/89, for example, that differential is £13.05 a week.

- Second for those disabled people who have an income, the first £15 a week of that income is disregarded in calculating their entitlements to rebate. For individuals who are not disabled, the disregard is only £5 a week.

- Third the whole of any mobility allowance and attendance allowance will be disregarded in calculating entitlement to community charge rebate, as well as the first £5 a week of any war pension.

I have already referred to the amendments which were made to the Bill in your Lordships' House, which ensure that those who are severely mentally impaired as a result of accidents in adulthood are exempt, as well as those handicapped from birth or in childhood. I must also say at this point that I suspect there may be some misunderstanding about the extent of the exemption for the severely mentally impaired. A number of individual cases have featured in the press and on radio recently, in discussions on this topic. All the cases I am aware of concern mentally handicapped young people living with their parents. On the facts as I have seen them described, all the young people concerned would be exempt from the community charge. Under no circumstances would they therefore be required to pay anything; and no question of a rebate would arise.

I realise that, where people would not be exempt, concern arises from the fact that, in high spending areas, the 80% rebate to which a person on low income would be entitled, plus the uprating included in their income support, would not cover the whole of the community charge bill they would receive. My Lords, I do not deny that. But I do want to caution against concentrating on the illustrative community charges in just one or two areas where spending is very high. In our discussions on this subject, for example, the case of Camden has been quoted frequently. But it is important to note that the illustrative community charge for Camden, based on 1988/89 spending, is £147 lower than the equivalent figure based on 1987/88 spending. I have every reason to believe that the figure will continue to fall. There is absolutely no reason to expect that, by the time the new system is fully in force in 1994, the Camden community charge will be anything like the £639 that present spending would imply.

Those living in low-spending areas will be slightly in pocket as a result of our proposals. Those living where spending is higher will find that they will have to pay slightly more. That will be true of all those who are community charge payers in any area. In the case of those on low incomes - including the low-income disabled - the amounts involved are small: a few pence per week. But the Government believes that those amounts are crucial to ensuring that local councils are fully accountable to the adults in their areas.

My Lords, during the passage of this Bill the Government has shown that it is willing to listen, and to modify its proposals in the light of concerns that have been advanced. I must emphasise again that the severely mentally handicapped will be entirely exempt from the personal community charge. This debate is not about those individuals.

So far as other disabled people are concerned, however, I have to say - as I did in your Lordships' House at Report Stage - that we come up against one of the basic tenets of the community charge system.

Before I sit down, however, I would like to give two further categorical assurances, which will, I hope, underline the Government's concern in these matters. The first involves the level of uprating to be included in income support to reflect the 20% community charge payments that will be made. That uprating will be carried out this autumn, in time for the start of the community charge system in Scotland in 1989. In deciding the amounts to be included within income support, the Government will take account of the best estimate available at that time of likely community charges. We shall look carefully at the amounts likely to be paid by various groups, and make sure we include an amount which is at least 20% of the likely average community charge level we then foresee.

The second point on which I want to reassure your Lordships is this. Much of the concern that has been expressed - in your Lordships' House and outside - relates in practice to the total amount that needs to be provided for disabled people to live on. I believe that the Government has an excellent record in this respect: I have already referred to the more generous treatment that disabled people receive in the social security and rebate systems. But the Government has no intention of resting on its laurels. We keep, and will continue to keep, these matters under constant review. We have already shown that we can and will react very quickly if, for example, the size of the disability premium or the earnings disregards for disabled people need to be increased.

My Lords, that approach, of reflecting the needs of disabled people in the social security systems, is, it seems to me, the appropriate one. On the basis that the Government is committed to it, I invite your Lordships to agree that we should not pursue the amendments put forward - for altogether laudable motives - by the noble Lord, Lord Allen of Abbeydale.



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