

15 April 1987

COMMUNITY CHARGE EXEMPTIONS

You are meeting after Cabinet next week to discuss Mr Rifkind's papers E(LF)(87) 7 and 8 about exemptions from the Community Charge. The first deals with the position of students and the second with that of the elderly, disabled and mentally handicapped. Mr Rifkind wants to make certain concessions as a result of pressure in the Lords. So far, the Government has agreed that only prisoners and long stay residents in hospitals should be exempt from the Community Charge.

Position of Students

Present policy is that 80% of the average community charge in Scotland will be added to Students grants. Mr Rifkind proposes instead to add to students' grants 100% of the community charge in their university town and that students who do not receive a grant including overseas students should pay only 50% of the community charge.

Each local authority in the United Kingdom will be paying grant to students attending universities in England, Scotland and Wales so this is one area where it would be administratively inefficient to make different arrangements for Scotland. Paying grant in relation to the charge in a students' university town, will not work in England where a student may study in Camden (community charge £390) but live in Bexley (community charge £205). So we do not favour Mr Rifkind's proposal.

On the other hand, the present solution puts students in a worse position than other groups whose charge is partly paid from public funds because they pay both 20% of the cost and (unlike benefit recipients) any excess above the average

charge. The simplest way of dealing with this is to base grant on 100% of the average charge. This still promotes accountability because students will have to meet the full cost above average themselves.

But we see no reason to reduce the charge to students who do not receive a grant, including those from overseas. They may make considerable use of local authority services and many of them (including all the home students not receiving grants) will come from well off families. It is the responsibility of home Governments to provide support for overseas students who are less well off.

The Elderly, Disabled and Mentally Handicapped

Universality is an important principle underlying the community charge. We should depart from it only in the most exceptional circumstances where the justification of greater accountability does not apply. Mr Rifkind proposes:

- an exemption from the community charge for the severely mentally handicapped;
- an exemption for residents of homes and hostels;
- a 100% rebate for certain categories of the disabled.

We agree that there is a case for exempting the severely mentally handicapped from the charge since the accountability arguments are of little relevance to them. But this exemption should only be granted if there is no doubt that the proposed definition is watertight and properly policed.

However, we do not accept the case for exempting residents of 'homes and hostels' as set out in John Major's letter of 2 March. Some of those residents will be well able to meet

the community charge and should do so. Where they are not there is no good reason to give them more favourable treatment, for example, than those cared for in the community. Although there is a difficult borderline between this group and those resident in hospitals (whom it has already been agreed should be exempt) we question rather whether the latter group should be exempt.

The same counter arguments apply to Mr Rifkind's proposals to increase from 80% to 100% the community charge rebate to disabled people receiving the attendance, mobility or severe disablement allowance. There is certainly no less reason to expect the physically disabled to make responsible decisions when they vote than other groups in the community. There is no more reason to exempt them than other groups of poor people who are disadvantaged, for example some over-80s. The present rate relief for the disabled is designed to counteract the higher rates they pay because houses adapted for the disabled tend to have higher rateable values. These grounds clearly do not apply to the community charge.

Conclusion

Students should receive an addition to their grant equal to 100% of the average community charge payable in Scotland. The severely mentally handicapped should be exempt from the community charge. Other than this there should be no exemptions from the community charge other than those previously agreed.

Peter Stredder

PETER STREDDER