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E(LF) (86) 4th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

MINUTES of a Meeting held in
Conference Room A, Cabinet Office on
THURSDAY 2 OCTOBER 1986 at 9.00 am

PRESENT

The Rt Hon Viscount Whitelaw
Lord President of the Council
(In the Chair)

The Rt Hon Douglas Hurd MP
Secretary of State for the
Home Department

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and
Industry

The Rt Hon John Moore MP
Secretary of State for Transport

Dr Rhodes Boyson MP
Minister of State, Department of
the Environment

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Major MP
Minister of State, Department
of Health and Social Security
(Minister for Social Security)

Mr Mark Robinson MP
Parliamentary Under-Secretary
of State, Welsh Office

Mr Michael Ancram MP
Parliamentary Under-Secretary
of State, Scottish Office

SECRETARIAT

Mr J B Unwin
Mr A J Langdon
Mr J E Roberts

SUBJECT

STUDENTS AND THE COMMUNITY CHARGE

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STUDENTS AND THE COMMUNITY CHARGE

The Sub-Committee considered Memoranda by the Secretary of State for Scotland and the Secretary of State for Education and Science about students and the community charge (E(LF) (86) 6 and 7).

THE SECRETARY OF STATE FOR SCOTLAND said that the Green Paper 'Paying for Local Government' (Cmnd 9714) had envisaged that students would be liable to pay the community charge like all other adults, but had not indicated how they would be provided with the resources to do so. A comprehensive review was under way on student support, but this would not report until the Summer of 1987, and decisions must be made for Scotland at least in time for the Bill to be introduced early in the new Parliamentary Session.

In principle there were three ways in which students might be treated. First, they could be left in the same position as all other adults, relying on the social security system for help to pay the charge if their income was low. While this approach had some logic, it was inconsistent with the general policy of removing students from the social security system and he therefore did not favour it.

The second option was to exempt students from paying the charge. This had many attractions, and in particular would avoid the difficulties of administration and the problem of the wide variation in the level of charge in different parts of Great Britain. But it would undermine the general principle that the community charge would be a universal obligation, and he therefore did not support this option either.

The third option was to make an addition to the student grant to enable students to pay the charge. The addition might either be a national flat rate, or differentiated to reflect variations in the actual level of charge.

In Scotland the range of charges would not be so great as to rule out a flat rate addition, and he therefore favoured this approach. The range of charges in England and Wales would, however, be wider and so other arrangements might be necessary there. He would propose that the grant supplement should be available to all students, not only those currently in receipt of grants: otherwise parents supporting their children would effectively be paying the tax on their behalf.

He also proposed that students should be required to register and pay the tax at their term time address as proposed in the Green Paper.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that it was common ground that if students had to pay the charge they would require some form of compensation. The community charge would be a substantial additional financial burden, and students living in halls of residence made no identifiable contribution at present through the rating system. He agreed that it would not be appropriate to provide support through the social security system. The variation in the community charge in Scotland might be sufficiently narrow for a flat rate addition to grant to be sustainable there, but the range in England and Wales (from about £72 to £462 per adult) was too great for any form of average supplement to be acceptable. It would be possible to link the grant addition to actual levels of the charge, but this would involve the creation of onerous new administrative machinery.

He therefore concluded that on balance students should be exempt from the community charge. He recognised that this would run against the general principle of a universal charge, but it was the simplest and fairest way of dealing with the problem. It would, however, be essential to ensure that this did not establish a precedent for other low income groups to claim exemption, and he believed it would be possible to treat students as a unique category.

In discussion the following points were made -

a. The rationale for introducing the community charge was to establish a clear link between the right to participate in local decision making and the liability to bear a share of the cost. Students could have a substantial influence in local elections, and accountability would be greatly undermined if they were not liable to pay local taxes. On the other hand the application of the charge to students, and their registration at their place of study, might have a destabilising effect on the political life of some university towns.

b. Other groups on low incomes would regard it as unfair if students were exempt from the community charge. But students were the only group who as a matter of policy were likely to be excluded from the social security system, and it would therefore be possible to justify their exemption from the community charge on this ground.

c. If there were an exemption scheme, the definition of full-time student would need to be carefully drawn so as not to provide an easy loop-hole. It would be possible, for example, to allow exemption only for those who either qualified for a state grant or would have done so except for their parents' income. Overseas students would then not receive exemption. But such a scheme would also exclude a large number of students attending education establishments outside the state sector - for example, the Central School of Ballet.

d. A flat-rate addition to grant would be a more acceptable way of reimbursing students if the range of the community charge could be reduced. But the Government should not take steps which would undermine the clear link between high spending and high local taxation. If grants were increased, the additional cost to the Exchequer should be found from reductions in grants to local authorities. The precise mechanisms would, however, require further considerations.

e. There would be problems in defining exemptions for houses in multiple occupation subject to the collective community charge where some residents might be students and others not.

THE LORD PRESIDENT OF THE COUNCIL, summing up the discussion, said that the Sub-Committee recognised that there were arguments both for and against exempting students. On balance, the Sub-Committee's conclusion was against exemption though they were clear that it would be wrong to compensate students through the social security route. Their provisional conclusion, therefore, was that in Scotland students should be liable to pay the community charge, and there should be a flat rate addition to grants to reflect the average charge, in full or part. This conclusion might, however, need to be reconsidered in the light of the Sub-Committee's decisions on how other groups on low income should be treated. It should be made clear from the outset that this decision in respect of Scotland did not necessarily commit the Government to adopt the same approach to compensation when the community charge was introduced throughout Great Britain. This would need to be reconsidered in the light of the review of student support.

The Sub-Committee noted that the Green Paper 'Paying for Local Government' indicated that students would be required to register for the community charge at their term time address, but this raised a number of potential problems and might need to be considered further. Further work was also required on the definition of a full-time student for the purpose of assistance with the community charge, and on the implications for the Rate Support Grant system.

The Sub-Committee -

1. Noted, with approval, the Lord President's summing up of their discussion.
2. Agreed that the Scottish legislation should be drafted on the basis that students studying in Scotland would be liable for the charge, and that they should be compensated by a flat rate addition to grant.

3. Agreed that commitments about the treatment of students in England and Wales were to be avoided.

4. Invited the Secretary of State for Scotland to consider further, in consultation with the Secretary of State for the Environment, the Secretary of State for Education and Science and the Chief Secretary, Treasury, at which address students should be registered; the definition of full-time students; and the consequences for the local government finance of increasing student grants.

Cabinet Office

2 October 1986