



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Minister of State for Social Security and the Disabled

CHIEF SECRETARY	
REC.	18 MAY 1988
Mr Potter	
Mr. Anderson, Mr. Philip	
Mr. Howard, Mr. Melville	
Mr. Tomball, Miss Austin	
Mr. Saunders, Mr. Rowlands	
Mr. Fellgett, Mr. Call	

Rt Hon Nicholas Ridley MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 LONDON SW1

17 May 1988

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See Nicky,

REBATING COLLECTIVE COMMUNITY CHARGE CONTRIBUTIONS

As you know, we have proposed that residents in premises that are registered for the collective community charge should be eligible to claim rebate on their collective community charge contributions in the same way as people liable for the personal community charge. However for those in collective community charge premises, the rebate would have to pass from the local authority to the claimant, who would then have to give it to the landlord, who would then have to return it to the local authority in discharging his community charge liability.

We have been considering the arrangements for this triangular procedure with the local authority associations, and I am afraid that we cannot see how it can be made to work in any way that would render us safe from criticism. Local authorities would be required to adopt very complex administrative arrangements, and claimants would have to follow administrative procedures which many of them may be incapable of comprehending. The rebate procedures would need to be so complex that they would risk attracting ridicule. People who spend a short period away from the main residence where they pay their personal community charge may stay either in a collective community charge hostel or in a hotel; we are already open to criticism in that we require poorer people to pay the community charge twice, and I would be reluctant to add to this by requiring them to be subject to complex rebating procedures also.

Officials here have discussed a range of possible approaches with the local authority associations, with representatives of our local office network, and with some of the proprietors of premises that are likely to attract collective community charge registration. The best option that we have been able to devise would require a typical unemployed claimant who booked into collective community charge accommodation to visit three offices in the course of a day: the UBO to register as unemployed; the DHSS office to claim income support; and the local authority to claim rebate and be issued with a voucher. Many claimants would be unable to manage this, and then would either have to pay the initial contribution in full without

having the resources to do so, or else the landlord would have to credit the claimant with a rebate and run the risk of having to bear the cost of it himself. Gearing themselves up to make emergency assessments would be difficult and expensive for both local offices and local authorities, and in some cases there will inevitably be delays while entitlement to income support is established. The new Social Fund arrangements make it unlikely that this particular group of claimants will be able to receive emergency loans. The use of vouchers instead of cash would reduce the risk of squandering or theft, but would not simplify the procedures.

These formidable difficulties could be overcome if local authorities were to be given the option of making maximum community charge benefit entitlement automatic for all the residents of particular collective community charge premises. Whether or not particular premises are to be registered for the collective community charge is, of course, to be a decision for the Community Charge Registration Officer, having regard to the conditions laid down in the legislation. Although we expect that a large majority of these premises will cater almost exclusively for transient people on low incomes, none of the conditions refer specifically to poverty. It is therefore difficult to see how the CCRO could reasonably decide whether the residents of a particular premises were likely to be eligible for benefit. Because of this, I propose that local authorities should be given the option of deciding whether or not premises should attract an automatic maximum rebate. Where it is decided that the automatic rebate should not apply, individual residents would remain eligible to apply for rebate. Where it is decided that the automatic rebate should apply, all residents would receive the maximum rebate without being required to claim it. They would pay the landlord only the 20% minimum collective community charge contribution, and the landlord would pay the local authority only 20% of his collective community charge liability. The principle of accountability would thus be maintained.

I see many advantages in this approach. It is likely that a clear majority of the residents of the premises where automatic maximum rebate applied would be entitled to maximum rebate anyway, so there would be little financial loss and a significant reduction in the administrative burden for local authorities, for landlords and for individual claimants, with a consequent reduction in administrative costs. And we would be much less vulnerable to political pressure. I must emphasise that I am proposing an automatic maximum rebate rather than an exemption from 80% of liability along the lines of the exemption for full-time students; this would significantly reduce the risk of other groups pressing for similar treatment, and would ensure that local authority revenue from the community charge was maintained.

If this proposal is acceptable in principle, we shall, of course, need to think through the implications very carefully. It will be important to ensure that local authorities do not have an incentive to grant automatic rebates in all cases, and we may need to deal with this through the arrangements for subsidising the costs of automatic rebates. You would need to consider the basis on which the landlord's handling fee is to be calculated, and I am advised that an amendment would be needed to Schedule 13 of the Local Government Finance Bill to provide us with the necessary power to alter the benefit entitlement provisions.

E.R.

I am copying this letter to Malcolm Rifkind and to Peter Walker since I envisage the proposed procedure applying in Scotland and Wales as well as in England, and also to John Major.

I would appreciate an early response, since Scottish local authorities are pressing us for full details of the rebate arrangements.

Yours truly,

Nick,

NICHOLAS SCOTT